SONY CORP
Form 20-F
June 23, 2015
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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

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2015

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

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(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*	New York Stock Exchange
Common Stock**	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:

	Outstanding as of	
Title of Class	**March 31, 2015 (Tokyo Time)**	**March 31, 2015 (New York Time)**
Common Stock	1,168,741,937	
American Depositary Shares		127,805,220

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ 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 þ

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 þ 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 þ 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.

þ 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 þ 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 þ

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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 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;

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(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, 2015, Sony Corporation had 1,240 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method with respect to its 98 affiliated companies.

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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				
	2011	2012	2013	2014	**2015**
	(Yen in millions, yen per share amounts)				
Income statement data:					
Sales and operating revenue	7,177,589	6,493,083	6,795,504	7,767,266	**8,215,880**
Equity in net income (loss) of affiliated companies	14,062	(121,697)	(6,948)	(7,374)	**3,921**
Operating income (loss)	196,725	(65,663)	226,503	26,495	**68,548**
Income (loss) before income taxes	201,809	(80,911)	242,084	25,741	**39,729**
Income taxes	424,215	316,753	140,398	94,582	**88,733**
Net income (loss) attributable to Sony Corporation s stockholders	(261,261)	(455,038)	41,540	(128,369)	**(125,980)**
Data per share of Common Stock:					
Net income (loss) attributable to Sony Corporation s stockholders*					
Basic	(260.33)	(453.42)	41.32	(124.99)	**(113.04)**
Diluted	(260.33)	(453.42)	38.79	(124.99)	**(113.04)**
Cash dividends declared Interim	12.50	12.50	12.50	12.50	
	(14.84 cents)	(16.08 cents)	(15.18 cents)	(12.12 cents)	
Cash dividends declared Fiscal year-end	12.50	12.50	12.50	12.50	
	(15.66 cents)	(15.70 cents)	(12.46 cents)	(12.19 cents)	
Depreciation and amortization****	367,584	366,270	376,735	376,695	**354,624**
Capital expenditures (additions to fixed assets)	314,676	414,647	302,153	261,034	**251,048**
Research and development costs	426,814	433,477	473,610	466,030	**464,320**
Balance sheet data:					
Net working capital (deficit)	(294,166)	(775,019)	(668,556)	(578,728)	**(547,689)**
Long-term debt	812,235	762,226	938,428	916,648	**712,087**
Sony Corporation s stockholders equity	2,540,586	2,023,822	2,192,262	2,258,137	**2,317,077**
Common stock	630,921	630,923	630,923	646,654	**707,038**
Total assets	12,914,573	13,299,691	14,211,033	15,333,720	**15,834,331**
Number of shares issued at fiscal year-end (thousands of shares of common stock)	1,004,637	1,004,638	1,011,950	1,044,708	**1,169,773**
Sony Corporation s stockholders equity per share of common stock	2,531.51	2,016.61	2,168.62	2,163.63	**1,982.54**

* Refer to Note 22 of the consolidated financial statements.

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

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	Average*	High	Low	Period-end
		(Yen)		
Yen exchange rates per U.S. dollar:				
Fiscal year ended March 31				
2011	85.71	94.68	78.74	82.76
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**
2015				
January		120.20	116.78	117.44
February		120.38	117.33	119.72
March		121.50	119.01	119.96
April		120.36	118.80	119.86
May		124.18	119.09	123.98
June (through June 12)		**125.58**	**122.72**	**123.23**

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 12, 2015 was 123.23 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.

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To remain competitive and stimulate customer demand, Sony must successfully manage frequent introductions and transitions of new 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 and transitions of 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 and costs 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. To remain competitive, it is also important for Sony to respond to technological innovation and changing consumer demand for its products and services that integrate and enhance functions of existing products and services. Accordingly, if Sony cannot properly manage frequent introductions and transitions of new products, semiconductors, components and services, Sony s operating results and financial condition may be adversely impacted.

Shifting consumer demand to new products and services may have an adverse impact on the sales of Sony s existing products and services.

Markets for products and services where Sony has a competitive strength might contract as a result of a shift in consumer demand toward technologically innovative products and services. For example, improvements in component technologies, such as image sensors, processors and memory, and mobile operating systems, the development and expansion of broadband communication infrastructure and network and cloud-based services, and the evolution of downloadable applications and social media have led to a shift in demand to smartphones from products that consumers had previously purchased separately, such as portable music players, home-use video cameras, compact digital cameras and portable game hardware, and to tablets from PCs and portable game hardware. As a result of this shift in demand, as well as other factors, Sony sold its PC business in July 2014. In the future, there is no assurance that current strong demand for products such as smartphones, and the image sensors within, will continue, as customer preferences may shift, or new, competing technologies may be 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. If Sony is unable to offer such products 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 face a broad range of 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. In addition, the businesses within Sony s Financial Services segment may not be able to compete effectively, especially against competitors with superior financial, marketing and other relevant resources. 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 with 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 results expected 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 a clearly defined positioning of each business within the overall business portfolio. Restructuring charges in the amount of 77.5 billion yen, 80.6 billion yen and 98.0 billion yen were recorded in the fiscal years ended March 31, 2013, 2014 and 2015, respectively. While Sony anticipates recording approximately 35 billion yen of restructuring charges in the fiscal year ending March 31, 2016, 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 rationalize its manufacturing operations, shift and consolidate manufacturing to lower-cost countries, and utilize outsourced manufacturing. In addition, Sony is focused on reducing SGA expenses across the group, including outsourcing its support functions and information processing operations to external partners and implementing business process optimization 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 level of profitability expected due to market conditions worsening beyond expectations. Such 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. 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, in February 2012, Sony acquired Telefonaktiebolaget LM Ericsson s 50 percent equity interest in Sony Ericsson Mobile Communications AB, a joint venture that manufactures and sells mobile handsets, and made the company a wholly-owned subsidiary of Sony.

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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 increasing 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. Sony invested approximately 44 billion yen of capital in the fiscal year ended March 31, 2015 and will invest approximately 210 billion yen of capital in the fiscal year ending March 31, 2016, in order to increase image sensor production capacity. However, if unforeseen 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 on wholesalers, retailers and other resellers to distribute its products, 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.

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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, subsidies, 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 of this reliance on third-party suppliers and business partners, 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. In the past, for example, Sony has experienced a shortage of certain chipsets, semiconductors and LCD panels, which resulted in Sony s inability to meet consumer demand for its products, as well as a surplus in certain semiconductors and LCD panels that resulted in inventory write-downs when the prices of these parts and components fell. Also, 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, having an adverse impact on Sony s operating results and financial condition. In the fiscal year ended March 31, 2015, 27.2 percent, 23.5 percent and 18.6 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 (as under current circumstances), or when the yen strengthens significantly against the euro. 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.

Recently, Sony s credit ratings were adversely impacted by unfavorable operating results and a decline in its financial condition. Future unfavorable operating results and a decline in its financial condition may lead to further downgrades. Any such 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 are 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

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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, as emerging markets are becoming increasingly important to its operations, Sony becomes more susceptible to the above-mentioned risks, which 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, video and music content and 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 to differentiate itself in the marketplace and to generate revenue growth and profitability. 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, game publishers and book 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, including network services, 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

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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.

The continuing decline in physical media sales of audio and video content and the adoption of new technologies by consumers may adversely affect operating results in Sony s Music and Pictures segments.

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. In addition, 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. While alternative models for selling entertainment content have emerged, such as digital downloads and subscription streaming services, these revenue streams 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 very recently seen a year-over-year decline in digital download sales, the largest digital revenue stream. Should this decline accelerate, or 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 advertising and subscription 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.

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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 programs 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.

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, Sony Life Insurance Co., Ltd. (Sony Life) holds equity securities and hybrid bond securities that are affected by changes in the value of equity market indices. Declines in equity prices may result in impairment losses and losses on the sales of the equity securities held by Sony Life. In addition, reductions in gains or increases in losses on the sales of equity securities, as well as reductions in unrealized gains or increases in unrealized losses in respect of such hybrid bond securities may adversely affect the operating results and financial condition of Sony s Financial Services segment. Declines in the yield of Sony Life s separate account assets may result in additional policy reserves being recorded and the accelerated amortization of deferred acquisition costs, since U.S. GAAP requires the review of actuarial assumptions used for the valuation of policy reserves concerning minimum death guarantees for variable life insurance and the amortization of deferred acquisition costs. Additional policy reserves and accelerated amortization of deferred acquisition costs may have an adverse impact on Sony s operating results.

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.

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 s liabilities to policyholders generally have longer durations than its investment assets, which are concentrated in long-term Japanese national government bonds, lower interest rates tend to reduce yields on Sony Life s investment portfolio while guaranteed yields (assumptions used for calculation of policy reserve provisions) 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.

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 90.5 percent of the total loan balance, or 51.8 percent of the total assets of Sony Bank Inc. (Sony Bank), as of March 31, 2015. 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 have an adverse effect on the creditworthiness of Sony Bank s loan portfolio and increase credit-related costs for Sony Bank.

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.

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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 greater damage to Sony s business operations than the Great East Japan Earthquake in March 2011, including damage to buildings, machinery, equipment and inventories and interruption to production at manufacturing facilities. 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. As a result, the Pictures segment, and therefore Sony, was unable to close its financial statements for the third quarter of the fiscal year ended March 31, 2015 within the customary timeframe for reporting consolidated quarterly results.

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 business, operating results, financial condition, cash flows and reputation.

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 manage the 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 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, allegations of safety issues related to Sony products, or lawsuits related to product quality 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 annual settlement of gains or losses of the plan. 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, 2015, 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 of these assets. Sony tests goodwill and intangible assets that are determined to have an indefinite life for impairment during the fourth quarter of each fiscal year and assesses whether factors or indicators, such as unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, have become apparent that would require an interim test. 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 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. During the fiscal year ended March 31, 2015, Sony recorded a 176.0 billion yen impairment charge related to goodwill in the Mobile Communications segment. 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 business, operating results, financial condition and reputation.

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.

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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.

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 Dexerials 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.

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 Dexerials 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 Dexerials Corporation) to Development Bank of Japan Inc.

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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 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), 550 Madison Avenue, New York, NY 10022 (Attn: Office of the General Counsel).

Principal Capital Investments

In the fiscal years ended March 31, 2013, 2014 and 2015, Sony s capital expenditures were 302.2 billion yen, 261.0 billion yen and 251.0 billion yen, respectively. Sony s capital expenditures are expected to be approximately 510.0 billion yen during the fiscal year ending March 31, 2016. 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.

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Sony invested approximately 70 billion yen in the semiconductor business during the fiscal year ended March 31, 2015. In the fiscal year ending March 2016, Sony expects to invest approximately 290 billion yen in Semiconductors. This investment includes approximately 210 billion yen for image sensor fabrication capacity. The goal of this investment is to increase total production capacity for image sensors to approximately 87,000 wafers per month by the end of September 2016. The majority of the remaining 80 billion yen of Semiconductor investment is expected to be used for production capacity for camera modules.

B. Business Overview

Sony Corporation and its consolidated subsidiaries (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.

Sony realigned its business segments from the first quarter of the fiscal year ended March 31, 2015 to reflect modifications to its organizational structure as of April 1, 2014, primarily repositioning the operations of the previously reported Game and Mobile Products & Communications (MP&C) segments. In connection with this realignment, the previously reported operations of the network business which were included in All Other have been integrated with the previously reported Game segment and are now reported as the Game & Network Services (G&NS) segment. The previously reported Mobile Communications category, which was included in the MP&C segment, has been reclassified as the newly established Mobile Communications (MC) segment, while the other categories in the previously reported MP&C segment are now included in All Other. This includes the reclassification of the PC business into All Other. In addition, certain businesses previously included in the Devices segment have been integrated into All Other as a result of the changes in Sony s organizational structure.

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.

Game & Network Services (G&NS)

SCEI develops, produces, markets and distributes PlayStation®4 (PS4), PlayStation®3 (PS3), PlayStation®Vita (PS Vita) and PSP® (PlayStation®Portable) (PSP) hardware and related package software. Sony Computer Entertainment America LLC (SCEA) and Sony Computer Entertainment Europe Ltd. (SCEE) market and distribute PS4, PS3, PS Vita, and PSP hardware, and develop, produce, market and distribute related package software locally in the U.S. and Europe. SCEI, SCEA and SCEE enter into licenses with third-party software developers and publishers. In network services, Sony Network Entertainment Inc. (SNEI) markets and distributes game software and network services internationally via PlayStation® Network (PSN). Sony believes that the success of the network services business is determined by the computational power and reliability of secured systems, and the ability to create new experiences via network services, such as the availability of attractive game software titles and a variety of video and music content.

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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					
	2013		2014		**2015**	
	(Yen in millions)					
Digital Imaging Products	481,609	(64.0)	442,723	(60.0)	**432,594**	**(60.4)**
Professional Solutions	253,813	(33.7)	277,417	(37.6)	**271,903**	**(38.0)**
Other	17,181	(2.3)	17,334	(2.4)	**11,761**	**(1.6)**
IP&S Total	752,603	(100.0)	737,474	(100.0)	**716,258**	**(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					
	2013		2014		**2015**	
	(Yen in millions)					
Televisions	581,475	(58.5)	754,308	(64.7)	**835,068**	**(69.3)**
Audio and Video	405,024	(40.8)	400,828	(34.4)	**366,050**	**(30.4)**
Other	7,323	(0.7)	10,871	(0.9)	**3,804**	**(0.3)**
HE&S Total	993,822	(100.0)	1,166,007	(100.0)	**1,204,922**	**(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					
	2013		2014		**2015**	
			(Yen in millions)			
Semiconductors	301,915	(54.1)	336,845	(64.7)	**496,694**	**(65.6)**
Components	245,713	(40.8)	243,751	(34.4)	**253,020**	**(33.4)**
Other	10,399	(1.9)	2,493	(0.9)	**7,010**	**(0.9)**
Devices Total	558,027	(100.0)	583,089	(100.0)	**756,724**	**(100.0)**

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Semiconductors:

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

Components:

Components includes batteries, audio/video/data recording media, storage media, optical pickups, and chemical products*. Sony transferred certain of its chemical products businesses, including Sony Chemical & Information Device Corporation to Development Bank of Japan Inc. on September 28, 2012.

* Chemical products include materials and components for electronic devices such as anisotropic conductive films.

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					
	2013		2014		**2015**	
	(Yen in millions)					
Motion Pictures	446,254	(61.0)	422,255	(50.9)	**434,253**	**(49.6)**
Television Productions	159,794	(21.8)	247,568	(29.9)	**252,456**	**(28.8)**
Media Networks	126,079	(17.2)	158,845	(19.2)	**189,605**	**(21.6)**
Pictures Total	732,127	(100.0)	828,668	(100.0)	**876,314**	**(100.0)**

Motion Pictures:

Motion Pictures includes the 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 include Multi Screen Media Private Limited (MSM), which operates television networks in India and around the world, 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.

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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					
	2013		2014		**2015**	
	(Yen in millions)					
Recorded Music	307,788	(71.3)	347,684	(70.7)	**383,350**	**(71.8)**
Music Publishing	52,764	(12.2)	66,869	(13.6)	**70,959**	**(13.3)**
Visual Media and Platform	71,167	(16.5)	77,505	(15.7)	**79,677**	**(14.9)**
Music Total	431,719	(100.0)	492,058	(100.0)	**533,986**	**(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 personal computers, a Blu-ray Disc, DVD and CD manufacturing business, and So-net (a subsidiary operating an Internet service provider business mainly in Japan). 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.

PS4, PS3, PS Vita, and PSP hardware and related software are marketed and distributed by SCEI, SCEA, SCEE and subsidiaries in Asia. Game software and network services are marketed and distributed internationally by SNEI through PSN.

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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.

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 programming 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 programming 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 PlayStation® Network 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.

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.

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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, 2015, Sony Life employed 4,329 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. Sony Life also has representative offices in Beijing and Taipei, which opened in October 2008 and July 2009, respectively, for the purpose of researching the financial and life insurance market in China and Taiwan, respectively. Sony Life closed the representative office in Beijing in July 2014, as it achieved the above-mentioned purpose. 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 SmartLink Network, Inc.* (SLN), resulting in SLN becoming a consolidated subsidiary of Sony Bank. SLN is an industry-leading provider of credit card settlement services to members of its Internet network.

All Other

Sony DADC Corporation (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. 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 (e.g., PCs, mobile phones).

** SmartLink Network, Inc. changed its corporate name to Sony Payment Services Inc. on April 1, 2015*

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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					
	2013		2014		**2015**	
	(Yen in millions)					
Japan	2,197,881	(32.4)	2,199,099	(28.3)	**2,233,776**	**(27.2)**
United States	1,064,765	(15.7)	1,302,052	(16.8)	**1,528,097**	**(18.6)**
Europe	1,362,488	(20.0)	1,753,526	(22.6)	**1,932,941**	**(23.5)**
China	464,784	(6.8)	520,539	(6.7)	**546,697**	**(6.7)**
Asia-Pacific	806,205	(11.9)	1,013,635	(13.0)	**1,052,453**	**(12.8)**
Other Areas	899,381	(13.2)	978,415	(12.6)	**921,916**	**(11.2)**
Total	6,795,504	(100.0)	7,767,266	(100.0)	**8,215,880**	**(100.0)**

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, 2015, 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 MPEG LA LLC and 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, AT&T Inc. 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, AT&T Inc. 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. 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 are 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. In the Devices segment, particularly within image sensors, Sony believes that large-scale investment in research and development as well as in production capacity is necessary in order to continue to innovate in this segment and to assist Sony in maintaining its strong competitive position in this business.

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 and other distribution systems.

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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.

Sony Life, Sony Assurance and Sony Bank may also compete with Japan Post Group, which provides banking and insurance services to individuals. While Japan Post Group has numerous post office locations throughout Japan and has enhanced its banking and insurance services in recent years, the major business domains where it has a competitive advantage have not yet overlapped with Sony s.

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 facing the challenges of expanding its digital media services to meet customers preferences by taking

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advantage of digital media innovations as well as the development of digital telecommunication networks and the expansion of Internet services. 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 price elasticity is high, and users are able to change Internet service providers with increasing ease.

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. From the fiscal year ended March 31, 2012, the mandatory methods for calculating total solvency margin and total risk were revised. The methods increased the stringency of margin inclusion and made risk measurement stricter and more sensitive. 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, which have been applied incrementally since March 31, 2014. 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 policy holders 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 Telecommunication 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.

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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, 2015, 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, 2015, a non-U.S. subsidiary of Sony sold medical instruments, including medical printers and paper, 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 2.9 million U.S. dollars, and Sony has estimated that its net profit from such sales was 0.1 million U.S. dollars.

- Sony s representative office in Tehran, Iran, has been under liquidation processes and no longer engaged in any operation or activities other than the matters necessary for liquidation since before the beginning of the fiscal year ended March 31, 2014. In the course of liquidation, the office would engage in certain incidental transactions (for example, permits, taxes, and other 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.

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, 2015 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, 2016, 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, in the future, Sony may conduct additional sales activities in Iran through third-party-owned dealers/distributors, which may require disclosure pursuant to Section 13(r) of the Exchange Act. Sony intends to conduct any such sales in accordance with applicable law.

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Sony believes that, 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, 2015) 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 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 Mobile Communications AB	Sweden	100.0
Sony Electronics Asia Pacific Pte. Ltd.	Singapore	100.0
Sony (China) Limited	China	100.0

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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, 2015 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
In Japan:		
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
Motomiya, Fukushima (Sony Energy Devices Corporation Motomiya Plant)	961,000	Batteries
Kohda, Aichi (Sony EMCS Corporation Tokai TEC Kohda Site)	878,000	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)	592,000	Batteries
Kosai, Shizuoka (Sony EMCS Corporation Tokai TEC Kosai Site)	546,000	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

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Location	Approximate floor space (square feet)	Principal products produced
Outside of Japan:		
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.)	1,247,000	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 main 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. In February 2013, Sony sold its Sony City Osaki office building and premises (Sony City Osaki) in Tokyo. In connection with the sale, Sony entered into an agreement to lease the building for a period of five years after the sale. SCEI has its corporate headquarters in Sony Corporation s headquarters main building and leases its corporate buildings located in Tokyo, 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 1,630,800 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.

In March 2013, SCA exercised its option to purchase its U.S. headquarters building at 550 Madison Avenue in New York City (Sony s U.S. headquarters building), which was leased from a variable interest entity (VIE) that was consolidated by Sony. Concurrent with the exercise of the purchase option, SCA completed the sale of the building to a third party. In connection with the sale, SCA entered into an agreement to lease the building for a period of three years after the sale.

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During the fiscal year ended March 31, 2013, Sony ceased manufacturing at two manufacturing sites in Japan. Sony Chemical & Information Device Corporation-Kanuma Plant was sold to Dexerials Corporation. Sony EMCS Corporation-Minokamo Plant was closed. Operations at the Sony Device Technology (Thailand) Co., Ltd.-Bangkadi Technology Center and Sony Technology (Thailand) Co., Ltd.-Ayuthaya Technology Center have been stopped due to the 2011 floods in Thailand (the Floods).

On March 31, 2014, SCK 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.

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	
	2013	2014	**2015**	2013 to 2014	**2014 to 2015**
	(Yen in billions, except percentage data)				
Sales and operating revenue	6,795.5	7,767.3	**8,215.9**	+14.3%	**+5.8%**
Equity in net income (loss) of affiliated companies	(6.9)	(7.4)	**3.9**		
Operating income	226.5	26.5	**68.5**	-88.3	**+158.7**
Income before income taxes	242.1	25.7	**39.7**	-89.4	**+54.3**
Net income (loss) attributable to Sony Corporation s stockholders	41.5	(128.4)	**(126.0)**		

Sales

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. During the fiscal year ended March 31, 2014, the average rates of the yen were 100.2 yen against the U.S. dollar and 134.4 yen against the euro, which were 17.1 percent and 20.3 percent lower, respectively, than the fiscal year ended March 31, 2013.

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

For the fiscal year ended March 31, 2015, sales and operating revenue (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 Game & Network Services (G&NS) segment sales reflecting the strong performance of PlayStation 4 (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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales were 7,767.3 billion yen, an increase of 14.3 percent compared to the fiscal year ended March 31, 2013. This increase was primarily due to the favorable impact of foreign exchange rates, the launch of the PS4, as well as a significant increase in sales of smartphones.

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Cost of Sales, Selling, General and Administrative Expenses and Other Operating (Income) 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, 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 includes 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 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 25.5 percent, compared to 25.4 percent in the fiscal year ended March 31, 2014.

Other operating (income) expense, net resulted in an expense of 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 Mobile Communications (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. Operating income 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, cost of sales increased by 654.6 billion yen, or 14.6 percent year-on-year, to 5,140.1 billion yen, and the ratio of cost of sales to sales improved year-on-year from 77.4 percent to 75.8 percent.

Research and development costs (all research and development costs are included within cost of sales) decreased by 7.6 billion yen, or 1.6 percent year-on-year, to 466.0 billion yen. The ratio of research and development costs to sales was 6.9 percent compared to 8.2 percent in the fiscal year ended March 31, 2013.

SGA expenses increased by 270.9 billion yen, or 18.6 percent year-on-year, to 1,728.5 billion yen, mainly due to the impact of the depreciation of the yen, partially offset primarily by a decrease in early retirement costs. The ratio of SGA expenses to sales deteriorated year-on-year from 25.1 percent to 25.5 percent.

Other operating (income) expense, net resulted in an expense of 48.7 billion yen, compared with income of 235.2 billion yen in the fiscal year ended March 31, 2013. This decline was mainly due to the remeasurement of Sony s remaining interest in M3, formerly a consolidated subsidiary, a 691 million U.S. dollar (65.5 billion yen)

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gain on the sale of Sony s U.S. headquarters building at 550 Madison Avenue in New York City (Sony s U.S. headquarters building), a 42.3 billion yen gain on the sale of Sony City Osaki in Tokyo and a 9.1 billion yen gain on the sale of the chemical products related business in the fiscal year ended March 31, 2013, while total impairment charges of 86.0 billion yen in the fiscal year ended March 31, 2014 included the above-mentioned impairment charges, partially offset by the above-mentioned gain from the sale of certain shares of M3. Refer to Note 20 of the consolidated financial statements.

Equity in Net Income (Loss) of Affiliated Companies

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.

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

For the fiscal year ended March 31, 2014, equity in net loss of affiliated companies increased 0.4 billion yen year-on-year to 7.4 billion yen.

Operating Income

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 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 Home Entertainment & Sound (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.*

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, operating income decreased 200.0 billion yen year-on-year to 26.5 billion yen. This significant decrease was primarily due to a year-on-year decrease in gains on the sale of assets and remeasurement gains, a recording of 91.7 billion yen in losses related to the PC business, including restructuring charges, compared to 38.6 billion yen in PC business-related losses recorded in the fiscal year

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ended March 31, 2013, and a recording of impairment charges in the battery business and in the disc manufacturing business. This decrease was partially offset by the favorable impact of foreign exchange rates, a significant improvement in operating results in the mobile phone business and a significant decrease in losses in Televisions.

Of the 91.7 billion yen in losses related to the PC business in the fiscal year ended March 31, 2014, 58.3 billion yen were costs related to the decision to exit the business, of which 45.5 billion yen was recorded in All Other and 12.8 billion yen was recorded in Corporate and elimination. The 12.8 billion yen represented restructuring costs related to reducing the scale of sales companies resulting from Sony s exit from the PC business. Of the 58.3 billion yen, 40.9 billion yen was recognized as restructuring charges, and the remaining 17.4 billion yen was an expense primarily for the write-down of excess components in inventory. The following table provides a reconciliation of the PC business operating loss for the fiscal year ended March 31, 2014.

	All Other	Corporate and Elimination (Yen in billions)	**Consolidated Total**
i. Impairment of long-lived assets	12.8		**12.8**
ii. Expenses to compensate suppliers for unused components	8.0		**8.0**
iii. Early retirement costs etc.	7.3	12.8	**20.1**
(I) Restructuring charges (i + ii + iii)	28.1	12.8	**40.9**
(II) Write-down of excess components in inventory etc.	17.4		**17.4**
PC exit costs (I+II)	45.5	12.8	**58.3**
Operating loss excluding exit cost	(33.3)		**(33.3)**
Total PC operating loss	(78.8)	(12.8)	**(91.7)**

Operating income for the fiscal year ended March 31, 2014 also included a net benefit of 11.9 billion yen from insurance recoveries related to damages and losses incurred from the floods in Thailand (the Floods), which took place in the fiscal year ended March 31, 2012. Operating results for the fiscal year ended March 31, 2013 included a net benefit of 40.0 billion yen from the above-mentioned insurance recoveries.

Other Income and Expenses

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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, other income decreased by 26.2 billion yen, or 38.2 percent year-on-year, to 42.5 billion yen, while other expenses decreased by 9.9 billion yen, or 18.6 percent year-on-year,

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to 43.2 billion yen. The net amount of other income and other expenses was an expense of 0.8 billion yen, compared to income of 15.6 billion yen in the fiscal year ended March 31, 2013. This change was primarily due to a decrease in gain on sale of securities investments, partially offset by a decrease in interest recorded on borrowings. The sale of securities investments in the fiscal year ended March, 31, 2014 included the above-mentioned gain on the sale of Sony s shares in SKY Perfect JSAT Holdings Inc. while a 40.9 billion yen gain on the sale of Sony s shares in DeNA Co., Ltd. was recorded in the fiscal year ended March 31, 2013.

A net foreign exchange loss of 9.2 billion yen was recorded in the fiscal year ended March 31, 2014, compared to a loss of 10.4 billion yen for the fiscal year ended March 31, 2013. This loss was mainly due to losses related to the above-mentioned routine derivative contracts.

Interest and dividends in other income of 16.7 billion yen were recorded in the fiscal year ended March 31, 2014, a decrease of 5.3 billion yen, or 24.3 percent year-on-year. Interest recorded in other expenses totaled 23.5 billion yen, a decrease of 3.2 billion yen, or 12.0 percent year-on-year.

Income before Income Taxes

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. For the fiscal year ended March 31, 2014, income before income taxes was 25.7 billion yen, a decrease of 216.3 billion yen, or 89.4 percent year-on-year.

Income Taxes

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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

During the fiscal year ended March 31, 2014, Sony recorded 94.6 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, although this was partially offset by the recording of certain tax benefits associated with the impact of gains in other comprehensive income. Sony also recorded additional tax reserves.

Net Loss Attributable to Sony Corporation s Stockholders

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 year-on-year. This increase was mainly due to the increased income at Sony Financial Holdings, Inc. (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.

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Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, the net loss attributable to Sony Corporation s stockholders, which excludes net income attributable to noncontrolling interests, was 128.4 billion yen, compared to a net income of 41.5 billion yen in the fiscal year ended March 31, 2013.

Net income attributable to noncontrolling interests of 59.5 billion yen was recorded, a decrease of 0.6 billion yen year-on-year. This decrease was mainly due to the deconsolidation of M3 in the fiscal year ended March 31, 2013, partially offset by increased income at SFH.

Basic net loss per share attributable to Sony s stockholders for the fiscal year ended March 31, 2014 was 124.99 yen, compared with the net income per share attributable to Sony s stockholders of 41.32 yen in the fiscal year ended March 31, 2013, and diluted net loss per share attributable to Sony Corporation s stockholders was 124.99 yen, compared with diluted net income per share of 38.79 yen in the fiscal year ended March 31, 2013. 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		
	2014	**2015**	**Percent change**
	(Yen in billions)		
Sales and operating revenue			
Mobile Communications	1,191.8	**1,323.3**	+11.0%
Game & Network Services	1,043.9	**1,388.0**	+33.0
Imaging Products & Solutions	741.2	**720.0**	2.9
Home Entertainment & Sound	1,168.6	**1,207.3**	+3.3
Devices	773.0	**957.8**	+23.9
Pictures	829.6	**878.7**	+5.9
Music	503.3	**544.6**	+8.2
Financial Services	993.8	**1,083.6**	+9.0
All Other	858.0	**491.1**	42.8
Corporate and elimination	(335.9)	**(378.6)**	
Consolidated	7,767.3	**8,215.9**	+5.8

	Fiscal year ended March 31		
	2014	**2015**	**Percent change**
	(Yen in billions)		
Operating income (loss)			
Mobile Communications	12.6	**(220.4)**	%
Game & Network Services	(18.8)	**48.1**	
Imaging Products & Solutions	26.3	**54.7**	+107.7
Home Entertainment & Sound	(25.5)	**20.1**	
Devices	(12.4)	**93.1**	
Pictures	51.6	**58.5**	+13.4
Music	50.2	**59.0**	+17.4
Financial Services	170.3	**193.3**	+13.5
All Other	(136.1)	**(103.4)**	
Sub-Total	118.2	**202.9**	+71.6

Corporate and elimination*	(91.7)	**(134.4)**	
Consolidated	26.5	**68.5**	+158.7

** 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*

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

For the fiscal year ended March 31, 2015, sales increased 11.0 percent year-on-year to 1,323.3 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 220.4 billion yen was recorded, compared to operating income of 12.6 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 to address the significant change in the market and competitive environment of the mobile business, Sony revised the MRP for the MC segment. This new MRP reflects lower expected future cash flows compared to the previous MRP. Additionally this revision includes 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 has decreased.*

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales increased 54.6 percent year-on-year to 1,191.8 billion yen. This significant increase was primarily due to a significant increase in unit sales of smartphones and an increase in the average selling price of smartphones as well as the favorable impact of foreign exchange rates.

Operating income of 12.6 billion yen was recorded, compared to an operating loss of 41.1 billion yen in the fiscal year ended March 31, 2013. This significant improvement was primarily due to the impact of the above-mentioned increase in sales.

Major product unit sales

	Fiscal year ended March 31			Percent change from	
	2013	2014	**2015**	2013 to 2014	**2014 to 2015**
	(Units in millions)				
Smartphones within *Mobile Communications*	33.0	39.1	**39.1**	+18.5%	**0%**

Game & Network Services

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 PlayStation®3 (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.

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Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales increased 39.2 percent year-on-year to 1,043.9 billion yen. This significant increase was primarily due to the launch of the PS4 as well as the favorable impact of foreign exchange rates. PS3 hardware unit sales decreased, although PS3 software sales increased.

Operating loss increased 15.2 billion yen year-on-year to 18.8 billion yen. This year-on-year deterioration was primarily due to an increase in costs related to the launch of the PS4 as well as the recording of a 6.2 billion yen write-off of certain PC game software titles sold by Sony Online Entertainment LLC, partially offset by the above-mentioned increase in sales.

Unit sales of each platform within the segment and software sales

	Fiscal year ended March 31			Percent change from	
	2013	2014	**2015**	2013 to 2014	**2014 to 2015**
	(Units in millions except for sales amounts in billions of yen)				
Hardware					
Computer Entertainment System (PS4 / PS3)	16.5	14.6	**17.9**	-11.5%	**+22.6%**
Portable Entertainment System (PS Vita / PSP)	7.0	4.1	**3.3**	-41.4	**-19.5**
Software (Sales)*	266	384	**460**	+39.2	**+19.8**

**Software (Sales) includes sales of packaged software and networked software in the Game & Network Services segment.*

Imaging Products & Solutions

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

For the fiscal year ended March 31, 2015, sales decreased 2.9 percent year-on-year to 720.0 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 28.4 billion yen year-on-year to 54.7 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales decreased 2.0 percent year-on-year to 741.2 billion yen. This decrease was primarily due to a significant decrease in unit sales of compact digital cameras and video cameras reflecting a contraction of these markets, partially offset by the favorable impact of foreign exchange rates.

Operating income increased 24.9 billion yen year-on-year to 26.3 billion yen. This significant increase year-on-year was mainly due to the favorable impact of foreign exchange rates and a decrease in restructuring charges, partially offset by the above-mentioned decrease in sales of video cameras. Restructuring charges, net, decreased 9.5 billion yen year-on-year to 3.4 billion yen.

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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	
	2013		2014		**2015**		2013 to 2014	**2014 to 2015**
	(Yen in millions)							
Digital Imaging Products	481,609	(64.0)	442,723	(60.0)	**432,594**	**(60.4)**	-1.6%	**-2.3%**
Professional Solutions	253,813	(33.7)	277,417	(37.6)	**271,903**	**(38.0)**	-2.9	**-2.0**
Other	17,181	(2.3)	17,334	(2.4)	**11,761**	**(1.6)**	+0.9	**-32.2**
IP&S Total	752,603	(100.0)	737,474	(100.0)	**716,258**	**(100.0)**	-2.0	**-2.9**

Major product unit sales

	Fiscal year ended March 31			Percent change from	
	2013	2014	**2015**	2013 to 2014	**2014 to 2015**
	(Units in millions)				
Digital cameras within *Digital Imaging Products**	17.0	11.5	**8.5**	-32.4%	**-26.1%**

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

Home Entertainment & Sound

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

For the fiscal year ended March 31, 2015, sales increased 3.3 percent year-on-year to 1,207.3 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 20.1 billion yen was recorded, compared to an operating loss of 25.5 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales increased 17.5 percent year-on-year to 1,168.6 billion yen. This significant increase was primarily due to the favorable impact of foreign exchange rates and an improvement in LCD television product mix reflecting the introduction of high value-added models.

Operating loss decreased 58.8 billion yen year-on-year to 25.5 billion yen. This improvement was primarily due to an improvement in LCD television product mix and cost reductions. Restructuring charges, net, decreased 10.8 billion yen year-on-year to 1.6 billion yen.

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In Televisions, sales increased 29.7 percent year-on-year to 754.3 billion yen. Operating loss* decreased 43.9 billion yen year-on-year to 25.7 billion yen.

** 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	
	2013		2014		**2015**		2013 to 2014	**2014 to 2015**
	(Yen in millions)							
Televisions	581,475	(58.5)	754,308	(64.7)	**835,068**	**(69.3)**	+29.7%	+10.7%
Audio and Video	405,024	(40.8)	400,828	(34.4)	**366,050**	**(30.4)**	-1.0	-8.7
Other	7,323	(0.7)	10,871	(0.9)	**3,804**	**(0.3)**	+48.5	-65.0
HE&S Total	993,822	(100.0)	1,166,007	(100.0)	**1,204,922**	**(100.0)**	+17.3	+3.3

Major product unit sales

	Fiscal year ended March 31			Percent change from	
	2013	2014	**2015**	2013 to 2014	**2014 to 2015**
	(Units in millions)				
LCD televisions	13.5	13.5	**14.6**	0%	+8.2%

Devices

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

For the fiscal year ended March 31, 2015, sales increased 23.9 percent year-on-year to 957.8 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 29.8 percent year-on-year.

Operating income of 93.1 billion yen was recorded, compared to an operating loss of 12.4 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales decreased 4.1 percent year-on-year to 773.0 billion yen. This decrease was primarily due to a decrease in sales of system LSIs primarily used for PS3s and the absence of sales from the chemical products related business in the fiscal year ended March 31, 2014, partially offset by the favorable impact of foreign exchange rates and a significant increase in sales of image sensors, reflecting higher demand for mobile products. Sales to external customers increased 4.5 percent year-on-year.

An operating loss of 12.4 billion yen was recorded, compared to operating income of 45.6 billion yen in the fiscal year ended March 31, 2013. This significant deterioration in operating results was primarily due to the recording of a 32.1 billion yen impairment charge related to long-lived assets in the battery business as well as a lower net benefit in the fiscal year ended March 31, 2014 from insurance recoveries related to damages and losses incurred from the Floods. Restructuring charges, net, decreased 10.2 billion yen year-on-year to 8.9 billion yen.

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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	
	2013		2014		**2015**		2013 to 2014	**2014 to 2015**
	(Yen in millions)							
Semiconductors	301,915	(54.1)	336,845	(57.8)	**496,694**	**(65.6)**	+11.6%	+47.5%
Components	245,713	(44.0)	243,751	(41.8)	**253,020**	**(33.4)**	-0.8	+3.8
Other	10,399	(1.9)	2,493	(0.4)	**7,010**	**(0.9)**	-76.0	+181.2
Devices Total	558,027	(100.0)	583,089	(100.0)	**756,724**	**(100.0)**	+4.5	+29.8

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, 2015 was 561.2 billion yen, a decrease of 57.6 billion yen, or 9.3 percent compared with the level as of March 31, 2014. Total inventory of the Electronics segments as of March 31, 2014 was 618.8 billion yen, an increase of 47.9 billion yen, or 8.4 percent compared with the level as of March 31, 2013.

Sales to External Customers by Geographic Area

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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

Combined sales to external customers by geographic area for the Electronics segments for the fiscal year ended March 31, 2014 increased year-on-year by 6 percent in Japan, 22 percent in the U.S., 34 percent in Europe, 11 percent in China, 29 percent in the Asia-Pacific Area and by 9 percent in Other Areas. Total combined sales in all areas increased 19 percent year-on-year.

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

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Manufacturing by Geographic Area

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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

Approximately 55 percent of the Electronics segments total annual production during the fiscal year ended March 31, 2014 was in-house production, and approximately 45 percent was outsourced production.

Approximately 30 percent of the annual in-house production took place in Japan, including the production of compact digital cameras, home-use video cameras, LCD televisions, professional-use equipment, semiconductors, and components such as batteries and storage media. Approximately 70 percent of the annual in-house production in Japan was destined for other countries. Production in China accounted for approximately 45 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 25 percent of the annual in-house production, with approximately 50 percent destined for the Americas, Japan, Europe and China. Production in the Americas and Europe together accounted for approximately 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, 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales increased 13.2 percent year-on-year to 829.6 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, 2014 decreased approximately 6 percent year-on-year. On a U.S. dollar basis, sales for Motion Pictures decreased significantly year-on-year due to lower theatrical and home entertainment revenues as the fiscal year ended March 31, 2013 benefitted from the strong performances of *Skyfall*, *The Amazing Spider-Man* and *Men in Black 3* as well as a greater number of home entertainment releases. On a U.S. dollar basis, sales for Television Productions increased significantly year-on-year primarily due to the extension and expansion in scope of a licensing agreement for game shows produced by SPE, including *Wheel of Fortune,* and higher home entertainment and subscription video on demand revenues for the U.S. television series *Breaking Bad*. On a U.S. dollar basis, Media Networks revenues were also higher than the fiscal year ended March 31, 2013 due to an increase in advertising and digital game revenues.

Operating income increased by 3.8 billion yen year-on-year to 51.6 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 decreased by approximately 11 percent year-on-year. This decrease was primarily due to the lower Motion Pictures sales noted above and higher restructuring charges incurred during the fiscal year ended March 31, 2014. The operating results for the fiscal year ended March 31, 2014 reflect the underperformance of *White House Down* and *After Earth*. These lower results were partially offset by the higher sales for Television Productions noted above and a gain of 106 million U.S. dollars (10.3 billion yen) recognized on the sale of SPE s music publishing catalog in the fiscal year ended March 31, 2014.

As of March 31, 2014, unrecognized license fee revenue at SPE was approximately 1.3 billion U.S. dollars.

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	
	2013		2014		**2015**		2013 to 2014	**2014 to 2015**
	(Yen in millions)							
Motion Pictures	446,254	(61.0)	422,255	(50.9)	**434,254**	**(49.6)**	-5.4%	+2.8%
Television Productions	159,794	(21.8)	247,568	(29.9)	**252,456**	**(28.8)**	+54.9	+2.0
Media Networks	126,079	(17.2)	158,845	(19.2)	**189,604**	**(21.6)**	+26.0	+19.4
Pictures Total	732,127	(100.0)	828,668	(100.0)	**876,314**	**(100.0)**	+13.2	+5.7

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Music

Music segment results presented below include the yen-translated results of Sony Music Entertainment (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.

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 544.6 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 8.8 billion yen year-on-year to 59.0 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, sales increased 13.9 percent year-on-year to 503.3 billion yen primarily due to the favorable impact of the depreciation of the yen against the U.S. dollar. On a constant currency basis, sales were essentially flat year-on-year. On a constant currency basis, Recorded Music sales decreased primarily due to a contraction of the Japanese music market, partially offset by continued digital revenue growth and strong performances of a number of recent releases in most regions excluding Japan. However, Music Publishing and Visual Media and Platform sales increased, resulting in overall segment sales being essentially flat year-on-year. Best-selling titles in the fiscal year ended March 31, 2014 included One Direction s *Midnight Memories*, Daft Punk s *Random Access Memories*, Beyoncé s *BEYONCÉ* and Miley Cyrus *Bangerz*.

Operating income increased 13.0 billion yen year-on-year to 50.2 billion yen. This increase was primarily due to an improvement in equity in net income (loss) from affiliated companies, mainly EMI Music Publishing, the favorable impact of the depreciation of the yen against the U.S. dollar, and a decrease in restructuring charges.

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	
	2013		2014		**2015**		2013 to 2014	**2014 to 2015**
	(Yen in millions)							
Recorded Music	307,788	(71.3)	347,684	(70.7)	**383,350**	**(71.8)**	+13.0%	+10.3%
Music Publishing	52,764	(12.2)	66,869	(13.6)	**70,959**	**(13.3)**	+26.7	+6.1
Visual Media & Platform	71,167	(16.5)	77,505	(15.7)	**79,677**	**(14.9)**	+8.9	+2.8
Music Total	431,719	(100.0)	492,058	(100.0)	**533,986**	**(100.0)**	+14.0	+8.5

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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, 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

For the fiscal year ended March 31, 2014, financial services revenue decreased 0.9 percent year-on-year to 993.8 billion yen due to a decrease in revenue at Sony Life being essentially offset by a significant increase in revenue at Sony Bank primarily reflecting an improvement in foreign exchange gains and losses on foreign currency-denominated customer deposits. Revenue at Sony Life decreased 3.7 percent year-on-year to 882.4 billion yen. This decrease was due to a change in the product mix of new insurance policies, in which the initial payment of insurance premiums, such as for lump-sum payment endowment insurance, is deferred as deposits payable and not recognized as revenue in the period.

Operating income increased 28.1 billion yen year-on-year to 170.3 billion yen primarily due to the above-mentioned improvement in foreign exchange gains and losses on foreign currency-denominated customer deposits at Sony Bank. Operating income at Sony Life increased 2.4 billion yen year-on-year to 159.8 billion yen due to an improvement in investment performance in the general account primarily resulting from higher interest and dividend income.

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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		
Financial Services segment	2013	2014	**2015**
		(Yen in millions)	
Financial services revenue	1,002,389	993,846	**1,083,629**
Financial services expenses	857,877	821,218	**889,540**
Equity in net loss of affiliated companies	(2,303)	(2,336)	**(782)**
Operating income	142,209	170,292	**193,307**
Other income (expenses), net	100	2	
Income before income taxes	142,309	170,294	**193,307**
Income taxes and other	43,328	54,161	**42,184**
Net income of Financial Services	98,981	116,133	**151,123**

	Fiscal year ended March 31		
Sony without the Financial Services segment	2013	2014	**2015**
		(Yen in millions)	
Net sales and operating revenue	5,799,582	6,780,504	**7,141,492**
Costs and expenses	5,713,090	6,921,294	**7,218,528**
Equity in net loss of affiliated companies	(4,645)	(5,038)	**4,703**
Operating income (loss)	81,847	(145,828)	**(72,333)**
Other income (expenses), net	23,147	7,800	**(20,987)**
Income (loss) before income taxes	104,994	(138,028)	**(93,320)**
Income taxes and other	117,013	53,290	**63,094**
Net loss of Sony without Financial Services	(12,019)	(191,318)	**(156,414)**

	Fiscal year ended March 31		
Consolidated	2013	2014	**2015**
		(Yen in millions)	
Financial services revenue	999,276	988,944	**1,077,604**
Net sales and operating revenue	5,796,228	6,778,322	**7,138,276**
	6,795,504	7,767,266	**8,215,880**
Costs and expenses	6,562,053	7,733,397	**8,151,253**
Equity in net loss of affiliated companies	(6,948)	(7,374)	**3,921**
Operating income	226,503	26,495	**68,548**

Other income (expenses), net	15,581	(754)	**(28,819)**
Income before income taxes	242,084	25,741	**39,729**
Income taxes and other	200,544	154,110	**165,709**
Net income (loss) attributable to Sony Corporation s Stockholders	41,540	(128,369)	**(125,980)**

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All Other

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

Sales for the fiscal year ended March 31, 2015 decreased 42.8 percent year-on-year, to 491.1 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 32.7 billion yen year-on-year to 103.4 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.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

Sales for the fiscal year ended March 31, 2014 decreased 11.8 percent year-on-year, to 858.0 billion yen. The decrease in sales was mainly due to significantly lower sales of PCs.

An operating loss of 136.1 billion yen was recorded for the fiscal year ended March 31, 2014, compared to an operating income of 49.5 billion yen in the fiscal year ended March 31, 2013. This deterioration was mainly due to the recording of a 122.2 billion yen gain from the sale of certain shares of M3 and the subsequent remeasurement of Sony s remaining interest in M3, which was formerly a consolidated subsidiary of Sony in the fiscal year ended March 31, 2013, the recording of a 45.5 billion yen loss for costs related to Sony s decision to exit the PC business, and the recording of the above-mentioned 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, partially offset by the recording of a gain from the above-mentioned sale of certain shares of M3, and the recording of a 54 million U.S. dollar (5.6 billion yen) gain from the sale of all of the shares of Gracenote, Inc., a wholly-owned subsidiary of Sony Corporation of America in the fiscal year ended March 31, 2014.

Restructuring

In a highly competitive landscape, Sony has made continual efforts to revitalize its electronics business. Due to cost reduction initiatives at headquarters and at sales companies, Sony anticipates fixed cost reductions of more than 100 billion yen in the fiscal year ending March 31, 2016 compared with the fiscal year ended March 31, 2014.

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 includes 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 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, 2014 compared to fiscal year ended March 31, 2013:

In the fiscal year ended March 31, 2014, Sony recorded restructuring charges of 80.6 billion yen, which includes 5.0 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 77.5 billion yen of restructuring charges recorded in the fiscal year ended March 31, 2013. There were 3.1 billion yen of non-cash charges related to depreciation associated with restructured assets in the fiscal year ended March 31, 2013. Restructuring charges increased by 3.1 billion yen or 4.0 percent year-on-year in the fiscal year ended March 31, 2014. Of the total 80.6 billion yen incurred in the fiscal year ended March 31, 2014, 41.8 billion yen were personnel related costs, primarily included in SGA expenses in the consolidated statements of income. These personnel-related costs decreased 33.4 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, 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 were 8,215.9 billion yen, an increase of 5.8 percent year-on-year, while on a constant currency basis, sales were essentially flat year-on-year. For references to information on a constant currency basis, see Note at the bottom of this section.

Consolidated operating income of 68.5 billion yen was recorded in the fiscal year ended March 31, 2015, compared to consolidated operating income of 26.5 billion yen in the fiscal year ended March 31, 2014. Consolidated operating income increased by 42.1 billion yen year-on-year, while it would have increased by approximately 37.0 billion yen compared to the fiscal year ended March 31, 2014 on a constant currency basis. The foreign exchange fluctuations had a positive impact on the consolidated operating results mainly in Electronics.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013:

During the fiscal year ended March 31, 2014, the average rates of the yen were 100.2 yen against the U.S. dollar and 134.4 yen against the euro, which were 17.1 percent and 20.3 percent lower, respectively, than the fiscal year ended March 31, 2013. 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, 2014, consolidated sales were 7,767.3 billion yen, an increase of 14.3 percent year-on-year, while on a constant currency basis, sales decreased approximately 2 percent year-on-year. For references to information on a constant currency basis, see Note at the bottom of this section.

Consolidated operating income of 26.5 billion yen was recorded in the fiscal year ended March 31, 2014, compared to consolidated operating income of 226.5 billion yen in the fiscal year ended March 31, 2013. Consolidated operating income decreased by 200.0 billion yen year-on-year, while it would have decreased by approximately 286.0 billion yen compared to the fiscal year ended March 31, 2013 on a constant currency basis. The foreign exchange fluctuations had a positive impact on the consolidated operating results mainly in Electronics.

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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 on constant currency basis*	Impact of changes in foreign exchange rates
		2014	**2015**	Change in yen		
				(Yen in billions)		
MC	Sales	1,191.8	**1,323.3**	+11.0%	+7%	+45.3
	Operating income (loss)	12.6	**(220.4)**	233.0	239.6	+6.6
G&NS	Sales	1,043.9	**1,388.0**	+33.0%	+25%	+86.5
	Operating income (loss)	(18.8)	**48.1**	+66.9	+82.0	15.1
IP&S	Sales	741.2	**720.0**	2.9%	7%	+33.9
	Operating income	26.3	**54.7**	+28.4	+17.2	+11.1
HE&S	Sales	1,168.6	**1,207.3**	+3.3%	2%	+64.6
	Operating income (loss)	(25.5)	**20.1**	+45.6	+65.0	19.4
Devices	Sales	773.0	**957.8**	+23.9%	+16%	+61.2
	Operating income (loss)	(12.4)	**93.1**	+105.5	+68.1	+37.4

		Fiscal year ended March 31			Change on constant currency basis*	Impact of changes in foreign exchange rates
		2013	**2014**	Change in yen		
				(Yen in billions)		
MC	Sales	770.7	**1,191.8**	+54.6%	+26%	+217.0
	Operating income (loss)	(41.1)	**12.6**	+53.7	49.8	+3.9
G&NS	Sales	749.9	**1,043.9**	+39.2%	+16%	+171.4
	Operating loss	(3.7)	**(18.8)**	15.1	24.3	+9.2
IP&S	Sales	756.2	**741.2**	2.0%	16%	+108.0
	Operating income	1.4	**26.3**	+24.9	13.3	+38.2
HE&S	Sales	994.8	**1,168.6**	+17.5%	2%	+198.3
	Operating loss	(84.3)	**(25.5)**	+58.8	+53.7	+5.1
Devices	Sales	806.2	**773.0**	4.1%	17%	+106.9
	Operating income (loss)	45.6	**(12.4)**	58.0	100.6	+42.6

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 544.6 billion yen, while sales were essentially flat year-on-year on a constant currency basis. In addition, during the fiscal year ended March 31, 2014, sales for the Pictures segment increased 13.2 percent year-on-year to 829.6 billion yen, while sales decreased approximately 6 percent on a U.S. dollar basis. In the Music segment, sales increased 13.9 percent year-on-year to 503.3 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, 2015, Sony estimated that a one yen appreciation against the U.S. dollar would have decreased consolidated sales by approximately 50 billion yen, with an increase in operating income of approximately 3 billion yen. A one yen appreciation against the euro was estimated to decrease consolidated sales by approximately 10 billion yen, with a corresponding decrease in operating income of approximately 6 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,

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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, 2014 and 2015 was 2,014.1 billion yen and 2,184.3 billion yen, respectively. The net fair value of all the foreign exchange derivative contracts as of March 31, 2014 and 2015 was a liability of 3.1 billion yen and an asset of 8.3 billion yen, respectively. Refer to Note 14 of the consolidated financial statements.

* Note: In this section, the descriptions of sales on a constant currency basis reflects sales obtained by applying the yen s monthly average exchange rates from the fiscal years ended March 31, 2013 and 2014 to local currency-denominated monthly sales in the fiscal years ended March 31, 2014 and 2015, respectively. The impact of foreign exchange rate fluctuations on operating income (loss) described herein is estimated by deducting costs of sales, and SGA expenses on a constant currency basis from sales on a constant currency basis. Cost of sales and SGA expenses on a constant currency basis are obtained by applying the yen s monthly average exchange rates in the fiscal years ended March 31, 2013 and 2014 to the corresponding local currency-denominated monthly cost of sales and SGA expenses in the fiscal years ended March 31, 2014 and 2015, respectively. In MC segment, the constant currency amounts are after aggregation on a euro basis. In certain cases, most significantly in the Pictures segment and SME and Sony/ATV in the Music segment, the constant currency amounts are after aggregation on a U.S. dollar basis. Sales and operating income (loss) on a constant currency basis are not reflected in Sony s consolidated financial statements and are not measured in accordance with U.S. GAAP. Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that disclosing sales and operating income (loss) information on a constant currency basis provides additional useful analytical information to investors regarding the operating performance of Sony.

Assets, Liabilities and Stockholders Equity

Assets

Total assets as of March 31, 2015 increased by 500.6 billion yen, or 3.3 percent year-on-year, to 15,834.3 billion yen. Total assets as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 190.3 billion yen, or 3.1 percent year-on-year, to 5,942.0 billion yen. Total assets as of March 31, 2015 in the Financial Services segment increased by 741.9 billion yen, or 7.9 percent year-on-year, to 10,089.9 billion yen.

Current Assets

Current assets as of March 31, 2015 decreased by 7.0 billion yen, or 0.2 percent year-on-year, to 4,197.9 billion yen. Current assets as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 79.0 billion yen, or 2.6 percent, year-on-year, to 2,911.6 billion yen.

Cash and cash equivalents as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 64.2 billion yen, or 8.0 percent year-on-year, to 741.9 billion yen. This decrease was primarily due to higher net cash outflows from financing activities compared to total net cash inflows from operating and investing activities. Refer to Cash Flows below.

Notes and accounts receivable, trade (net of allowances for doubtful accounts and sales returns) as of March 31, 2015, excluding the Financial Services segment, increased by 29.7 billion yen, or 3.4 percent year-on-year, to 893.8 billion yen. However, excluding the effect of foreign exchange rate fluctuations, the amount decreased by 3 percent year-on-year. This decrease was primarily due to the exit from the PC business.

Other current assets as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 44.1 billion yen, or 3.3 percent year-on-year, to 1,272.6 billion yen mainly due to a decrease in inventories.

Inventories as of March 31, 2015 decreased by 68.5 billion yen, or 9.3 percent year-on-year, to 665.4 billion yen.

Current assets as of March 31, 2015 in the Financial Services segment increased by 72.1 billion yen, or 5.9 percent year-on-year, to 1,288.6 billion yen primarily due to an increase of marketable securities at Sony Life.

Investments and Advances

Investments and advances as of March 31, 2015 increased by 612.3 billion yen, or 7.7 percent year-on-year, to 8,531.4 billion yen.

Investments and advances as of March 31, 2015 in all segments, excluding the Financial Services segment, increased by 14.1 billion yen, or 3.7 percent year-on-year, to 395.2 billion yen.

Investments and advances as of March 31, 2015 in the Financial Services segment increased by 650.5 billion yen, or 8.6 percent year-on-year, to 8,217.7 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, 2015 decreased by 10.7 billion yen, or 1.4 percent year-on-year, to 739.3 billion yen.

Property, plant and equipment as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 12.3 billion yen, or 1.7 percent year-on-year, to 720.7 billion yen. Capital expenditures (additions to property, plant and equipment) for the fiscal year ended March 31, 2015 increased by 2.0 billion yen, or 1.2 percent year-on-year, to 163.4 billion yen.

Property, plant and equipment as of March 31, 2015 in the Financial Services segment increased by 0.2 billion yen, or 1.5 percent year-on-year, to 17.3 billion yen.

Other Assets

Other assets as of March 31, 2015 decreased by 123.5 billion yen, or 5.7 percent year-on-year, to 2,060.6 billion yen primarily due to the recording of a 176.0 billion yen impairment in goodwill in the MC segment, partially offset by an increase of deferred insurance acquisition costs as a result of the increase in revenue from insurance premiums at Sony Life. Refer to Item 5 and Notes 9 and 10 of the consolidated financial statements.

Liabilities

Total current and long-term liabilities as of March 31, 2015 increased by 354.2 billion yen, or 2.8 percent year-on-year, to 12,900.6 billion yen. Total current and long-term liabilities as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 221.0 billion yen, or 5.1 percent year-on-year, to 4,093.5 billion yen. Total current and long-term liabilities in the Financial Services segment as of March 31, 2015 increased by 573.8 billion yen, or 6.9 percent year-on-year, to 8,840.7 billion yen.

Current Liabilities

Current liabilities as of March 31, 2015 decreased by 38.0 billion yen, or 0.8 percent year-on-year, to 4,745.6 billion yen.

Current liabilities as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 44.7 billion yen, or 1.6 percent year-on-year, to 2,669.5 billion yen.

Short-term borrowings and the current portion of long-term debt as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 156.4 billion yen, or 42.1 percent year-on-year, to 215.2 billion yen, primarily due to payments of long-term debt, including redemption of the twenty-fifth series of unsecured bonds (110.0 billion yen).

Notes and accounts payable, trade as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 90.6 billion yen, or 12.7 percent year-on-year, to 622.2 billion yen primarily due to the impact of the exit from the PC business.

Current liabilities as of March 31, 2015 in the Financial Services segment increased by 6.7 billion yen, or 0.3 percent year-on-year, to 2,078.4 billion yen.

Long-term Liabilities

Long-term liabilities as of March 31, 2015 increased by 392.2 billion yen, or 5.1 percent year-on-year, to 8,155.0 billion yen.

Long-term liabilities as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 176.4 billion yen, or 11.0 percent year-on-year, to 1,424.0 billion yen. Long-term debt as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 204.3 billion yen, or 23.3 percent year-on-year, to 671.1 billion yen. This decrease was primarily due to conversion of the euro-denominated convertible bonds with stock acquisition rights due in 2017, and the transfer of long-term debt to current liabilities.

Long-term liabilities as of March 31, 2015 in the Financial Services segment increased by 567.1 billion yen, or 9.2 percent year-on-year, to 6,762.3 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, 2015 decreased by 360.8 billion yen, or 27.9 percent year-on-year, to 933.6 billion yen. Total interest-bearing debt as of March 31, 2015 in all segments, excluding the Financial Services segment, decreased by 360.8 billion yen, or 28.9 percent year-on-year, to 886.3 billion yen.

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Redeemable Noncontrolling Interest

Redeemable noncontrolling interest as of March 31, 2015 increased by 1.1 billion yen, or 27.5 percent year-on-year, to 5.2 billion yen.

Sony Corporation s Stockholders Equity

Sony Corporation s stockholders equity as of March 31, 2015 increased by 58.9 billion yen, or 2.6 percent year-on-year, to 2,317.1 billion yen. Retained earnings decreased by 126.5 billion yen, or 13.5 percent year-on-year, to 813.8 billion yen as a result of the recording of 126.0 billion yen in net loss attributable to Sony Corporation s stockholders. Accumulated other comprehensive loss decreased by 66.3 billion yen, or 14.7 percent year-on-year, to a loss of 385.3 billion yen primarily due to the recording of 60.8 billion yen of unrealized gains in foreign currency translation adjustments. The ratio of Sony Corporation s stockholders equity to total assets decreased 0.1 percentage points year-on-year, from 14.7 percent to 14.6 percent.

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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	
	2014	**2015**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	240,332	**207,527**
Marketable securities	828,944	**933,424**
Notes and accounts receivable, trade	7,618	**7,266**
Other	139,623	**140,397**
	1,216,517	**1,288,614**
Investments and advances	7,567,242	**8,217,715**
Property, plant and equipment	17,057	**17,305**
Other assets:		
Deferred insurance acquisition costs	497,772	**520,571**
Other	49,328	**45,645**
	547,100	**566,216**
	9,347,916	**10,089,850**

	March 31	
	2014	**2015**
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	6,148	**6,351**
Notes and accounts payable, trade		
Deposits from customers in the banking business	1,890,023	**1,872,965**
Other	175,499	**199,098**
	2,071,670	**2,078,414**
Long-term liabilities:		
Long-term debt	44,678	**44,460**
Accrued pension and severance costs	22,404	**24,534**
Future insurance policy benefits and other	5,848,044	**6,381,886**
Other	280,117	**311,430**
	6,195,243	**6,762,310**
Stockholders equity of Financial Services	1,079,740	**1,247,840**
Noncontrolling interests	1,263	**1,286**

	9,347,916	**10,089,850**

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Sony without the Financial Services segment

	March 31	
	2014	**2015**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	806,134	**741,886**
Marketable securities	3,622	**3,307**
Notes and accounts receivable, trade	864,178	**893,847**
Other	1,316,653	**1,272,562**
	2,990,587	**2,911,602**
Film costs	275,799	**305,232**
Investments and advances	381,076	**395,189**
Investments in Financial Services, at cost	111,476	**111,476**
Property, plant and equipment	732,953	**720,694**
Other assets	1,640,385	**1,497,805**
	6,132,276	**5,941,998**

	March 31	
	2014	**2015**
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	371,606	**215,175**
Notes and accounts payable, trade	712,829	**622,215**
Other	1,629,728	**1,832,085**
	2,714,163	**2,669,475**
Long-term liabilities:		
Long-term debt	875,440	**671,104**
Accrued pension and severance costs	262,558	**274,220**
Other	462,386	**478,704**
	1,600,384	**1,424,028**
Redeemable noncontrolling interest	4,115	**5,248**
Stockholders equity of Sony without Financial Services	1,722,743	**1,733,233**
Noncontrolling interests	90,871	**110,014**
	6,132,276	**5,941,998**

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Consolidated

	March 31 2014	2015
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	1,046,466	**949,413**
Marketable securities	832,566	**936,731**
Notes and accounts receivable, trade	871,040	**899,902**
Other	1,454,814	**1,411,855**
	4,204,886	**4,197,901**
Film costs	275,799	**305,232**
Investments and advances	7,919,011	**8,531,353**
Property, plant and equipment	750,010	**739,285**
Other assets:		
Deferred insurance acquisition costs	497,772	**520,571**
Other	1,686,242	**1,539,989**
	2,184,014	**2,060,560**
	15,333,720	**15,834,331**

	March 31 2014	2015
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	377,754	**221,525**
Notes and accounts payable, trade	712,829	**622,215**
Deposits from customers in the banking business	1,890,023	**1,872,965**
Other	1,803,008	**2,028,885**
	4,783,614	**4,745,590**
Long-term liabilities:		
Long-term debt	916,648	**712,087**
Accrued pension and severance costs	284,963	**298,753**
Future insurance policy benefits and other	5,848,044	**6,381,886**
Other	713,195	**762,298**
	7,762,850	**8,155,024**
Redeemable noncontrolling interest	4,115	**5,248**
Sony Corporation s stockholders equity	2,258,137	**2,317,077**
Noncontrolling interests	525,004	**611,392**
	15,333,720	**15,834,331**

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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, 2015			
	Cost	Unrealized gain	Unrealized loss	Fair market value
	(Yen in millions)			
Financial Services Business:				
Available-for-sale				
Debt securities				
Sony Life	994,629	152,019	(109)	1,146,539
Sony Bank	698,822	17,329	(1,028)	715,123
Other	38,609	91	(9)	38,691
Equity securities				
Sony Life	13,701	16,458		30,159
Sony Bank				
Other	730	1,819		2,549
Held-to-maturity				
Debt securities				
Sony Life	4,891,826	826,535	(103)	5,718,258
Sony Bank	8,285	348		8,633
Other	69,184	8,991		78,175
Total Financial Services	6,715,786	1,023,590	(1,249)	7,738,127
Non-Financial Services:				
Available-for-sale securities	62,684	109,154	(751)	171,087
Held-to-maturity securities				
Total Non-Financial Services	62,684	109,154	(751)	171,087
Consolidated	6,778,470	1,132,744	(2,000)	7,909,214

At March 31, 2015, Sony Life had debt securities with gross unrealized losses of 0.2 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, 2015, Sony Bank had debt securities with gross unrealized losses of 1.0 billion yen. Of the unrealized loss, 6.2 percent related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2015. 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.

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For fixed maturity securities with unrecognized losses held by Sony Life as of March 31, 2015 (0.2 billion yen), maturity dates vary as follows:

Within 1 year:	100.0 percent
1 to 5 years:	
5 to 10 years:	
above 10 years:	

For fixed maturity securities with unrecognized losses held by Sony Bank as of March 31, 2015 (1.0 billion yen), maturity dates vary as follows:

Within 1 year:	41.9 percent
1 to 5 years:	43.4 percent
5 to 10 years:	7.4 percent
above 10 years:	7.3 percent

For the fiscal years ended March 31, 2013, 2014 and 2015, Sony Life recorded net realized gains on available-for-sale securities of 2.3 billion yen, 0.4 billion yen and 9.3 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, 2015 was 65.0 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, 2013, 2014 and 2015, total realized impairment losses were 8.6 billion yen, 1.8 billion yen and 0.9 billion yen, respectively, of which 0.8 billion yen, 0.2 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, 2015, Sony Life and Sony Bank account for approximately 89 percent and 9 percent of the investments in the Financial Services segment, respectively.

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.

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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, and an increase of 99.0 billion yen, or 15.4 percent compared with the balance as of December 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, and a decrease of 83.0 billion yen, or 28.6 percent compared with the balance as of December 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

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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.

Financial Services segment	**Fiscal year ended March 31** 2014	**2015**
	(Yen in millions)	
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**

Sony without the Financial Services segment	**Fiscal year ended March 31** 2014	**2015**
	(Yen in millions)	
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**

Consolidated	**Fiscal year ended March 31** 2014	**2015**
	(Yen in millions)	
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**

Cash Flows

(The fiscal year ended March 31, 2014 compared with the fiscal year ended March 31, 2013)

Operating Activities: Net cash provided by operating activities was 664.1 billion yen, an increase of 188.0 billion yen, or 39.5 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 257.2 billion yen, an increase of 218.7 billion yen, or 568.5 percent year-on-year. This increase in inflow was primarily due to the positive impact of an increase in notes and accounts payable, trade resulting from an expansion in production of PS4 hardware, compared to a decrease in the previous fiscal year. This increase was partially offset by the negative impact of increases in notes and accounts receivable and in other receivables, included in other current assets, from component assembly companies, compared to decreases in the previous fiscal year, and by the negative impact of a smaller decrease in inventories resulting from the expansion in production of PS4 hardware and its higher unit sales. Also included in notes and accounts receivable in the fiscal year ended March 31, 2014 was the impact of the sale of accounts receivable in the Pictures segment in the U.S.

The Financial Services segment had a net cash inflow of 413.6 billion yen, a decrease of 29.7 billion yen, or 6.7 percent year-on-year. This decrease was primarily due to a decrease in insurance premium revenue at Sony Life.

Investing Activities: Net cash used in investing activities during the fiscal year ended March 31, 2014 was 710.5 billion yen, an increase of 5.2 billion yen, or 0.7 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 94.3 billion yen, an increase of 44.5 billion yen, or 89.3 percent year-on-year. This increase was primarily due to a year-on-year decrease in cash proceeds from the sales of fixed assets and businesses. Included in the sales of fixed assets and businesses during the fiscal year ended March 31, 2014 were the proceeds from the sale and leaseback of machinery and equipment and from the sale of all of Sony s shares of Gracenote, Inc. Included in the sales of fixed assets and businesses during the previous fiscal year were the sale of Sony s U.S. headquarters building, Sony City Osaki, and the chemical products related business.

The Financial Services segment used 616.2 billion yen of net cash, a decrease of 39.6 billion yen, or 6.0 percent year-on-year. This decrease was mainly due to a year-on-year increase in proceeds from the sales of investment securities at Sony Bank.

In all segments excluding the Financial Services segment, net cash generated from operating and investing activities combined* for the fiscal year ended March 31, 2014 was 162.9 billion yen, a 174.3 billion yen improvement from net cash used in the previous fiscal year.

Financing Activities: Net cash provided by financing activities during the fiscal year ended March 31, 2014 was 207.9 billion yen, an increase of 119.3 billion yen, or 134.8 percent year-on-year.

For all segments excluding the Financial Services segment, there was a 40.2 billion yen net cash outflow, a decrease of 115.4 billion yen, or 74.2 percent year-on-year. The decrease was mainly due to a decrease in repayments of long-term debt, net, year-on-year, a tender offer for shares of So-net Entertainment Corporation (currently So-net Corporation) in the previous fiscal year, and an increase in short-term borrowings year-on-year.

In the Financial Services segment, financing activities provided 241.5 billion yen of net cash, an increase of 2.5 billion yen, or 1.0 percent year-on-year. The increase was primarily due to the increase in borrowings at Sony Bank.

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 as of March 31, 2014 was 1,046.5 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 806.1 billion yen as of March 31, 2014, an increase of 181.3 billion yen, or 29.0 percent compared with the balance as of March 31, 2013, and an increase of 197.8 billion yen, or 32.5 percent compared with the balance as of December 31, 2013. 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 733.3 billion yen of unused committed lines of credit with financial institutions in addition to the cash and cash equivalents balance as of March 31, 2014. Within the Financial Services segment, the outstanding

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balance of cash and cash equivalents was 240.3 billion yen as of March 31, 2014, an increase of 38.8 billion yen, or 19.2 percent compared with the balance as of March 31, 2013, and a decrease of 0.6 billion yen, or 0.3 percent compared with the balance as of December 31, 2013.

* 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	
	2013	**2014**
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	476.2	**664.1**
Net cash used in investing activities reported in the consolidated statements of cash flows	(705.3)	**(710.5)**
	(229.1)	**(46.4)**
Less: Net cash provided by operating activities within the Financial Services segment	443.3	**413.6**
Less: Net cash used in investing activities within the Financial Services segment	(655.9)	**(616.2)**
Eliminations**	5.2	**6.7**
Cash flow from (used in) operating and investing activities combined excluding the Financial Services segment s activities	(11.3)	**162.9**

** Eliminations primarily consist of intersegment dividend payments

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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.

Financial Services segment	Fiscal year ended March 31 2013	2014
	(Yen in millions)	
Net cash provided by operating activities	443,284	**413,555**
Net cash used in investing activities	(655,859)	**(616,223)**
Net cash provided by financing activities	238,974	**241,450**
Net increase in cash and cash equivalents	26,399	**38,782**
Cash and cash equivalents at beginning of the fiscal year	175,151	**201,550**
Cash and cash equivalents at end of the fiscal year	201,550	**240,332**

Sony without the Financial Services segment	Fiscal year ended March 31 2013	2014
	(Yen in millions)	
Net cash provided by operating activities	38,478	**257,224**
Net cash used in investing activities	(49,801)	**(94,279)**
Net cash used in financing activities	(155,663)	**(40,236)**
Effect of exchange rate changes on cash and cash equivalents	72,372	**58,614**
Net increase (decrease) in cash and cash equivalents	(94,614)	**181,323**
Cash and cash equivalents at beginning of the fiscal year	719,425	**624,811**
Cash and cash equivalents at end of the fiscal year	624,811	**806,134**

Consolidated	Fiscal year ended March 31 2013	2014
	(Yen in millions)	
Net cash provided by operating activities	476,165	**664,116**
Net cash used in investing activities	(705,280)	**(710,502)**
Net cash provided by financing activities	88,528	**207,877**
Effect of exchange rate changes on cash and cash equivalents	72,372	**58,614**
Net increase (decrease) in cash and cash equivalents	(68,215)	**220,105**
Cash and cash equivalents at beginning of the fiscal year	894,576	**826,361**
Cash and cash equivalents at end of the fiscal year	826,361	**1,046,466**

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.

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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 CP program limit amounts, translated into yen, were 806.5 billion yen in total for Sony Corporation and SGTS as of March 31, 2015, there were no amounts outstanding under the CP programs as of and during the fiscal year ended March 31, 2015.

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 776.6 billion yen in unused committed lines of credit, as of March 31, 2015. Details of those committed lines of credit are: a 475.0 billion yen committed line of credit contracted with a syndicate of Japanese banks, effective until November 2016, 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 1.01 billion U.S. dollar multi-currency committed line of credit contracted with a syndicate of foreign banks, effective until April 2015, in all of which Sony Corporation and SGTS are defined as borrowers. On April 3, 2015, the latter committed line was renewed and will remain effective until March 2016 and the amount of the line of credit was changed to 475 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.

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 policy holders 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: a common development platform technology for home and mobile electronics, semiconductor, device, and software technologies, which are essential for product differentiation and for creating value-added products.

Research and development costs for the fiscal year ended March 31, 2015 were essentially flat year-on-year at 464.4 billion. This was primarily due to a decrease in research and development costs in the IP&S and HE&S segments and Corporate research and development costs 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.

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The following table includes the research and development expenses related to the Electronics segments in the fiscal years ended March 31, 2013, 2014, and 2015.

	Fiscal year ended March 31				
	2013	2014	Percent change from 2013 to 2014	**2015**	**Percent change from 2014 to 2015**
	(Yen in billions, except percentage data)				
Research and development expenses					
Mobile Communications	88.8	83.4	6.1%	**91.0**	+9.1%
Game & Network Services	90.5	88.7	2.0	**89.1**	+0.5
Imaging Products & Solutions	73.1	61.5	15.9	**56.9**	7.5
Home Entertainment & Sound	64.3	54.9	14.6	**48.7**	11.3
Devices	107.4	97.1	9.6	**105.5**	+8.7

Consolidated research and development costs for the fiscal year ending March 31, 2016 are expected to increase by 5.5 percent to 490 billion yen.

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 is 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.

Research and development costs for the fiscal year ended March 31, 2013 increased by 40.1 billion yen, or 9.3 percent year-on-year, to 473.6 billion yen. The increase is primarily due to an increase of 73.4 billion yen in research and development costs at Sony Mobile due to the impact of consolidating Sony Mobile, as a wholly-owned subsidiary since February 16, 2012, which was previously accounted for under the equity method. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) increased from 7.7 percent to 8.2 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 American economy has been on a recovery trend and is expected to continue growth due to factors such as the decrease in the price of oil. After some negative impact on consumer demand from an increase in the consumption tax rate in April 2014, the Japanese economy is also expected to gradually expand due to aggressive monetary easing policies and the delay of a second planned increase in the consumption tax rate. However, the overall global economic outlook is uncertain due to the geopolitical tension in Russia accompanying the decrease in the price of oil, the slowdown of growth in the Chinese economy, and the weakening of external demand in Asian emerging market countries.

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 will be classified as a growth driver, stable profit generator, or area focusing on volatility management in terms of its position within the Company s overall business portfolio. Each business will then be 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.

1. Growth drivers:

Sony is positioning Devices, Game & Network Services, Pictures, and Music as the segments that will drive its profit growth over the next three years. It will implement growth measures and engage in aggressive capital investment in these areas with the aim of achieving both sales growth and profit expansion.

In Devices, Sony aims to further bolster its competitive edge in the area of CMOS image sensors by investing to increase production capacity and enhance R&D. In Games & Network Services, the Company will strive to further expand the installed user base of the PlayStation® platform and PlayStation®Network (PSN). In Pictures, Sony will focus on expanding the audience for its Media Networks business by growing ratings and increasing its channel offerings, strengthening its Television Productions business, and improving margins in its Motion Pictures business. In Music, the Company will increase its focus on growth areas such as the streaming music market.

2. Stable profit generators:

As businesses capable of contributing stable profit, Sony will prioritize the generation of steady profit and positive cash flow for Imaging Products & Solutions and Video & Sound. While Sony does not anticipate overall market growth in these areas, the Company will target certain areas within each market that are unlikely to experience commoditization by continuing to offer new, high value-added products such as its advanced mirrorless single-lens reflex cameras and high-resolution audio products. By capitalizing on its existing technological expertise in these areas rather than engaging in large-scale investments, and by optimizing fixed costs and enhancing inventory control, Sony will aim to maximize profits and return on investment.

3. Areas focusing on volatility management:

The TV and Mobile Communications businesses operate in markets characterized by high volatility and challenging competitive landscapes. In view of this business environment, Sony will place the highest priority on curtailing risk and securing profits in its operation of these businesses. Since both markets are experiencing intense cost competition and commoditization, Sony will strive to further increase the added value of its products by leveraging its in-house technologies and component devices. By carefully selecting the territories and product areas it targets, Sony will seek to limit its capital investment and establish a business structure capable of securing stable profits. The Company will also continue to explore potential alliances with other companies in these areas, in response to changes in the business landscape.

In the Financial Services segment, each of the life insurance, non-life insurance, banking and nursing care businesses will target further stable business expansion and profit growth by continuing to provide high quality services that our customers trust and are satisfied with.

Furthermore, with the aim of delivering sustained, high profit levels from the fiscal year ending March 31, 2019 onwards, Sony will seek to reinforce its deployment of recurring-revenue business models, built on solid

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customer foundations and business platforms. Already successfully implemented in the areas of Game and Financial Services, Sony will seek to further leverage this approach within its Network Services business, the Media Networks business operated by the Pictures segment, and also for interchangeable lenses and accessories within the Digital Imaging business.

In the medical field, one of Sony s new business areas, Sony Olympus Medical Solutions Inc. is proceeding as planned with the development of surgical endoscopy systems and other medical solutions.

New organizational and management structure

In order to realize its transformation into a highly profitable enterprise, Sony will realign its organizational structure and management team.

In each of its business units, Sony will ensure the implementation of 1) clearly attributable accountability and responsibility, 2) management policies with an emphasis on sustainable profit generation and 3) the acceleration of decision-making processes and reinforcement of business competitiveness. To achieve this, Sony plans to sequentially split out the business units currently within Sony Corporation.

Global Environmental Plan Road to Zero

Sony announced its Road to Zero global environmental plan in April 2010. The plan includes a long-term vision of achieving a zero environmental footprint by 2050 through Sony s business operations and product lifecycles, in pursuit of a sustainable society. Sony aims to achieve this vision through continuous innovation and the utilization of offset mechanisms. The plan also draws a comprehensive roadmap based on the following four goals:

- Climate change: Reduction of energy consumption in pursuit of zero greenhouse gas emissions.
- Resource conservation: Reduction in the use of virgin materials of priority resources by minimizing waste generation, appropriate water consumption, and continuous increase of waste recycling.
- Control of chemical substances: Minimization of the risks that certain chemical substances pose to the environment through preventative measures, reduction in the use of specific chemicals defined by Sony, and promotion of the use of alternative materials.
- Biodiversity: Conservation and recovery of biodiversity through Sony s own business operations and local social contribution programs.

Among the above goals, Sony s specific mid-term targets for climate change include the following:

- Target an absolute reduction in greenhouse gas emissions (calculated in terms of CO_2) of 30 percent by the end of the fiscal year ending March 31, 2016, compared to the level of the fiscal year ended March 31, 2001.
- Target a reduction in power consumption per product of 30 percent by the end of the fiscal year ending March 31, 2016, compared to the level of the fiscal year ended March 31, 2009.

Further details of the global environmental plan Road to Zero 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 transactions in which Sony has relinquished control of receivables, accounted for as sales, in accordance with the accounting guidance for transfers of financial assets, 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.

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F. Contractual Obligations, Commitments, and Contingent Liabilities

The following table summarizes Sony s contractual obligations and commitments as of March 31, 2015. 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)	**62,008**	62,008			
Long-term debt (Notes 8 and 11)					
Capital lease obligations and other	**66,880**	37,413	17,987	8,074	3,406
Other long-term debt	**804,724**	122,104	313,041	345,573	24,006
Interest on other long-term debt	**26,578**	8,048	11,148	4,646	2,736
Minimum rental payments required under operating leases (Note 8)	**286,464**	60,082	78,829	38,908	108,645
Purchase commitments (Note 27)					
Expected cost for the production or purchase of motion pictures and television programming or certain rights	**126,925**	58,954	59,857	8,114	
Long-term contracts with recording artists, songwriters and companies	**63,479**	24,816	21,768	8,314	8,581
Long-term sponsorship contracts related to advertising and promotional rights	**26,779**	7,159	17,020	2,050	550
Other purchase commitments	**172,158**	116,176	35,711	15,608	4,663
Future insurance policy benefits and other and policyholders account in the life insurance business* (Note 10)	**17,642,136**	406,494	910,080	987,703	15,337,859
Gross unrecognized tax benefits** (Note 21)	**157,345**	1,414			
Total	**19,435,476**	904,668	1,465,441	1,418,990	15,490,446

* Future insurance policy benefits and other and policyholders account in the life insurance business are the estimated future cash payments to be made to policy holders 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 17,642.1 billion yen exceeds the corresponding liability amounts of 6,338.7 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 1.4 billion yen of the liability is expected to be settled within one year. The settlement period for the liability, which totaled 155.9 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, 2015:

The total amount of expected future pension payments is not included as such amount is not currently determinable. Sony expects to contribute approximately 12 billion yen to Japanese pension plans and approximately 5 billion yen to foreign pension plans during the fiscal year ending March 31, 2016. 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 25.4 billion yen as of March 31, 2015. 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 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.

In order to fulfill its commitments, Sony will use existing cash, cash generated by its operating activities, and intra-group borrowings, where possible. Further, Sony may raise funds through bonds, CP programs and committed lines of credit from banks, when necessary.

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 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 issuers, 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.

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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 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.

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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 certain other intangible assets that are determined to have an indefinite useful life are not amortized and 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 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 assessing goodwill and indefinite lived intangible assets for impairment, Sony has the option to first perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit and indefinite lived intangible asset is less than its carrying amount. Reporting units are Sony s operating segments or one level below the operating segments. If Sony determines that it is not more likely than not that the fair value of a reporting unit and indefinite lived intangible asset is less than its carrying amount, no additional tests to assess goodwill and indefinite lived intangible assets for impairment are required to be performed. However, if Sony concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform the first step of a two-step impairment review process. In the fiscal year ended March 31, 2015, Sony elected not to perform the aforementioned qualitative assessment of goodwill and instead proceeded directly to the quantitative impairment test.

The first step of the two-step process involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. 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. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

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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 are judgmental in nature and often involve 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 reporting units and indefinite lived intangible assets 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, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant estimates involved in the determination of fair value of the reporting units are the discount rates and the perpetual growth rates applied to terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing consider market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, are generally set after an initial three-year forecasted period, although certain reporting units utilized longer forecasted periods, and are based on historical experience, market and industry data.

Except as described below, fair value exceeded the carrying amount of the reporting units with goodwill and indefinite lived intangible assets, and therefore no impairment existed and the second step of the impairment test was not required. As a result, no material impairments of goodwill or indefinite lived intangible assets were recorded beyond the impairments described below. When testing goodwill for impairment, consideration was 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.

During the fiscal year ended March 31, 2015, Sony recorded impairment losses of 176,045 million yen in the MC segment and 1,090 million yen in All Other. The impairment charges reflected the overall decline in the fair value of the reporting units. The fair values of the reporting units were estimated using the present values of expected future cash flows.

The carrying amounts of goodwill by segment as of March 31, 2015 are as follows:

	Yen in millions
Game & Network Services	154,399
Imaging Products & Solutions	6,059
Devices	37,762
Pictures	224,239
Music	132,369
Financial Services	2,314
All Other	4,113
Total	561,255

Management believes that the estimates of future cash flows and 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 business assumptions could negatively affect the valuations, which may result in Sony recognizing impairment charges for goodwill and indefinite lived intangible assets in the future. In order to evaluate the sensitivity of the fair value calculations on the impairment analysis performed for the fiscal year ended March 31, 2015, Sony applied a hypothetical 10 percent decrease to the fair value of each reporting unit. A hypothetical 10 percent decrease to the estimated fair value of each reporting unit would not have resulted in a failure of step one of the goodwill impairment test.

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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 1.0 percent for its Japanese pension plans as of March 31, 2015. 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 1.0 percent discount rate represents a 40 basis point decrease from the 1.4 percent discount rate used for the fiscal year ended March 31, 2014 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, 2014 and 2015. The actual return on pension plan assets for the fiscal years ended March 31, 2014 and 2015 was an 8.8 percent gain and an 11.4 percent gain, respectively. The difference between the expected and the actual rate of return on pension plan assets was primarily due to the robust performance in the equity and bond markets throughout the fiscal year ended March 31, 2015, and the appreciation of foreign currency-denominated assets reflecting the weakening 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, 2014 and 2015, Sony had, with respect to Japanese pension plans, net actuarial losses of 237.0 billion yen and 218.5 billion yen, respectively, including losses related to pension plan assets. For the fiscal year ended March 31, 2015, the net actuarial loss decreased as the actual return on pension plan assets significantly exceeded the expected return, partially offset by the impact of the decline in the discount rate used to determine the defined benefit obligation, as compared to the prior fiscal year s rate.

The following table illustrates the effect on the fiscal year ending March 31, 2016 of changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions as of March 31, 2015 constant, for Japanese pension plans.

Change in assumption	**Projected benefit obligations**	**Pension costs**	**Equity (Net of tax)**
		(Yen in billions)	
25 basis point increase / decrease in discount rate	/+32.5	/+1.5	+/ 1.0
25 basis point increase / decrease in expected long-term rate of return on pension plan assets		/+1.7	+/ 1.2

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. 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 APAs negotiations 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 future valuation allowance reversals 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.

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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 1.5 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.

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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 23, 2015.

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, So-net Corporation
2001	Senior Vice President, So-net Corporation
1983	Entered Sony Corporation

Kanemitsu Anraku

Date of Birth: April 21, 1941
Outside Director (Member of the Board) Since: 2010
Current Position within Sony: Member of the Audit Committee
Principal Business Activities Outside Sony:
Director, Mizuho Financial Group, Inc.

Prior Positions:

2002	President, Nissan Real Estate Development Co., Ltd.

2000	Vice Chairman, Nissan Motor Co., Ltd.
1999	Representative Director and Executive Vice President, Nissan Motor Co., Ltd.

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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: None
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

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Joichi Ito
Date of Birth: June 19, 1966
Outside Director (Member of the Board) Since: 2013
Principal Business Activities Outside Sony:
Chief Executive Officer, Neoteny Co., Ltd.
Director, MIT Media Lab, Massachusetts Institute of Technology
Director, Digital Garage, Inc.
Director, Tucows Inc.
Director, The New York Times Company
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
Principal Business Activities Outside Sony:
Independent Startup Adviser
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:
Advisor, Sompo Japan Nipponkoa Insurance Inc.
Director, Sumitomo Corporation
Director, Takasago Thermal Engineering Co., Ltd.
Director, Hashimoto Sogyo Co., Ltd.
President, Japan Cooperation Center for the Middle East
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

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John V. Roos

Date of Birth: February 14, 1955
Director (Member of the Board) Since: 2014
Current Position within Sony: Member of the Nominating Committee
Principal Business Activities Outside Sony:
Chief Executive Officer, The Roos Group, LLC
Director, salesforce.com, inc.
Member of Global Advisory Board, Mitsubishi UFJ Financial Group, Inc.
Senior Advisor, Centerview Partners LLC

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 Compensation 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

Prior Positions:	
2008	Director, Dow Corning Toray Co., Ltd.

Corporate Executive Officers

In addition to Messrs. Hirai and Yoshida, the six individuals set forth below are the current Corporate Executive Officers of Sony Corporation as of June 23, 2015. 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 Device Solutions Business and RDS Platform

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

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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

Kazuo Hirai, Kenichiro Yoshida, Tomoyuki Suzuki, Shiro Kambe, Masashi Imamura, and Shigeki Ishizuka 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, 2015 filed on June 23, 2015 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	16 (*)(**)	159		(***)		(*****)
(Outside Directors)	(14)	(143)	( )	( )	( )	( )
Corporate Executive Officers	9 (**)	505	8	0 (****)	4	90 (*****)
Total******	25	664	8	0	4	90

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

** The number of persons includes six Directors, a Corporate Executive Officer who resigned on the day of the Ordinary General Meeting of Shareholders held on June 19, 2014 and a Corporate Executive Officer who resigned on November 16, 2014.

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

**** 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 two Corporate Executive Officers who resigned on the day of the Ordinary General Meeting of Shareholders held on June 23, 2015, a Corporate Executive Officer who resigned on April 1, 2015 and a Corporate Executive Officer who resigned on November 16, 2014. The closing price of May 29, 2015 is applied to the Phantom Restricted Stock Plan calculation of two Corporate Executive Officers who resigned on the day of the Ordinary General Meeting of Shareholders held on June 23, 2015.

****** In addition to the above, during the fiscal year ended March 31, 2015, Sony Corporation recorded 260 million yen in expenses for Corporate Executive Officers for Stock Acquisition Rights granted to Corporate Executive Officers during the fiscal year ended March 31, 2015 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**	202 ***	0		202	100
Kenichiro Yoshida	Sony Corporation Director, Executive Deputy President and CFO, and Representative Corporate Executive Officer **	53	0		53	80

* The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal year ended March 31, 2015 was 1,139 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 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, 2015 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.

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*** 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 11 million yen to Kazuo Hirai, during the fiscal year ended March 31, 2015.

(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
- 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 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;

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Remuneration linked to share price; and

Phantom Restricted Stock Plan.

The schedule for the amount of each component and its percentage of total remuneration shall be determined in 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 margin and the level of achievement in respect of the business area(s) for which the relevant Corporate Executive Officer is responsible, and the amount paid to Corporate Executive Officers shall fluctuate within the range from 0 percent to 200 percent 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 accumulated points. These amounts are then used to purchase Sony Corporation s Common Stock on behalf of the applicable Corporate Executive Officer upon his or her resignation.

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 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.

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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 23, 2015: 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 23, 2015: Takaaki Nimura, who is the Chair of the Audit Committee and an outside Director, and Kanemitsu Anraku and Kazuo Matsunaga, who are also outside Directors. Takaaki Nimura and Kanemitsu Anraku are each audit committee financial experts 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 23, 2015: Eikoh Harada, who is the Chair of the Compensation Committee and an outside Director, Eriko Sakurai, who is also an outside Director; and Kenichiro Yoshida, who is a Corporate Executive Officer.

During the fiscal year ended March 31, 2015, the Board of Directors convened ten times. The Nominating Committee met five times, the Audit Committee met nine times and the Compensation Committee met six 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, 2015 except for Joichi Ito. (Joichi Ito participated in nine meetings out of ten). Also, all 9 outside Directors who are members of Committees participated in all of the meetings of each Committee held during the fiscal year ended March 31, 2015. 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, 2015.

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 23, 2015, there are six 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,

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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 or visit Sony s website at: http://www.sony.net/SonyInfo/IR/info/strategy/NYSEGovernance.html

D. Employees

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.

As of March 31, 2013, Sony had approximately 146,300 employees, a decrease of approximately 16,400 employees from March 31, 2012. During the fiscal year ended March 31, 2013, while employees in the Financial Services segment increased, the total number of employees decreased significantly due to production adjustments implemented mainly at manufacturing sites in the East Asia and Asia-Pacific region (excluding Japan), restructuring initiatives and the sale of the chemical products related business during the same fiscal year. As of March 31, 2013, approximately 54,800 employees were located in Japan and approximately 91,500 employees were located outside Japan. Approximately 24 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, 2013, 2014 and 2015.

Number of Employees by Segment

	March 31		
	2013	2014	**2015**
Electronics*	105,000	102,000	**93,900**
Pictures	7,400	7,200	**7,600**
Music	6,500	6,700	**6,900**
Financial Services	8,200	8,500	**8,800**
All Other	9,700	9,000	**8,300**
Unallocated Corporate employees	9,500	7,500	**6,200**
Total	146,300	140,900	**131,700**

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

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.

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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.

As of March 31, 2013, the number of employees in Electronics decreased compared to March 31, 2012, reflecting the sale of the chemical products related business, restructuring and production adjustments implemented mainly at manufacturing sites. The number of employees in All Other also decreased compared to March 31, 2012, reflecting the deconsolidation of M3, Inc. and its subsidiaries during the fiscal year ended March 31, 2013. In the Financial Services segment, the number of employees as of March 31, 2013 increased compared to March 31, 2012 due to the expansion of its businesses.

In addition, the average number of employees for the fiscal years ended March 31, 2013, 2014 and 2015 calculated by averaging the total number of employees at the end of each quarter, were approximately 153,900, 143,300, and 136,300 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, 2015, negotiations were successfully concluded for new three-year agreements with each of the following: The Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) in respect of the Codified Basic Agreement and Television Agreement, the Screen Actors Guild (SAG) Basic Cable Agreement, the SAG Animation Agreement, and the SAG Basic Cable Animation Agreement; the National American Federation of Television and Radio Artists (AFTRA) in respect of the Code of Fair Practice for Network Television Broadcasting; the American Federation of Musicians, covering television and features; the Union of British Columbia Performers; and the Directors Guild of Canada. Also new three-year agreements were negotiated with the International Alliance of Theatrical and Stage Employees (IATSE) and the Teamsters covering employment in Los Angeles. The IATSE and Teamsters agreements must be ratified by the memberships of the IATSE and the Teamsters, respectively. Negotiations will commence shortly with the Casting Directors, Location Managers and the remaining IATSE local chapters throughout the United States and Canada. It is not anticipated that these negotiations will result in an interruption in production.

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 (9 people) listed in Directors and Senior Management above was approximately 0.004 percent of the total shares outstanding as of May 28, 2015. Refer to Board Practices above.

During the fiscal year ended March 31, 2015, 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 31, 2015 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 (in thousands)**	**Exercise price per share**
2015	100	20.67 U.S. dollars
2015	145	2,410.5 yen
2014	200	20.01 U.S. dollars
2014	80	2,007 yen
2013	200	11.23 U.S. dollars
2013	44	932 yen
2012	80	19.44 U.S. dollars
2012	30	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
2006	0	34.14 U.S. dollars
2006	34	4,060 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, 2015, there were 1,169,773,260 shares of common stock outstanding, including 1,031,323 shares of treasury stock. Out of the total outstanding shares, 127,805,220 shares were in the form of ADRs and 246,695,883 shares were held of record in the form of common stock by residents in the U.S. As of March 31, 2015, the number of registered ADR holders was 6,153 and the number of registered holders of common stock of Sony Corporation in the U.S. was 389.

The Financial Instruments and Exchange Act of Japan requires any person who solely or jointly owns more than 5 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 between June 24, 2014 and June 23, 2015, where it is reported that ownership percentage by the reported entity exceeds 5 percent in the most recent updated Report. The Reports do not specify whether reported ownership is direct or beneficial.

Date of Report*	**Reported entities**	**Reported number of direct or indirect owned and deemed owned shares****	**Reported percentage of direct or indirect owned and deemed owned shares****
April 4, 2014	Sumitomo Mitsui Trust Bank, Limited	53,312,421	5.04

July 22, 2014	BlackRock Japan Co., Ltd.	52,313,772	5.01

** 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, 2015, sales to affiliates accounted for under the equity method totaled 29.4 billion yen and purchases from those equity affiliates totaled 1.5 billion yen. Although there were 98 equity affiliates accounted for under the equity method at March 31, 2015, there were no individually significant investments.

As of March 31, 2015, Sony had accounts receivable, trade of 8.4 billion yen due from its equity affiliates and had accounts payable, trade of 1.9 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. The DOJ has notified Sony that it has closed its investigation, and Sony understands that the investigations by several other agencies have now ended, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser lawsuits, including class actions, were 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. In October 2014, the United States District Court hearing the U.S. class actions denied motions for class certification in both the direct and indirect purchaser class actions. The class plaintiffs filed petitions to appeal these rulings, and in January 2015, the appellate court denied the petitions to appeal. However, in February 2015 the district court gave the plaintiffs an opportunity to seek certification of narrower classes, and the civil actions continue. Based on the investigations 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

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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 class action lawsuits 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. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

Beginning in early 2011, the network services of PlayStation®Network, Qriocity , Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of June 23, 2015, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from such cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including formal and/or informal requests for information from Attorneys General from a number of states in the United States. Additionally, Sony Corporation and/or certain of its subsidiaries were named in a number of purported class actions in certain jurisdictions, including the United States. The U.S. class action suits have been settled, and the settlement has received the final approval of the court. A non-U.S. class action suit remains pending. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

In the fall of 2014, Sony Corporation s U.S. subsidiary, Sony Pictures Entertainment Inc. (SPE), was subject to a cyber-attack that resulted in unauthorized access to, and theft and disclosure of SPE business information, including employee information and other information. In connection with the theft and disclosure of information, SPE has been named in a number of purported class action suits in the United States brought by former employees of SPE. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of these proceedings.

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.

Sony Corporation paid no interim and year-end dividends for the Common Stock of Sony Corporation for the fiscal year ended March 31, 2015. The decision not to pay dividends was approved at the meeting of the Board of Directors held on September 17, 2014. Sony plans to pay 10 yen per share as an interim dividend during the fiscal year ending March 31, 2016. The amount of the year-end dividend for the fiscal year ending March 31, 2016 is undetermined.

B. Significant Changes

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

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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, 2011	3,620	2,100	38.67	25.85
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
Quarterly highs and lows*				
The fiscal year ended March 31, 2014	2,413	1,497	23.38	15.23
1st quarter	2,413	1,497	23.38	16.09
2nd quarter	2,323	1,899	23.10	19.53
3rd quarter	2,106	1,623	21.50	16.52
4th quarter	1,985	1,514	19.25	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
Monthly highs and lows*				
2014				
December	2,696.5	2,315	22.32	19.71
2015				
January	2,860	2,351.5	23.91	20.15
February	3,414.5	2,675.5	28.65	22.91
March	3,450	3,040.5	28.30	25.68
April	3,827.5	3,195	32.60	27.00
May	3,970	3,490	32.95	29.77
June (through June 19)	**3,858**	**3,601**	**31.02**	**29.17**

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

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On June 19, 2015, the closing sales price per share of Sony Corporation s Common Stock on the TSE was 3,657 yen. On June 19, 2015, the closing sales price per share of Sony Corporation s ADS on the NYSE was 29.67 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;

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(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

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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 record dates 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.

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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.

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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

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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-subsidiary 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% 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

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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 shareholders rights entitled regardless of record dates 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.

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(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.

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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 23, 2015. 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 2014 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, 2014 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, 2014	September 30, 2014	December 31, 2014	**March 31, 2015**
		(Yen in billions)		
Net VaR	1.3	1.3	0.9	**1.0**
VaR of currency exchange rate risk	1.3	1.3	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**

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Financial Services

	June 30, 2014	September 30, 2014	December 31, 2014	**March 31, 2015**
		(Yen in billions)		
Net VaR	1.4	1.0	0.7	**0.8**
VaR of currency exchange rate risk	1.3	1.0	0.7	**0.7**
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, 2014	September 30, 2014	December 31, 2014	**March 31, 2015**
		(Yen in billions)		
Net VaR	0.9	0.7	0.3	**0.5**
VaR of currency exchange rate risk	0.9	0.7	0.3	**0.5**
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, having replaced JPMorgan Chase Bank, N.A. (the predecessor depositary) on October 15, 2014. 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. During the period when the Depositary served as the depositary for Sony Corporation s ADSs in the fiscal year ended March 31, 2015, such reimbursements totaled approximately 1.8 million U.S. dollars. During the period when the predecessor depositary served as the depositary for Sony Corporation s ADSs, such reimbursements totaled approximately 1.4 million 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. During the period when the Depositary served as the depositary for Sony Corporation s ADSs in the fiscal year ended March 31, 2015, no indirect payments were made. During the period when the predecessor depositary served as the depositary for Sony Corporation s ADSs, the amount of such indirect payments was estimated to total 0.2 million 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, 2015. 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, 2015, 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.

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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, 2015 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, 2015.

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, 2015, 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, 2015 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 and Kanemitsu Anraku each 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, both are 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, 2014 and 2015.

	Fiscal year ended March 31	
	2014	**2015**
	Yen in millions	
Audit Fees(1)	4,299	**3,919**

Audit-Related Fees(2)	104	**126**
Tax Fees(3)	4	**7**
All Other Fees(4)	74	**79**
	4,481	**4,131**

(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.

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(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

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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, 2015.

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, 2014	2,562	1,951.65	N/A	N/A
May 1 31, 2014	1,793	1,738.18	N/A	N/A
June 1 30, 2014	3,586	1,658.02	N/A	N/A
July 1 31, 2014	4,830	1,708.28	N/A	N/A
August 1 31, 2014	3,966	1,845.22	N/A	N/A
September 1 30, 2014	4,790	2,008.57	N/A	N/A
October 1 31, 2014	2,583	1,897.50	N/A	N/A
November 1 30, 2014	3,407	2,298.89	N/A	N/A
December 1 31, 2014	4,858	2,507.29	N/A	N/A
January 1 31, 2015	2,714	2,545.39	N/A	N/A
February 1 28, 2015	3,661	3,003.35	N/A	N/A
March 1 31, 2015	5,776	3,290.07	N/A	N/A
Total	44,526	2,269.99	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, 2015, Sony Corporation purchased 44,526 shares of Common Stock for a total purchase price of 101,073,386 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

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NYSE Standards	Sony s Corporate Governance Practices
	each of three statutory committees (the Nominating Committee, the Audit Committee and the Compensation Committee).
Director Independence. A director is not independent if such director is	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 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;	(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 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.
(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	Sony s Charter of the Board of Directors includes a provision requiring that each outside director:
(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.	(i) Shall not have received directly from Sony Group, during any consecutive 12-month period within the

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NYSE Standards	Sony s Corporate Governance Practices
	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);
	(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; and
	(iii) Shall not be, or shall not have been, a director engaged in the business operation, a corporate executive officer, an accounting counselor, a general manager or other employee of Sony or its subsidiaries*. (* This provision of the Charter is based on the definition of outside director under the Companies Act.) 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;

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NYSE Standards	Sony s Corporate Governance Practices
	(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 23, 2015, 9 of the 12 members of Sony s Board of Directors qualified as outside directors. In addition, all 9 outside directors are qualified and designated as Independent Directors under the Securities Listing Regulations of the Tokyo Stock Exchange.

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NYSE Standards	Sony s Corporate Governance Practices
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.	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. Neither the Companies Act nor Sony s Charter of the Board of Directors requires non-management directors to meet regularly without management and nothing requires 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 information that is not customized for the issuer or is not customized by the adviser and about which the adviser does not provide advice.	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.

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NYSE Standards	Sony s Corporate Governance Practices
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 two members of the Committee are qualified as audit committee financial experts. 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.
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

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NYSE Standards	Sony s Corporate Governance Practices
	not apply to Sony. Details of the status are posted on the following website: http://www.sony.net/SonyInfo/IR/library/control.html
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.

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Item 19. ***Exhibits***

Documents filed as exhibits to this annual report:

1.1	Articles of Incorporation of Sony Corporation, as amended (English Translation)
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)
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

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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 23, 2015

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

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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, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015, 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, 2015, 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 25, 2015

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31

	Yen in millions	
	2014	**2015**
ASSETS		
Current assets:		
Cash and cash equivalents	1,046,466	949,413
Marketable securities	832,566	936,731
Notes and accounts receivable, trade	946,553	986,500
Allowance for doubtful accounts and sales returns	(75,513)	(86,598)
Inventories	733,943	665,432
Other receivables	224,630	231,947
Deferred income taxes	53,068	47,788
Prepaid expenses and other current assets	443,173	466,688
Total current assets	4,204,886	4,197,901
Film costs	275,799	305,232
Investments and advances:		
Affiliated companies	181,263	171,063
Securities investments and other	7,737,748	8,360,290
	7,919,011	8,531,353
Property, plant and equipment:		
Land	125,890	123,629
Buildings	674,841	679,125
Machinery and equipment	1,705,774	1,764,241
Construction in progress	39,771	35,786
	2,546,276	2,602,781
Less Accumulated depreciation	1,796,266	1,863,496
	750,010	739,285
Other assets:		
Intangibles, net	675,663	642,361
Goodwill	691,803	561,255
Deferred insurance acquisition costs	497,772	520,571
Deferred income taxes	105,442	89,637
Other	213,334	246,736
	2,184,014	2,060,560
Total assets	15,333,720	15,834,331

(Continued on following page.)

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2014	**2015**
LIABILITIES		
Current liabilities:		
Short-term borrowings	111,836	62,008
Current portion of long-term debt	265,918	159,517
Notes and accounts payable, trade	712,829	622,215
Accounts payable, other and accrued expenses	1,175,413	1,374,099
Accrued income and other taxes	81,842	98,414
Deposits from customers in the banking business	1,890,023	1,872,965
Other	545,753	556,372
Total current liabilities	4,783,614	4,745,590
Long-term debt	916,648	712,087
Accrued pension and severance costs	284,963	298,753
Deferred income taxes	410,896	445,876
Future insurance policy benefits and other	3,824,572	4,122,372
Policyholders account in the life insurance business	2,023,472	2,259,514
Other	302,299	316,422
Total liabilities	12,546,464	12,900,614
Redeemable noncontrolling interest	4,115	5,248
Commitments and contingent liabilities		
EQUITY		
Sony Corporation s stockholders equity:		
Common stock, no par value		
2014 Shares authorized: 3,600,000,000; shares issued: 1,044,707,767	646,654	
2015 Shares authorized: 3,600,000,000; shares issued: 1,169,773,260		707,038
Additional paid-in capital	1,127,090	1,185,777
Retained earnings	940,262	813,765
Accumulated other comprehensive income		
Unrealized gains on securities, net	127,509	154,153
Pension liability adjustment	(180,039)	(201,131)
Foreign currency translation adjustments	(399,055)	(338,305)
	(451,585)	(385,283)
Treasury stock, at cost		
Common stock		
2014 1,026,618 shares	(4,284)	
2015 1,031,323 shares		(4,220)
	2,258,137	2,317,077
Noncontrolling interests	525,004	611,392
Total equity	2,783,141	2,928,469
Total liabilities and equity	15,333,720	15,834,331

The accompanying notes are an integral part of these statements.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

Fiscal year ended March 31

	Yen in millions		
	2013	**2014**	**2015**
Sales and operating revenue:			
Net sales	5,691,216	6,682,274	7,035,537
Financial services revenue	999,276	988,944	1,077,604
Other operating revenue	105,012	96,048	102,739
	6,795,504	7,767,266	8,215,880
Costs and expenses:			
Cost of sales	4,485,425	5,140,053	5,275,144
Selling, general and administrative	1,457,626	1,728,520	1,811,461
Financial services expenses	854,221	816,158	882,990
Other operating (income) expense, net	(235,219)	48,666	181,658
	6,562,053	7,733,397	8,151,253
Equity in net income (loss) of affiliated companies	(6,948)	(7,374)	3,921
Operating income	226,503	26,495	68,548
Other income:			
Interest and dividends	21,987	16,652	12,887
Gain on sale of securities investments, net	41,781	12,049	8,714
Other	4,888	13,752	3,475
	68,656	42,453	25,076
Other expenses:			
Interest	26,657	23,460	23,600
Foreign exchange loss, net	10,360	9,224	20,533
Other	16,058	10,523	9,762
	53,075	43,207	53,895
Income before income taxes	242,084	25,741	39,729
Income taxes:			
Current	75,734	101,243	80,751
Deferred	64,664	(6,661)	7,982
	140,398	94,582	88,733
Net income (loss)	101,686	(68,841)	(49,004)
Less Net income attributable to noncontrolling interests	60,146	59,528	76,976
Net income (loss) attributable to Sony Corporation s stockholders	41,540	(128,369)	(125,980)

(Continued on following page.)

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income (Continued)

	Yen		
	2013	**2014**	**2015**
Per share data:			
Common stock			
Net income (loss) attributable to Sony Corporation s stockholders			
Basic	41.32	(124.99)	(113.04)
Diluted	38.79	(124.99)	(113.04)
Cash dividends	25.00	25.00	

The accompanying notes are an integral part of these statements.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Fiscal year ended March 31

	Yen in millions		
	2013	**2014**	**2015**
Net income (loss)	101,686	(68,841)	(49,004)
Other comprehensive income, net of tax			
Unrealized gains on securities	68,609	19,310	38,718
Unrealized gains on derivative instruments	308	742	
Pension liability adjustment	(6,623)	11,883	(21,187)
Foreign currency translation adjustments	161,818	158,884	65,790
Total comprehensive income	325,798	121,978	34,317
Less Comprehensive income attributable to noncontrolling interests	82,619	62,437	93,995
Comprehensive income (loss) attributable to Sony Corporation s stockholders	243,179	59,541	(59,678)

The accompanying notes are an integral part of these statements.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

Fiscal year ended March 31

	Yen in millions		
	2013	**2014**	**2015**
Cash flows from operating activities:			
Net income (loss)	101,686	(68,841)	(49,004)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	376,735	376,695	354,624
Amortization of film costs	208,051	285,673	272,941
Accrual for pension and severance costs, less payments	(16,669)	(38,131)	9,638
Other operating (income) expense, net	(235,219)	48,666	181,658
Gain on sale or devaluation of securities investments, net	(34,057)	(10,401)	(7,916)
Gain on revaluation of marketable securities held in the financial services business for trading purposes, net	(72,633)	(58,608)	(100,729)
Gain on revaluation or impairment of securities investments held in the financial services business, net	(5,689)	(3,688)	(1,397)
Deferred income taxes	64,664	(6,661)	7,982
Equity in net (income) loss of affiliated companies, net of dividends	8,819	10,022	2,269
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	55,712	(29,027)	33,843
Decrease in inventories	56,987	20,248	113,485
Increase in film costs	(173,654)	(266,870)	(252,403)
Increase (decrease) in notes and accounts payable, trade	(206,621)	103,379	(118,577)
Increase (decrease) in accrued income and other taxes	12,446	(3,110)	(11,033)
Increase in future insurance policy benefits and other	434,786	391,541	460,336
Increase in deferred insurance acquisition costs	(73,967)	(77,656)	(79,861)
Increase in marketable securities held in the financial services business for trading purposes	(25,254)	(33,803)	(51,565)
(Increase) decrease in other current assets	91,762	(48,115)	16,276
Increase (decrease) in other current liabilities	(55,830)	58,656	86,718
Other	(35,890)	14,147	(112,645)
Net cash provided by operating activities	476,165	664,116	754,640

(Continued on following page.)

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Yen in millions		
	2013	**2014**	**2015**
Cash flows from investing activities:			
Payments for purchases of fixed assets	(326,490)	(283,457)	(215,916)
Proceeds from sales of fixed assets	245,758	99,694	36,777
Payments for investments and advances by financial services business	(1,046,764)	(1,032,594)	(960,045)
Payments for investments and advances (other than financial services business)	(92,364)	(14,892)	(20,029)
Proceeds from sales or return of investments and collections of advances by financial services business	400,654	426,621	482,537
Proceeds from sales or return of investments and collections of advances (other than financial services business)	78,010	75,417	49,479
Proceeds from sales of businesses	52,756	15,016	93
Other	(16,840)	3,693	(12,532)
Net cash used in investing activities	(705,280)	(710,502)	(639,636)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	159,781	178,935	18,507
Payments of long-term debt	(326,164)	(164,540)	(258,102)
Increase (decrease) in short-term borrowings, net	(29,683)	25,183	(51,013)
Increase in deposits from customers in the financial services business, net	237,908	238,828	57,464
Proceeds from issuance of convertible bonds	150,000		
Dividends paid	(25,057)	(25,643)	(13,160)
Payment for purchase of So-net shares from noncontrolling interests	(55,178)		
Other	(23,079)	(44,886)	(16,891)
Net cash provided by (used in) financing activities	88,528	207,877	(263,195)
Effect of exchange rate changes on cash and cash equivalents	72,372	58,614	51,138
Net increase (decrease) in cash and cash equivalents	(68,215)	220,105	(97,053)
Cash and cash equivalents at beginning of the fiscal year	894,576	826,361	1,046,466
Cash and cash equivalents at end of the fiscal year	826,361	1,046,466	949,413
Supplemental data:			
Cash paid during the fiscal year for			
Income taxes	90,991	101,091	97,775
Interest	24,161	23,819	21,982
Non-cash investing and financing activities			
Conversion of convertible bonds		31,220	118,780
Obtaining assets by entering into capital leases	10,025	82,260	10,714
Share exchange for So-net remaining noncontrolling interests	7,005		
Collections of deferred proceeds from sales of receivables	20,608	35,196	22,512

The accompanying notes are an integral part of these statements.

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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, 2012	630,923	1,160,236	1,078,434	(841,134)	(4,637)	2,023,822	457,836	2,481,658
Exercise of stock acquisition rights							109	109
Stock-based compensation		851				851		851
Comprehensive income:								
Net income			41,540			41,540	60,146	101,686
Other comprehensive income, net of tax								
Unrealized gains on securities				43,238		43,238	25,371	68,609
Unrealized gains on derivative Instruments				308		308		308
Pension liability adjustment				(4,983)		(4,983)	(1,640)	(6,623)
Foreign currency translation adjustments				163,076		163,076	(1,258)	161,818
Total comprehensive income						243,179	82,619	325,798
Stock issue costs, net of tax			(18)			(18)		(18)
Dividends declared			(25,181)			(25,181)	(9,195)	(34,376)
Purchase of treasury stock					(35)	(35)		(35)
Reissuance of treasury stock		(155)			200	45		45
Transactions with noncontrolling interests shareholders and other		(50,401)				(50,401)	(51,627)	(102,028)
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

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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, 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

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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

The accompanying notes are an integral part of these statements.

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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 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

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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 issuers, 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 usually 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 consist of acquired programming to be aired on Sony s worldwide channel network and are recognized when the license period begins and the program is available for use. 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 certain other intangible assets that are determined to have an indefinite useful life are not amortized and 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. In assessing goodwill and indefinite lived intangible assets for impairment, Sony has the option to first perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit and indefinite lived intangible asset is less than its carrying amount. Reporting units are Sony s operating segments or one level below the operating segments. If Sony determines that it is not more likely than not that the fair value of a reporting unit and indefinite lived intangible assets are less than its carrying amount, no additional tests to assess goodwill and indefinite lived intangible assets for impairment are required to be performed. However, if Sony concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform the first step of a two-step impairment review process. In the fiscal year ended March 31, 2015, Sony elected not to perform the aforementioned qualitative assessment of goodwill and instead proceeded directly to the quantitative impairment test.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The first step of the two-step process involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. 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 fair value of reporting units and indefinite lived intangible assets 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, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant estimates involved in the determination of fair value of the reporting units are the discount rates and the perpetual growth rates applied to terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing consider market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, are generally set after an initial three-year forecasted period, although certain reporting units utilized longer forecasted periods, and are based on historical experience, market and industry data.

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 agreements (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, generally, over three to 10 years. Customer relationships, music catalogs, artist contracts and television carriage agreements (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.

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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.

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.

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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 have hybrid financial instruments, disclosed in Note 7 as debt securities, that contain embedded derivatives where the entire instrument is carried at fair value.

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.

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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.

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 revenue recognition guidance, elements are separated into more than one unit of accounting

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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. 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, single payment juvenile 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.

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

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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, 2013, 2014 and 2015, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses totaled 14,643 million yen, 12,112 million yen and 10,503 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.

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

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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

Obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date -

In February 2013, the Financial Accounting Standards Board (FASB) issued new accounting guidance for obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors, plus any additional amount the reporting entity expects to pay on behalf of its co-obligors. This guidance was effective for Sony as of April 1, 2014. The adoption of this guidance did not have a material impact on Sony s results of operations and financial position.

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Parent s accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity -

In March 2013, the FASB issued new accounting guidance for the parent s accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The guidance resolved diversity in practice and clarifies the applicable guidance for the release of the cumulative translation adjustment when the parent sells a part or all of its investment in a foreign entity, ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity, or obtains control in a business combination achieved in stages involving an equity method investment that is a foreign entity. After adoption of this guidance, any accumulated translation adjustments associated with a previously held equity interest are included in earnings in a business combination achieved in stages. This guidance was effective for Sony as of April 1, 2014. The adoption of this guidance did not have a material impact on Sony s results of operations and financial position.

Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists -

In July 2013, the FASB issued new accounting guidance for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit to be presented as a reduction to a deferred tax asset for a net operating loss, a similar tax loss, or a tax credit carryforward if certain criteria are met. This guidance was effective for Sony as of April 1, 2014. The adoption of this guidance did not have a material impact on Sony s results of operations and financial position.

Repurchase-to-maturity transactions and repurchase financings -

In June 2014, the FASB issued new accounting guidance for the accounting and disclosure of repurchase-to-maturity transactions and repurchase financings. The guidance requires that repurchase-to-maturity transactions be accounted for as secured borrowings, and requires that a transfer of a financial asset and a repurchase agreement executed contemporaneously be accounted for separately. The guidance also requires additional disclosures about certain transferred financial assets accounted for as sales and certain transactions accounted for as secured borrowings. The guidance was effective for Sony as of January 1, 2015, except for the disclosure for transactions accounted for as secured borrowings, and did not have a material impact on Sony s results of operations and financial position. The guidance for the disclosure of transactions accounted for as secured borrowings is effective for Sony as of April 1, 2015. Since this guidance will only impact disclosures, the adoption will have no impact on Sony s results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted

Reporting discontinued operations and disclosures of disposals of components of an entity -

In April 2014, the FASB issued new accounting guidance that changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in 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 revised guidance 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 guidance is effective for Sony as of April 1, 2015. The effect of this guidance will depend on the nature and significance of transactions after the adoption date.

Revenue from contracts with customers -

In May 2014, the FASB issued new accounting guidance addressing revenue recognition which will supersede the current revenue recognition requirements, including most industry-specific guidance. The guidance

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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. The guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. This guidance will be effective for Sony as of April 1, 2017. The effect of this guidance is being evaluated for the impact it will have on Sony s results of operations and financial position.

Amendments to the consolidation analysis -

In February 2015, the FASB issued new accounting guidance 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 guidance will be effective for Sony as of April 1, 2016. The effect of this guidance is being evaluated for the impact it will have on Sony s results of operations and financial position.

Simplifying the presentation of debt issuance costs -

In April 2015, the FASB issued new accounting guidance for the presentation of debt issuance costs. Under the new guidance, debt issuance costs related to a recognized debt liability are to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the new guidance. This guidance will be effective for Sony as of April 1, 2016. The adoption of this guidance 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 new accounting guidance for fee paid in a cloud computing arrangement. The guidance 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 arrangements without a software license element is to be accounted for as a service contract. This guidance does not affect the accounting for service contracts by a customer. This guidance will be effective for Sony as of April 1, 2016. The effect of this guidance is being evaluated for the impact it will have on Sony s results of operations and financial position.

Disclosures for investments in certain entities that calculate net asset value per share -

In May 2015, the FASB issued new accounting guidance removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient, and limits those disclosures to investments for which the entity has elected to measure fair value using that practical expedient. This guidance will be effective for Sony as of April 1, 2016. Since this guidance will only impact disclosures, the adoption will have no impact on Sony s results of operations and financial position.

Disclosures for short-duration insurance contracts -

In May 2015, the FASB issued new accounting guidance for disclosures relating to short-duration insurance contracts. This guidance 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 guidance will be effective for Sony as of April 1, 2016. Since this guidance will only impact disclosures, the adoption will have no impact on Sony s results of operations and financial position.

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(4) Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2013 and 2014 have been made to conform to the presentation for the fiscal year ended March 31, 2015.

(5) Out-of-period adjustment

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, in the aggregate, decreased income before income taxes in the consolidated statements of income by 5,104 million yen for the fiscal year ended March 31, 2015. Sony determined that the adjustment was not material to the consolidated financial statements for any prior annual or interim periods and for the year ended March 31, 2015.

3. *Inventories*

Inventories are comprised of the following:

	Yen in millions March 31	
	2014	2015
Finished products	495,865	468,408
Work in process	85,361	96,700
Raw materials, purchased components and supplies	152,717	100,324
Inventories	733,943	665,432

4. *Film costs*

Film costs are comprised of the following:

	Yen in millions March 31	
	2014	2015
Motion picture productions:		
Released	98,645	89,993
Completed and not released	37,720	4,498
In production and development	63,910	106,240
Television productions:		
Released	56,461	78,510
In production and development	2,664	2,952
Broadcasting rights	48,798	69,223
Less: current portion of broadcasting rights included in inventories	(32,399)	(46,184)

Film costs	275,799	305,232

Sony estimates that approximately 91% of the unamortized film costs of released motion picture and television productions at March 31, 2015 will be amortized within the next three years. Approximately 107

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billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 150 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

5. ***Investments in affiliated companies***

Sony accounts for its investments in affiliated companies over which Sony has significant influence 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 a minor influence over the operation of the investee exists (generally through more than 3-5% ownership).

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	
	2014	2015
Current assets	307,726	280,485
Noncurrent assets	716,159	770,847
Current liabilities	235,618	208,271
Noncurrent liabilities and noncontrolling interests	501,893	657,865
Percentage of ownership in equity investees	20%-50%	20%-50%

Statements of Income

	Yen in millions Fiscal year ended March 31		
	2013	2014	2015
Net revenues	193,405	306,383	308,399
Operating income (loss)	(14,759)	(1,064)	34,962
Net income (loss) attributable to controlling interests	(26,026)	(15,195)	(5,461)
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 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, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony deconsolidated M3 as its share ownership fell to 49.8% of the issued and outstanding shares of M3 and recorded

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a gain of 122,160 million yen in other operating (income) loss, net in the consolidated statements of income for the fiscal year ended March 31, 2013. Of this gain, 117,216 million yen related to the remeasurement to fair value, using M3 s closing stock price on the date of the sale, of Sony s remaining shares in 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 (income) expense, net in the consolidated statements of income for the fiscal year ended March 31, 2014. Although Sony s ownership has decreased to 39.38% 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 88,559 million yen at March 31, 2015. The excess is substantially attributable to the remeasurement to 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, 2014 and 2015.

With the exception of the investment in M3, which is quoted on the Tokyo Stock Exchange and has a carrying value and fair value as of March 31, 2015 of 106,377 million yen and 324,950 million yen respectively, there were no affiliated companies accounted for under the equity method with a market quotation as of March 31, 2014 and 2015.

The number of affiliated companies accounted for under the equity method as of March 31, 2014 and 2015 were 107 and 98, 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	
	2014	**2015**
Accounts receivable, trade	8,271	8,350
Accounts payable, trade	1,030	1,887
Capital lease obligations	71,345	50,001

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Sales	18,565	23,647	29,393
Purchases	1,725	1,533	1,498
Lease payments	25,523	38,919	36,642

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, 2013, 2014 and 2015. SFIL is accounted for under the equity method and is 34% owned by Sony. Refer to Note 8.

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Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2013, 2014 and 2015 were 2,360 million yen, 2,840 million yen and 6,149 million yen, respectively.

6. *Transfer of financial assets*

The below 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, 2013, 2014 and 2015 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.

In August 2014, Sony terminated an accounts receivable sales program within the electronics business in the United States whereby a subsidiary could sell up to 150 million U.S. dollars of eligible trade accounts receivables in the aggregate at any one time to a commercial bank. 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. 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. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

	Yen in millions Fiscal year ended March 31		
	2013	2014	2015
Total trade receivables sold	355,872	247,863	50,400
Deferred proceeds	8,098	36,678	16,150
Collections of deferred proceeds	20,608	35,196	22,512

During the fiscal year ended March 31, 2014, Sony established an accounts receivable sales program in the United States whereby a subsidiary in the Pictures segment can sell up to 596 million U.S. dollars of eligible trade accounts receivables in the aggregate to a commercial bank. 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 and 30,893 million yen as of March 31, 2014 and 2015, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014 and 2015 were as follows:

	Yen in millions Fiscal year ended March 31	
	2014	2015
Total trade receivables sold	53,720	4,237
Deferred proceeds	22,188	4,237
Collections of deferred proceeds		

Sony has established several accounts receivable sales programs within the electronics business in Japan whereby Sony can sell up to 107,990 million yen of eligible trade accounts receivables in the aggregate at any

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one time. Through these programs, Sony can sell receivables to a commercial bank or a special purpose entity associated with a sponsor bank. Sony can sell receivables in which the agreed upon original due dates are no more than 360 days after the sales of receivables. Total trade accounts receivable sold during the fiscal years ended March 31, 2013, 2014 and 2015 were 105,888 million yen, 75,808 million yen and 35,607 million yen, respectively.

Sony has established several accounts receivable sales programs in the Financial Services segment whereby a subsidiary can sell up to 24,000 million yen of eligible receivables in the aggregate at any one time. Through these programs, the subsidiary can sell receivables to special purpose entities owned and operated by commercial banks. The subsidiary can sell receivables in which the agreed upon original due dates are no more than 180 days after the sales of receivables. Total receivables sold during the fiscal years ended March 31, 2013 and 2014 were 89,700 million yen and 1,950 million yen respectively. During the fiscal year ended March 31, 2015, there were no receivables sold under these programs.

Sony has established several accounts receivable sales programs within the electronics business whereby Sony can sell eligible trade accounts receivables held by certain subsidiaries in Europe denominated in several currencies, primarily the euro, and held by certain subsidiaries in North America and Latin America denominated in several currencies, primarily the U.S. dollar and Brazilian real, respectively. Through these programs Sony can sell receivables on an uncommitted basis to a commercial bank or a special purpose entity associated with a sponsor bank. The maximum receivables that may be sold at any one time in the aggregate translates into approximately 222,000 million yen as of March 31, 2015. Sony can sell receivables in which the agreed upon original due dates are no more than 360 days after the date the receivables are sold. Total receivables sold during the fiscal years ended March 31, 2013, 2014 and 2015 were 66,020 million yen, 384,606 million yen and 542,946 million yen, respectively.

Certain of the accounts receivable sales programs above also involve variable interest entities (VIEs). Refer to Note 23.

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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, 2014				March 31, 2015			
	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	1,130,397	113,684	(28)	1,244,053	1,074,900	147,274	(80)	1,222,094
Japanese local government bonds	62,670	468	(7)	63,131	66,442	465	(16)	66,891
Japanese corporate bonds	168,275	984	(8)	169,251	108,109	767	(7)	108,869
Foreign government bonds	27,587	3,684	(17)	31,254	34,168	7,397	(111)	41,454
Foreign corporate bonds	434,570	16,547	(182)	450,935	452,145	13,645	(942)	464,848
	1,823,499	135,367	(242)	1,958,624	1,735,764	169,548	(1,156)	1,904,156
Equity securities	84,074	91,977	(34)	176,017	73,411	127,322	(741)	199,992
Held-to-maturity securities:								
Japanese national government bonds	4,398,018	418,845	(3)	4,816,860	4,846,986	819,386	(103)	5,666,269
Japanese local government bonds	6,222	373		6,595	4,996	428		5,424
Japanese corporate bonds	28,030	2,705		30,735	26,848	4,501		31,349
Foreign government bonds	16,359	847	(1)	17,205	32,682	11,534		44,216
Foreign corporate bonds	56,284	19		56,303	57,783	25		57,808
	4,504,913	422,789	(4)	4,927,698	4,969,295	835,874	(103)	5,805,066
Total	6,412,486	650,133	(280)	7,062,339	6,778,470	1,132,744	(2,000)	7,909,214

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, 2015			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	168,174	171,304	954	957
Due after one year through five years	379,776	385,098	19,527	20,206
Due after five years through ten years	255,909	277,295	206,023	234,478
Due after ten years	931,905	1,070,459	4,742,791	5,549,425
Total	1,735,764	1,904,156	4,969,295	5,805,066

Proceeds from sales of available-for-sale securities were 143,437 million yen, 207,574 million yen and 217,651 million yen for the fiscal years ended March 31, 2013, 2014 and 2015, respectively. On these sales, gross realized gains were 46,865 million yen, 9,015 million yen and 15,656 million yen and gross realized losses were 527 million yen, 703 million yen and 32 million yen, respectively.

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Marketable securities classified as trading securities, which consist of debt and equity securities held primarily in the Financial Services segment, totaled 623,667 million yen and 764,473 million yen as of March 31, 2014 and 2015, respectively, and Sony recorded net unrealized gains of 72,793 million yen, 59,137 million yen and 100,312 million yen for the fiscal years ended March 31, 2013, 2014 and 2015, respectively. 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, 2014 and 2015 totaled 54,808 million yen and 64,963 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, 2014 and 2015.

	Yen in millions March 31, 2014					
	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	52,299	(28)	377		52,676	(28)
Japanese local government bonds	2,342	(6)	655	(1)	2,997	(7)
Japanese corporate bonds	217		2,206	(8)	2,423	(8)
Foreign government bonds	6,601	(15)	30	(2)	6,631	(17)
Foreign corporate bonds	42,190	(167)	5,400	(15)	47,590	(182)
	103,649	(216)	8,668	(26)	112,317	(242)
Equity securities	192	(3)	73	(31)	265	(34)
Held-to-maturity securities:						
Japanese national government bonds	730	(3)			730	(3)
Japanese local government bonds						
Japanese corporate bonds	140				140	
Foreign government bonds	337	(1)			337	(1)
Foreign corporate bonds						
	1,207	(4)			1,207	(4)
Total	105,048	(223)	8,741	(57)	113,789	(280)

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	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)
Japanese local government bonds						
Japanese corporate bonds						
Foreign government bonds						
Foreign corporate bonds						
	19,986	(103)			19,986	(103)
Total	181,445	(1,923)	8,736	(77)	190,181	(2,000)

For the fiscal years ended March 31, 2013, 2014 and 2015, total realized impairment losses were 8,554 million yen, 1,806 million yen and 949 million yen, respectively.

At March 31, 2015, 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:

	Yen in millions March 31	
Class of property	**2014**	**2015**

Machinery, equipment and others	135,619	129,432
Film costs	9,348	8,647
Accumulated amortization	(59,352)	(89,470)
	85,615	48,609

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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, 2015:

Fiscal year ending March 31	Yen in millions
2016	33,873
2017	10,857
2018	4,670
2019	4,472
2020	3,727
Later fiscal years	2,765
Total minimum lease payments	60,364
Less Amount representing interest	2,733
Present value of net minimum lease payments	57,631
Less Current obligations	31,610
Long-term capital lease obligations	26,021

(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, 2015 are as follows:

Fiscal year ending March 31	Yen in millions
2016	60,082
2017	45,539
2018	33,290
2019	21,324
2020	17,584
Later fiscal years	108,645
Total minimum future rentals	286,464

Rental expenses under operating leases for the fiscal years ended March 31, 2013, 2014 and 2015 were 78,523 million yen, 101,410 million yen and 92,828 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2013, 2014 and 2015 were 904 million yen, 1,119 million yen and 1,180 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2015 were 1,432 million yen.

(3) Sale and leaseback transactions

Sony City Osaki sale and leaseback -

In February 2013, Sony sold its Sony City Osaki office building and premises (Sony City Osaki) to Nippon Building Fund Inc. and a Japanese institutional investor for 111,100 million yen, from which Sony received net cash proceeds of 110,175 million yen after deducting transaction costs. The sale was structured such that Sony placed Sony City Osaki in a trust and then sold the trust beneficiary rights. In connection with the sale, Sony entered into an agreement to lease Sony City Osaki for a period of five years after the sale. The leaseback is accounted for as an operating lease.

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The transaction qualified for sale-leaseback accounting as all the risk and rewards of ownership were transferred to the buyer upon closing of the transaction and the leaseback did not include any form of continuing involvement, other than a normal leaseback. As the leaseback represents more than a minor but less than substantially all of the use of the building, Sony recorded a gain upon the sale of 42,322 million yen in the fiscal year ended March 31, 2013, included in other operating (income) expenses, net. In addition to the gain recognized upon the sale, a gain of 24,982 million yen was deferred and is amortized on a straight-line basis and included in other operating (income) expense, net in the consolidated statements of income over the lease term. As of March 31, 2015, 4,914 million yen of the remaining deferred gain was recorded in other current liabilities and 9,829 million yen was recorded in other noncurrent liabilities in the consolidated balance sheets.

550 Madison sale and leaseback -

In March 2013, Sony exercised its option to purchase the headquarters building (the U.S. headquarters building) of its U.S. subsidiary, which was leased from a VIE in which Sony was the primary beneficiary, for 255 million U.S. dollars. Concurrent with the exercise of the purchase option, Sony completed the sale of the U.S. headquarters building to a third party for 1,100 million U.S. dollars, from which Sony received net cash proceeds of 780 million U.S. dollars after deducting the cost of the purchase option and other transaction costs. In connection with the sale, Sony entered into an agreement to lease the U.S. headquarters building for a period of three years after the sale. The leaseback is accounted for as an operating lease.

The transaction qualified for sale-leaseback accounting as all the risk and rewards of ownership were transferred to the buyer upon closing of the transaction and the leaseback did not include any form of continuing involvement, other than a normal leaseback. As the leaseback represents more than a minor but less than substantially all of the use of the building, Sony recorded a gain upon the sale of 691 million U.S. dollars in the fiscal year ended March 31, 2013, included in other operating (income) expense, net in the consolidated statements of income. In addition to the gain recognized upon the sale, a gain of 166 million U.S. dollars was required to be deferred and is amortized on a straight-line basis and included in other operating (income) expense, net in the consolidated statements of income over the lease term. As of March 31, 2015, 55 million U.S. dollars of the remaining deferred gain is recorded in other current liabilities.

Sale and leaseback transactions with SFIL -

In the fiscal year ended March 31, 2013, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 11,789 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 proceeds of 6,262 million yen and a seven year term was accounted for as a capital lease and included within proceeds from sale of fixed assets in the investing activities section of the consolidated statements of cash flows. There was no gain or loss recorded in either sale and leaseback transaction.

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.

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.

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9. ***Goodwill and intangible assets***

Intangible assets acquired during the fiscal year ended March 31, 2015 totaled 96,938 million yen, of which 96,934 million yen is subject to amortization and are comprised of the following:

	Intangible assets acquired during the fiscal year Yen in millions	Weighted-average amortization period Years
Patent rights, know-how and license agreements	14,815	6
Software to be sold, leased or otherwise marketed	18,478	3
Internal-use software	48,217	5
Television carriage contracts (broadcasting agreements)	8,368	20
Other	7,056	9

In the fiscal year ended March 31, 2015, 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, 2014		March 31, 2015	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	285,563	(151,089)	304,686	(190,151)
Customer relationships	28,573	(4,523)	29,401	(6,677)
Trademarks	31,697	(9,996)	31,903	(13,054)
Software to be sold, leased or otherwise marketed	127,359	(91,904)	114,333	(84,640)
Internal-use software	457,453	(289,561)	451,738	(295,854)
Music catalogs	200,475	(72,883)	225,623	(88,816)
Artist contracts	30,778	(23,681)	32,387	(27,174)
Television carriage contracts (broadcasting agreements)	45,158	(7,496)	60,036	(11,272)
Other	95,285	(67,036)	68,897	(52,067)
Total	1,302,341	(718,169)	1,319,004	(769,705)

Certain PC software titles in the G&NS segment were written down to net realizable value in the fiscal year ended March 31, 2014. The impairment charge of 6,165 million yen was recorded in cost of sales in the consolidated statements of income.

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The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2013, 2014 and 2015 was 122,787 million yen, 135,664 million yen and 132,228 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

Fiscal year ending March 31	**Yen in millions**
2016	103,311
2017	88,821
2018	66,922
2019	43,275
2020	31,220

Total carrying amount of intangible assets having an indefinite life are comprised of the following:

	Yen in millions	
	March 31	
	2014	**2015**
Trademarks	69,126	70,938
Distribution agreements	19,143	18,834
Other	3,222	3,290
Total	91,491	93,062

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The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2014 and 2015 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, 2013:										
Goodwill gross	153,569	147,531	6,075	5,320	37,269	160,857	113,956	3,020	32,310	659,907
Accumulated impairments			(300)	(5,320)			(306)	(706)	(10,032)	(16,664)
Goodwill	153,569	147,531	5,775		37,269	160,857	113,650	2,314	22,278	643,243
Increase (decrease) due to:										
Acquisitions						10,205	38			10,243
Sales and dispositions*1			(9)			(903)			(5,292)	(6,204)
Impairments*2									(13,264)	(13,264)
Translation adjustments	26,610	3,041	205		131	17,148	9,245		1,323	57,703
Other*4			216				(153)		19	82
Balance, March 31, 2014:										
Goodwill gross	180,179	150,572	6,487	5,320	37,400	187,307	123,086	3,020	28,360	721,731
Accumulated impairments			(300)	(5,320)			(306)	(706)	(23,296)	(29,928)
Goodwill	180,179	150,572	6,187		37,400	187,307	122,780	2,314	5,064	691,803
Increase (decrease) due to:										
Acquisitions*3						12,626				12,626
Sales and dispositions		(617)				(54)	(4)			(675)
Impairments	(176,045)								(1,090)	(177,135)
Translation adjustments	(4,134)	4,444	(128)		362	24,357	9,593		151	34,645
Other*4						3			(12)	(9)
Balance, March 31, 2015:										
Goodwill gross	176,045	154,399	6,359	5,320	37,762	224,239	132,675	3,020	28,499	768,318
Accumulated impairments	(176,045)		(300)	(5,320)			(306)	(706)	(24,386)	(207,063)
Goodwill		154,399	6,059		37,762	224,239	132,369	2,314	4,113	561,255

*1 Sales and dispositions in All Other for the fiscal year ended March 31, 2014 substantially all relate to the sale of Gracenote, Inc. Refer to Note 25.

*2 For the fiscal year ended March 31, 2014, the impairment loss recorded in All Other relates to the disc manufacturing business. Refer to Note 13.

*3 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.

*4 Other primarily consists of purchase price adjustments for prior years and amounts reclassified as held for sale.

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

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geographical areas, primarily resulting from rapid growth by Chinese smartphone competitors. The impairment charge is included in other operating (income) expenses, net in the consolidated statements of income, and is recorded entirely within the MC segment. Refer to Note 13.

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, 2014 and 2015 were 390,649 million yen and 457,268 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, 2013, 2014 and 2015 were 718,052 million yen, 670,506 million yen and 693,132 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, 2013, 2014 and 2015 were 81,974 million yen, 86,780 million yen and 90,431 million yen, respectively.

(2) Deferred insurance acquisition costs

Amortization of deferred insurance acquisition costs charged to income for the fiscal years ended March 31, 2013, 2014 and 2015 amounted to 54,700 million yen, 45,236 million yen and 56,530 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 1.5% 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

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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, 2014 and 2015, future insurance policy benefits amounted to 3,815,351 million yen and 4,111,894 million yen, respectively.

(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	
	2014	**2015**
Universal life insurance	1,397,294	1,555,700
Investment contracts	509,880	591,951
Other	116,298	111,863
Total	2,023,472	2,259,514

11. *Short-term borrowings and long-term debt*

Short-term borrowings are comprised of the following:

	Yen in millions	
	March 31	
	2014	**2015**
Unsecured loans:		
with a weighted-average interest rate of 4.22%	105,836	
with a weighted-average interest rate of 4.64%		56,008
Secured call money:		
with a weighted-average interest rate of 0.10%	6,000	
with a weighted-average interest rate of 0.10%		6,000
	111,836	62,008

At March 31, 2015, certain subsidiaries in the Financial Services segment pledged securities investments with a book value of 6,328 million yen as collateral for 6,000 million yen of call money. In addition, marketable securities and securities investments with an aggregate book value of 47,999 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

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Long-term debt is comprised of the following:

	Yen in millions March 31	
	2014	**2015**
Unsecured loans, representing obligations principally to banks:		
Due 2014 to 2024, with interest rates ranging from 0.33% to 5.53% per annum	482,778	
Due 2015 to 2024, with interest rates ranging from 0.29% to 5.10% per annum		425,437
Unsecured 1.57% bonds, due 2015, net of unamortized discount	29,997	30,000
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,999	24,999
Unsecured 1.30% bonds, due 2014	110,000	
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 2017	118,780	
Secured 0.10% loans, due 2016	20,000	20,000
Capital lease obligations and other:		
Due 2014 to 2027, with interest rates ranging from 0.36% to 6.35% per annum	90,560	
Due 2015 to 2025, with interest rates ranging from 0.36% to 8.07% per annum		66,880
Guarantee deposits received	14,152	12,988
	1,182,566	871,604
Less Portion due within one year	265,918	159,517
	916,648	712,087

At March 31, 2015, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 21,590 million yen as collateral for 20,000 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 acquiring Ericsson s 50% equity interest in Sony Ericsson. This bank loan utilizes the Japan Bank for International Cooperation (JBIC) Facility, which was established to facilitate overseas mergers and acquisitions by Japanese companies as one of the countermeasures against yen appreciation. Of the 1,365 million U.S. dollar loan, 60% or 819 million U.S. dollars is from the JBIC Facility and 40% or 546 million U.S. dollars is from private banks. The terms of this U.S. dollar loan agreement require accelerated repayment of the loan if Sony Corporation or its wholly-owned subsidiaries discontinue the business of mobile devices featuring telephone functionality.

In January 2015, Sony executed its option to redeem all of its outstanding Zero Coupon Convertible Bonds due 2017 at 100% of their principal amount, as permitted under the conditions for early redemption, and the bonds were fully converted into common stock following exercise of the stock acquisition rights.

There are no significant adverse debt covenants or cross-default provisions related to the other short-term borrowings and long-term debt.

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Aggregate amounts of annual maturities of long-term debt are as follows:

Fiscal year ending March 31	Yen in millions
2016	159,517
2017	201,497
2018	129,531
2019	200,923
2020	152,724
Later fiscal years	27,412
Total	871,604

At March 31, 2015, Sony had unused committed lines of credit amounting to 777,127 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2015, Sony has commercial paper programs totaling 860,510 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, 2014 were 949,300 million yen and 1,083 million yen, respectively, and as of March 31, 2015 were 1,074,386 million yen and 1,037 million yen, respectively. During the fiscal years ended March 31, 2014 and 2015, 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, 2014 and 2015.

(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, 2014 and 2015, the balances of time deposits issued in amounts of 10 million yen or more were 250,965 million yen and 256,391 million yen, respectively. These amounts have been classified as current liabilities due to the ability of the customers to make withdrawals prior to maturity.

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At March 31, 2015, aggregate amounts of annual maturities of time deposits with a remaining term of more than one year are as follows:

Fiscal year ending March 31	Yen in millions
2017	29,535
2018	11,118
2019	5,513
2020	9,512
2021	11,912
Later fiscal years	33,935
Total	101,525

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 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.

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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, 2014 and 2015 are as follows:

	Yen in millions March 31, 2014							
					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	348,832	274,835		623,667	623,667			
Available-for-sale securities								
Debt securities								
Japanese national government bonds		1,244,053		1,244,053	24,822	1,219,231		
Japanese local government bonds		63,131		63,131	1,491	61,640		
Japanese corporate bonds		168,240	1,011	169,251	58,661	110,590		
Foreign government bonds	3,027	28,227		31,254	1,134	30,120		
Foreign corporate bonds		444,128	6,807	450,935	113,501	337,434		
Equity securities	175,931	86		176,017		176,017		
Other investments*1	8,031	3,612	75,837	87,480		87,480		
Derivative assets*2		11,887		11,887			10,863	1,024
Total assets	535,821	2,238,199	83,655	2,857,675	823,276	2,022,512	10,863	1,024
Liabilities:								
Derivative liabilities*2		30,549		30,549			15,155	15,394
Total liabilities		30,549		30,549			15,155	15,394

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	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

*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 6,631 million yen and 3,460 million yen for the fiscal years ended March 31, 2014 and 2015, 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 2,250 million yen and 13,376 million yen for the fiscal years ended March 31, 2014 and 2015, respectively, as quoted prices for certain trading securities and available-for-sale securities were not available in an active market.

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The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2014 and 2015 are as follows:

	Yen in millions Fiscal year ended March 31, 2014 Assets		
	Available-for-sale securities Debt securities		
	Japanese corporate bonds	Foreign corporate bonds	Other Investments
Beginning balance	2,214	20,752	76,892
Total realized and unrealized gains (losses):			
Included in earnings*1		335	4,184
Included in other comprehensive income (loss)*2		15	2,699
Purchases		7,199	829
Settlements		(6,138)	(8,456)
Transfers into level 3*3		1,030	
Transfers out of level 3*4	(1,203)	(12,698)	
Other		(3,688)	(311)
Ending balance	1,011	6,807	75,837
Changes in unrealized gains (losses) relating to instruments still held at reporting date:			
Included in earnings*1		(70)	3,755

	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*4		(9,000)	
Ending balance	3,506	9,491	74,641
Changes in unrealized gains (losses) relating to instruments still held at reporting date:			
Included in earnings*1			1,397

*1 Earning effects are included in financial services revenue in the consolidated statements of income.

*2 Unrealized gains (losses) are included in unrealized gains (losses) on securities in the consolidated statements of comprehensive income.

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*3 Certain corporate bonds were transferred into level 3 because differences between fair value determined by indicative quotes from dealers and internally developed prices became significant and the observability of inputs decreased.

*4 Certain corporate bonds were transferred out of level 3 because quoted prices became available.

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, 2014 and 2015, such remeasurements to fair value related primarily to the following:

	During the fiscal year ended March 31, 2014			
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments			57,236	(72,724)
Goodwill impairments			0	(13,264)
				(85,988)

	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)
				(196,061)

Long-lived assets impairments

Sony recorded impairment losses of 7,617 million yen, 7,798 million yen and 4,929 million yen for the fiscal years ended March 31, 2013, 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 continued 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 for the fiscal year ended March 31, 2014, included within the Devices segment, related to long-lived assets in the battery business asset group. In light of a lack of

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progress towards achieving adequate operating results, Sony conducted a strategic review of the business and the evolving market trends. Following these developments, 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 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 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 ending 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.

Goodwill impairments

Sony recorded an impairment loss of 13,264 million yen for the fiscal year ended March 31, 2014, included within All Other, related to goodwill in the disc manufacturing business. The goodwill impairment in the disc manufacturing business related to lowered forecasts of cash flows outside of Japan and the United States, primarily attributable to the manufacturing and distribution operations in Europe, reflecting those factors noted above in the impairment of the long-lived assets for the disc manufacturing business which contributed to the lowered fair value estimate and goodwill impairment.

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.

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(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, 2014				
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business		1,041,166		1,041,166	949,300
Total assets		1,041,166		1,041,166	949,300
Liabilities:					
Long-term debt including the current portion		1,315,539		1,315,539	1,182,566
Investment contracts included in policyholders account in the life insurance business		480,012		480,012	509,880
Total liabilities		1,795,551		1,795,551	1,692,446

	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

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 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

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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 a certain limit 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, 2013, 2014 and 2015, 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, 2013 and 2014, the effect of derivatives designated as cash flow hedges on income and other comprehensive income, and 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 March 31, 2014 and 2015, there were no derivatives qualifying as cash flow hedges.

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 by anticipated intercompany transactions and intercompany accounts receivable and payable denominated in

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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 had foreign exchange forward contracts during the fiscal years ended March 31, 2013 and 2014 which effectively fixed the cash flows from foreign currency denominated debt. Accordingly, these derivatives were 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 years ended March 31, 2013 and 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, contain embedded derivatives that are not required to be bifurcated because the entire instruments are carried at fair value.

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The estimated fair values of Sony s outstanding derivative instruments are summarized as follows:

		Yen in millions				
	Balance sheet location	Fair value March 31		Balance sheet location	Fair value March 31	
Derivatives designated as hedging instruments	**Asset derivatives**	**2014**	**2015**	**Liability derivatives**	**2014**	**2015**
Interest rate contracts	Prepaid expenses and other current assets	2	11	Current liabilities other	1,221	954
Interest rate contracts	Assets other	1,012	207	Liabilities other	13,941	23,899
Foreign exchange contracts	Prepaid expenses and other current assets	6	40	Current liabilities other	24	
		1,020	258		15,186	24,853

		Yen in millions				
	Balance sheet location	Fair value March 31		Balance sheet location	Fair value March 31	
Derivatives not designated as hedging instruments	**Asset derivatives**	**2014**	**2015**	**Liability derivatives**	**2014**	**2015**
Interest rate contracts				Current liabilities other	18	
Interest rate contracts	Assets other		222	Liabilities other	1,429	1,178
Foreign exchange contracts	Prepaid expenses and other current assets	10,855	29,899	Current liabilities other	13,892	21,526
Foreign exchange contracts	Assets other	12	28	Liabilities other	24	155
Equity contracts				Current liabilities other		612
		10,867	30,149		15,363	23,471
Total derivatives		11,887	30,407		30,549	48,324

Presented below are the effects of derivative instruments on the consolidated statements of income for the fiscal years ended March 31, 2013, 2014 and 2015.

		Yen in millions		
		Amount of gain or (loss) recognized in income on derivative Fiscal year ended March 31		
Derivatives under fair value hedging relationships	**Location of gain or (loss) recognized in income on derivative**	**2013**	**2014**	**2015**
Interest rate contracts	Financial services revenue	(11,275)	131	(8,271)
Foreign exchange contracts	Foreign exchange gain or (loss), net	1	(1)	(9)
Total		(11,274)	130	(8,280)

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Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income on derivative	Yen in millions Amount of gain or (loss) recognized in income on derivative Fiscal year ended March 31 2013	2014	2015
Interest rate contracts	Financial services revenue	(2,779)	(167)	(3,579)
Interest rate contracts	Foreign exchange gain or (loss), net			883
Foreign exchange contracts	Financial services revenue	7,202	1,198	(1,942)
Foreign exchange contracts	Foreign exchange gain or (loss), net	5,596	2,703	13,375
Equity contracts	Financial services revenue			(2,725)
Credit contracts	Financial services revenue	(3)		
Total		10,016	3,734	6,012

The following table summarizes additional information, including notional amounts, for each type of derivative:

	Yen in millions March 31, 2014 Notional amount	Fair value	March 31, 2015 Notional amount	Fair value
Foreign exchange contracts:				
Foreign exchange forward contracts	1,415,132	(3,737)	1,335,811	11,654
Currency option contracts purchased	14,988	137	9,920	202
Currency option contracts written	1,683	(6)	568	(3)
Currency swap agreements	515,300	221	754,056	(3,872)
Other currency contracts	67,043	319	83,980	305
Interest rate contracts:				
Interest rate swap agreements	413,572	(15,596)	402,049	(25,591)
Equity contracts:				
Equity future contracts			21,903	(612)

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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 and derivative liabilities as of March 31, 2014 and 2015.

	Yen in millions As of March 31, 2014			
	Gross amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements		
		Financial instruments	Cash collateral	Net amounts
Derivative assets subject to master netting agreements	9,386	5,619		3,767
Derivative assets not subject to master netting agreements	2,501			2,501
Total derivative assets	11,887	5,619		6,268
Derivative liabilities subject to master netting agreements	28,017	22,058		5,959
Derivative liabilities not subject to master netting agreements	2,532			2,532
Total derivative liabilities	30,549	22,058		8,491

	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		
		Financial instruments	Cash collateral	Net amounts
Derivative assets subject to master netting agreements	26,032	10,387		15,645
Derivative assets not subject to master netting agreements	4,375			4,375
Total derivative assets	30,407	10,387		20,020
Derivative liabilities subject to master netting agreements	43,791	37,820	612	5,359
Derivative liabilities not subject to master netting agreements	4,533			4,533

Total derivative liabilities	48,324	37,820	612	9,892

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15. ***Pension and severance plans***

(1) Defined benefit and severance plans

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. 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.

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, 2013, 2014 and 2015 were as follows:

Japanese plans:

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Service cost	25,343	24,827	24,350
Interest cost	14,606	12,152	11,583
Expected return on plan assets	(16,389)	(17,822)	(19,252)
Recognized actuarial loss	12,853	11,480	9,867
Amortization of prior service costs	(10,271)	(10,176)	(9,614)
Net periodic benefit costs	26,142	20,461	16,934

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Foreign plans:

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Service cost	2,387	3,032	3,188
Interest cost	10,197	12,068	13,040
Expected return on plan assets	(9,245)	(11,480)	(12,993)
Amortization of net transition asset	117	12	10
Recognized actuarial loss	1,781	3,693	2,991
Amortization of prior service costs	(566)	(643)	(639)
Losses (gains) on curtailments and settlements	(405)	1,074	31
Net periodic benefit costs	4,266	7,756	5,628

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 11,234 million yen, 9,996 million yen and 10 million yen, respectively.

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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 Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	827,044	847,446	274,928	313,698
Service cost	24,827	24,350	3,032	3,188
Interest cost	12,152	11,583	12,068	13,040
Plan participants contributions			813	752
Amendments			(107)	(283)
Actuarial loss	14,138	48,061	3,392	74,801
Foreign currency exchange rate changes			36,867	7,214
Curtailments and settlements			(4,500)	(3,932)
Effect of changes in consolidated subsidiaries	(5)	(4)		
Other		(2,696)		
Benefits paid	(30,710)	(38,325)	(12,795)	(13,774)
Benefit obligation at end of the fiscal year	847,446	890,415	313,698	394,704
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	608,004	654,792	188,019	225,024
Actual return on plan assets	53,476	74,447	17,979	54,928
Foreign currency exchange rate changes			26,167	5,752
Employer contribution	16,758	7,978	6,912	9,434
Plan participants contributions			813	752
Curtailments and settlements			(3,334)	(2,989)
Effect of changes in consolidated subsidiaries				
Other		(1,934)		
Benefits paid	(23,446)	(24,681)	(11,532)	(12,685)
Fair value of plan assets at end of the fiscal year	654,792	710,602	225,024	280,216
Funded status at end of the fiscal year	(192,654)	(179,813)	(88,674)	(114,488)

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Noncurrent assets	2,446	3,005	3,292	4,027
Current liabilities			(2,565)	(4,500)
Noncurrent liabilities	(195,100)	(182,818)	(89,401)	(114,015)
Ending balance	(192,654)	(179,813)	(88,674)	(114,488)

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Amounts recognized in accumulated other comprehensive income, excluding tax effects, consist of:

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Prior service cost (credit)	(54,008)	(44,394)	(2,307)	(2,161)
Net actuarial loss	237,023	218,462	61,841	94,480
Obligation existing at transition			25	15
Ending balance	183,015	174,068	59,559	92,334

The accumulated benefit obligations for all defined benefit pension plans were as follows:

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Accumulated benefit obligations	842,978	885,479	290,014	364,094

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 Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Projected benefit obligations	838,145	879,995	260,950	330,478
Accumulated benefit obligations	834,694	876,282	255,018	323,221
Fair value of plan assets	644,502	698,400	186,519	235,343

Weighted-average assumptions used to determine benefit obligations as of March 31, 2014 and 2015 were as follows:

	Japanese plans March 31		Foreign plans March 31	
	2014	2015	2014	2015
Discount rate	1.4%	1.0%	4.1%	3.1%
Rate of compensation increase	*	*	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.

Weighted-average assumptions used to determine the net periodic benefit costs for the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

	Japanese plans Fiscal year ended March 31			Foreign plans Fiscal year ended March 31		
	2013	2014	2015	2013	2014	2015
Discount rate	1.9%	1.5%	1.4%	4.7%	4.1%	4.1%
Expected return on plan assets	3.0	3.0	3.0	6.1	5.8	5.6
Rate of compensation increase	*	*	*	3.5	3.1	3.1

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* 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.

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, 2015, are, as a result of Sony s asset liability management, 28% of equity securities, 52% of fixed income securities and 20% of other investments for the pension plans of Sony Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 36% of equity securities, 49% of fixed income securities and 15% of other investments for the pension plans of foreign subsidiaries.

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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:

	Japanese plans Yen in millions			
	Fair value at March 31, 2014	Fair value measurements using inputs considered as		
Asset class		Level 1	Level 2	Level 3
Cash and cash equivalents	8,384	8,384		
Equity:				
Equity securities*1	173,067	169,210	3,857	
Fixed income:				
Government bonds*2	263,921		263,921	
Corporate bonds*3	50,131		50,131	
Asset-backed securities*4	2,930		2,930	
Commingled funds*5	84,853		84,853	
Commodity funds*6	1,767		1,767	
Private equity*7	26,942			26,942
Hedge funds*8	41,108			41,108
Real estate	1,689			1,689
Total	654,792	177,594	407,459	69,739

	Japanese plans Yen in millions			
	Fair value at March 31, 2015	Fair value measurements using inputs considered as		
Asset class		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

*1 Includes approximately 64 percent and 53 percent of Japanese equity securities, and 36 percent and 47 percent of foreign equity securities for the fiscal years ended March 31, 2014 and 2015, respectively.

*2 Includes approximately 56 percent and 48 percent of debt securities issued by Japanese national and local governments, and 44 percent and 52 percent of debt securities issued by foreign national and local governments for the fiscal years ended March 31, 2014 and 2015, respectively.

*3 Includes debt securities issued by Japanese and foreign corporation and government related agencies.

*4 Includes primarily mortgage-backed securities.

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*5 Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 47 percent and 46 percent of investments in equity, 51 percent and 52 percent of investments in fixed income, and 2 percent and 3 percent of investments in other for the fiscal years ended March 31, 2014 and 2015, 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.

	Foreign plans Yen in millions			
	Fair value at March 31,	Fair value measurements using inputs considered as		
Asset class	**2014**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	1,648	1,648		
Equity:				
Equity securities*1	48,140	40,045	8,095	
Fixed income:				
Government bonds*2	61,644		61,644	
Corporate bonds*3	25,937		19,682	6,255
Asset-backed securities	332		332	
Insurance contracts*4	11,364		11,364	
Commingled funds*5	63,057		63,057	
Real estate and other*6	12,902		3,970	8,932
Total	225,024	41,693	168,144	15,187

	Foreign plans Yen in millions			
	Fair value at March 31,	Fair value measurements using inputs considered as		
Asset class	**2015**	**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

*1 Includes primarily foreign equity securities.

*2 Includes primarily foreign government debt securities.

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*3 Includes primarily foreign corporate debt securities.

*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.

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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, 2014 and 2015:

	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, 2013	27,205	35,071	1,474	63,750
Return on assets held at end of year	1,123	1,514	215	2,852
Return on assets sold during the year				
Purchases, sales, and settlements, net	(1,386)	4,523		3,137
Transfers, net				
Ending balance at March 31, 2014	26,942	41,108	1,689	69,739
Return on assets held at end of year	5,642	5,796	(101)	11,337
Return on assets sold during the year				
Purchases, sales, and settlements, net		33,133	4,373	37,506
Transfers, net				
Ending balance at March 31, 2015	32,584	80,037	5,961	118,582

	Foreign plans Yen in millions Fair value measurement using significant unobservable inputs (Level 3)			
	Corporate bonds	Commingled funds	Real estate and other	Total
Beginning balance at April 1, 2013	4,773		6,957	11,730
Return on assets held at end of year	1,032		504	1,536
Return on assets sold during the year			(47)	(47)
Purchases, sales, and settlements, net			69	69
Transfers, net				
Other*	450		1,449	1,899
Ending balance at March 31, 2014	6,255		8,932	15,187
Return on assets held at end of year	81		(408)	(327)
Return on assets sold during the year				
Purchases, sales, and settlements, net			210	210
Transfers, net				
Other*	1,048		6,788	7,836
Ending balance at March 31, 2015	7,384		15,522	22,906

* 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 12 billion yen to the Japanese plans and approximately 5 billion yen to the foreign plans during the fiscal year ending March 31, 2016.

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The expected future benefit payments are as follows:

Fiscal year ending March 31	Japanese plans Yen in millions	Foreign plans Yen in millions
2016	33,728	13,457
2017	34,297	14,003
2018	35,738	14,572
2019	39,062	15,296
2020	41,110	15,857
2021 2025	220,839	88,350

(2) Defined contribution plans

Total defined contribution expenses for the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Japanese plans	3,729	3,602	3,199
Foreign plans	13,070	12,703	13,857

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, 2013, 2014 and 2015 have resulted from the following:

	Number of shares
Balance at March 31, 2012	1,004,638,164
Stock issued under exchange offering	7,312,042
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

At March 31, 2015, 17,019,400 shares of common stock would be issued upon the exercise of all 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 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, 2013, 2014 and 2015.

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(2) Retained earnings

The amount of statutory retained earnings of Sony Corporation available for dividends to shareholders as of March 31, 2015 was 274,810 million yen. Sony Corporation decided, at the meeting of its Board of Directors held on September 17, 2014, that no cash dividends would be paid for the fiscal year ended March 31, 2015.

Retained earnings include Sony s equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of 20,650 million yen and 20,986 million yen at March 31, 2014 and 2015, respectively.

(3) Other comprehensive income

Other comprehensive income for the fiscal year ended March 31, 2013 was comprised of the following:

	Yen in millions		
	Pre-tax amount	Tax benefit/(expense)	Net-of-tax amount
For the fiscal year ended March 31, 2013:			
Unrealized gains (losses) on securities, net			
Unrealized holding gains arising during the period*1	114,599	(36,198)	63,596
Less : Reclassification adjustment included in net income	(34,686)	14,328	(20,358)
Unrealized gains (losses) on derivative instruments, net			
Unrealized holding losses arising during the period	(69)	12	(57)
Less : Reclassification adjustment included in net income	615	(250)	365
Pension liability adjustment*1	(8,476)	1,853	(4,983)
Foreign currency translation adjustments			
Translation adjustments arising during the period*1	160,425	(2,534)	159,149
Less : Reclassification adjustment included in net income*2	3,927		3,927
Other comprehensive income (loss)	236,335	(22,789)	201,639

Changes in accumulated other comprehensive income, net of tax, by component for the fiscal years ended March 31, 2014 and 2015 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)

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	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*2	(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)

*1 Amounts allocable to the noncontrolling interests in the equity of a subsidiary and other are deducted from the net-of-tax amount for unrealized holding gains on securities, pension liability adjustment and foreign currency translation adjustments arising during the period.

*2 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.

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Reclassifications out of accumulated other comprehensive income for the fiscal years ended March 31, 2014 and 2015 were as follows:

Comprehensive income components	Yen in millions Amounts reclassified from accumulated other comprehensive income 2014	2015	Affected line items in consolidated statements of income
Unrealized gains (losses) on securities	(881)	(10,515)	Financial services revenue
	(7,801)	(7,942)	Gain on sale of securities investments, net
	461		Other
Total before tax	(8,221)	(18,457)	
Tax expense or (benefit)	3,143	4,106	
Net of tax	(5,078)	(14,351)	
Unrealized gains (losses) on derivative instruments	471		Interest
	348		Foreign exchange loss, net
Total before tax	819		
Tax expense or (benefit)	(180)		
Net of tax	639		
Pension liability adjustment	5,440	2,615*	
Tax expense or (benefit)	(453)	(1,250)	
Net of tax	4,987	1,365	
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)	

* The amortization of pension and postretirement benefit components are included in the computation of net periodic pension cost. Refer to Note 15.

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(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, 2013, 2014 and 2015 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Net income (loss) attributable to Sony Corporation s stockholders	41,540	(128,369)	(125,980)
Transfers (to) from the noncontrolling interests:			
Decrease in additional paid-in capital for purchase of additional shares in consolidated subsidiaries	(57,364)	28	(2,483)
Change from net income (loss) attributable to Sony Corporation s stockholders and transfers (to) from the noncontrolling interests	(15,824)	(128,341)	(128,463)

In September 2012, Sony conducted a tender offer to purchase additional common shares of So-net Entertainment Corporation (So-net). As a result, Sony s equity ownership increased to 95.95%. On January 1, 2013, Sony acquired the remaining 4.05% equity ownership of So-net through a share exchange. The difference between cash consideration paid or the fair value of the shares of Sony delivered to the noncontrolling interests and the decrease in the carrying amount of the noncontrolling interests was recognized as a decrease to additional paid-in capital of 38,715 million yen. So-net subsequently changed its name to So-net Corporation, effective July 1, 2013.

In March 2013, Sony completed the acquisition of an additional 32.39% of the shares of Multi Screen Media Private Limited (MSM), which operates television networks in India . As a result of this transaction, Sony s total equity interest in MSM increased to 94.39%. The aggregate cash consideration for the additional shares was 271 million U.S. dollars, of which 145 million U.S. dollars was paid at the closing of the transaction. The remaining payments of 63 million U.S. dollars, 21 million U.S. dollars and 42 million U.S. dollars were made during the fiscal years ended March 31, 2014 and 2015, and on April 10, 2015, respectively. The difference between cash consideration paid and the decrease in the carrying amount of the noncontrolling interests was recognized as a decrease to additional paid-in capital of 18,450 million yen. In the fiscal year ended March 31, 2015, Sony acquired the remaining 5.61% equity ownership of MSM for aggregate cash consideration of 42 million U.S. dollars, 28 million U.S. dollars of which was paid during the fiscal year ended March 31, 2015 and 14 million U.S. dollars of which was paid on April 10, 2015.

17. *Stock-based compensation plans*

The stock-based compensation expense for the fiscal years ended March 31, 2013, 2014 and 2015 was 1,232 million yen, 1,068 million yen and 1,286 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 and 2015 was 200 million yen and 1,637 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.

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The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2013, 2014 and 2015 was 189 yen, 821 yen and 1,139 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, 2013, 2014 and 2015 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31		
	2013	**2014**	**2015**
Weighted-average assumptions			
Risk-free interest rate	0.74%	1.43%	1.26%
Expected lives	6.85 years	7.13 years	7.35 years
Expected volatility*	39.61%	52.03%	51.69%
Expected dividends	3.25%	1.55%	1.24%

* Expected volatility was based on the historical volatilities of Sony Corporation s common stock over the expected life of the stock acquisition rights.

A summary of the activities regarding the stock acquisition rights plan during the fiscal year ended March 31, 2015 is as follows:

	Fiscal year ended March 31, 2015			
	Number of shares	**Weighted-average exercise price Yen**	**Weighted-average remaining life Years**	**Total intrinsic value Yen in millions**
Outstanding at beginning of the fiscal year	17,789,900	3,094		
Granted	1,892,400	2,336		
Exercised	948,500	1,726		
Forfeited or expired	2,325,300	3,514		
Outstanding at end of the fiscal year	16,408,500	3,358	5.14	7,889
Exercisable at end of the fiscal year	12,737,400	3,698	4.03	4,117

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2014 and 2015 was 52 million yen and 1,463 million yen, respectively. During the fiscal year ended March 31, 2013, there were no exercises under the stock acquisition rights plan.

As of March 31, 2015, there was 2,039 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 1.99 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.

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Insurance recoveries were recognized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Insurance recoveries for fixed assets, inventories and additional expenses	25,284	624	
Insurance recoveries for business interruption	28,032	11,452	6,387
	53,316	12,076	6,387

Of the insurance recoveries for fixed assets, inventories and additional expenses for the fiscal years ended March 31, 2013 and 2014, 11,961 million yen and 314 million yen, respectively, represented the portion received in excess of the carrying value of assets damaged by the Floods. The excess received was recorded in cost of sales and other operating (income) expense, net in the consolidated statements of income. Business interruption insurance recoveries were recorded in other operating revenue in the consolidated statements of income.

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.

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. For the fiscal years ended March 31, 2013, 2014 and 2015, Sony recorded total restructuring charges of 74,386 million yen, 75,570 million yen and 90,689 million yen, respectively.

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The changes in the accrued restructuring charges for the fiscal years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions			
	Employee termination benefits	Non-cash write-downs and disposals, net*	Other associated costs	Total
Balance at March 31, 2012	24,997		7,936	32,933
Restructuring costs	62,752	5,161	6,473	74,386
Non-cash charges		(5,161)		(5,161)
Cash payments	(58,518)		(9,722)	(68,240)
Adjustments	3,498		988	4,486
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

* Significant asset impairments excluded from restructuring charges are described in Note 13.

Total costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions Fiscal year ended March 31, 2013				
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	787	917	1,704		1,704
Game & Network Services	310		310		310
Imaging Products & Solutions	9,720	1,520	11,240	1,645	12,885
Home Entertainment & Sound	10,647	1,168	11,815	597	12,412
Devices	15,153	3,943	19,096		19,096
Pictures	1,081		1,081		1,081
Music	2,305		2,305		2,305
Financial Services					
All Other and Corporate	22,749	4,086	26,835	879	27,714

Total	62,752	11,634	74,386	3,121	77,507

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	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	3,309	113	3,422		3,422
Home Entertainment & Sound	1,160	377	1,537	34	1,571
Devices	2,917	2,547	5,464	3,451	8,915
Pictures	6,570	152	6,722	13	6,735
Music	576		576		576
Financial Services					
All Other and Corporate	26,790	27,077	53,867	1,521	55,388
Total	41,820	33,750	75,570	5,019	80,589

	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	3,664	1,906	5,570	85	5,655
Game & Network Services	520	6,752	7,272		7,272
Imaging Products & Solutions	6,550	13	6,563	714	7,277
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	578	2,108		2,108
Financial Services					
All Other and Corporate	33,885	24,417	58,302	6,122	64,424
Total	53,261	37,428	90,689	7,347	98,036

* 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 to coincide with the earlier end of production 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

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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, 2013, these staff reductions were achieved worldwide mostly through the implementation of early retirement programs, including headcount reductions at Sony Corporation and major consolidated electronics subsidiaries in Japan and the closure of a production facility in Japan to streamline organizations of the electronics business operations and increase operational efficiency as announced on October 19, 2012.

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.

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 has 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 during the fiscal year ended March, 2015.

20. *Supplemental consolidated statements of income information*

(1) Other operating (income) expense, net

Sony records transactions in other operating (income) expense, net due to either the nature of the transaction or in consideration of factors including the relationship to Sony s core operations.

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Other operating (income) expense, net is comprised of the following:

	Yen in millions		
	March 31		
	2013	**2014**	**2015**
Gain on sale of the U.S. headquarters building*1	(65,516)	(5,462)	(5,991)
Gain on sale of Sony City Osaki*1	(42,322)	(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	(122,160)	(13,758)	113
(Gain) loss on sale of interests in subsidiaries and affiliates, net*3	(10,399)	(7,753)	1,716
(Gain) loss on sale, disposal or impairment of assets, net*3,4	5,178	90,860	192,605
	(235,219)	48,666	181,658

*1 Refer to Note 8.

*2 Refer to Note 5.

*3 Refer to Note 25.

*4 Refer to Notes 9, 13 and 19.

(2) Research and development costs
Research and development costs charged to cost of sales for the fiscal years ended March 31, 2013, 2014 and 2015 were 473,610 million yen, 466,030 million yen and 464,320 million yen, respectively.

(3) Advertising costs
Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2013, 2014 and 2015 were 354,981 million yen, 474,372 million yen and 444,444 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, 2013, 2014 and 2015 were 63,160 million yen, 62,871 million yen and 65,561 million yen, respectively, which included the internal transportation costs of finished goods.

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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		
	2013	2014	2015
Income (loss) before income taxes:			
Sony Corporation and all subsidiaries in Japan	182,170	98,152	(88,855)
Foreign subsidiaries	59,914	(72,411)	128,584
	242,084	25,741	39,729
Income taxes Current:			
Sony Corporation and all subsidiaries in Japan	34,288	41,339	40,321
Foreign subsidiaries	41,446	59,904	40,430
	75,734	101,243	80,751
Income taxes Deferred:			
Sony Corporation and all subsidiaries in Japan	75,149	(6,330)	(3,306)
Foreign subsidiaries	(10,485)	(331)	11,288
	64,664	(6,661)	7,982
Total income tax expense	140,398	94,582	88,733

A reconciliation of the differences between the Japanese statutory tax rate and the effective tax rate is as follows:

	Fiscal year ended March 31		
	2013	2014	2015
Statutory tax rate	38.3%	38.3%	36.0%
Non-deductible expenses	1.3	8.9	16.1
Income tax credits	(1.4)	(2.1)	(1.4)
Change in statutory tax rate	(2.0)	3.6	(66.7)
Change in valuation allowances	23.2	365.7	221.1
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	(0.7)	0.2	17.4
Lower tax rate applied to life and non-life insurance business in Japan	(3.2)	(31.0)	(24.6)
Foreign income tax differential	3.3	25.7	(79.7)
Adjustments to tax reserves	(3.2)	58.3	(23.1)
Effect of equity in net income (loss) of affiliated companies	0.1	9.0	0.1
Tax benefit related to intraperiod tax allocation		(111.9)	(27.2)
Impairment of goodwill related to mobile communications business			159.5
Other	2.3	2.7	(4.2)
Effective income tax rate	58.0%	367.4%	223.3%

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 from fiscal year ended March 31, 2015 onward is 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

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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 from the fiscal year ending March 31, 2016 onward is 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.

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 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.

The significant components of deferred tax assets and liabilities are as follows:

	Yen in millions March 31	
	2014	**2015**
Deferred tax assets:		
Operating loss carryforwards for tax purposes	601,065	550,824
Accrued pension and severance costs	87,657	89,797
Film costs	133,050	177,741
Warranty reserves and accrued expenses	88,409	103,695
Future insurance policy benefits	25,187	25,304
Inventory	32,762	35,478
Depreciation	52,994	57,140
Tax credit carryforwards	74,544	105,645
Reserve for doubtful accounts	6,590	9,455
Impairment of investments	34,663	22,444
Deferred revenue in the Pictures segment	26,826	24,438
Other	164,082	165,552
Gross deferred tax assets	1,327,829	1,367,513
Less: Valuation allowance	(1,027,530)	(1,077,622)
Total deferred tax assets	300,299	289,891
Deferred tax liabilities:		
Insurance acquisition costs	(154,474)	(150,677)
Future insurance policy benefits	(98,118)	(112,996)
Unbilled accounts receivable in the Pictures segment	(67,118)	(83,472)
Unrealized gains on securities	(75,467)	(94,065)
Intangible assets acquired through stock exchange offerings	(27,253)	(24,927)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(27,640)	(35,076)
Investment in M3	(38,049)	(37,342)
Other	(78,922)	(66,556)

Gross deferred tax liabilities	(567,041)	(605,111)
Net deferred tax liabilities	(266,742)	(315,220)

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Based on the weight of the available positive and negative evidence, for the fiscal year ended March 31, 2015, 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. and certain subsidiaries in other tax jurisdictions.

The net changes in the total valuation allowance were increases of 63,014 million yen, 96,283 million yen and 50,092 million yen for the fiscal years ended March 31, 2013, 2014 and 2015, respectively.

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 allowance 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.

Net deferred tax assets (net of valuation allowance) and liabilities are included in the consolidated balance sheets as follows:

	Yen in millions	
	March 31	
	2014	2015
Current assets Deferred income taxes	53,068	47,788
Other assets Deferred income taxes	105,442	89,637
Current liabilities Other	(14,356)	(6,769)
Long-term liabilities Deferred income taxes	(410,896)	(445,876)
Net deferred tax liabilities	(266,742)	(315,220)

At March 31, 2015, 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 472,418 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. (SMEJ) 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, 2015, Sony has operating loss carryforwards for tax purposes, the tax effect of which totaled 550,824 million yen, which will be available as an offset against future taxable income on tax returns to be filed in various tax jurisdictions. With the exception of 155,704 million yen with no expiration period, substantially all of the total operating loss carryforwards expire at various periods between the fiscal years ending March 31, 2016 and 2024, and the remaining amounts expire in periods up to 20 years depending on the jurisdiction.

Tax credit carryforwards for tax purposes at March 31, 2015 amounted to 105,645 million yen. With the exception of 16,075 million yen with no expiration period, total available tax credit carryforwards expire at various dates primarily between the fiscal year ending March 2016 and 2025 (a 10 year carryforward period).

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A reconciliation of the beginning and ending gross amounts of unrecognized tax benefits is as follows:

	Yen in millions		
	March 31		
	2013	2014	2015
Balance at beginning of the fiscal year	288,311	191,886	214,795
Reductions for tax positions of prior years	(11,533)	(19,696)	(2,898)
Additions for tax positions of prior years	8,980	9,325	9,532
Additions based on tax positions related to the current year	27,849	21,877	3,740
Settlements	(140,813)	(6,687)	(75,272)
Lapse in statute of limitations	(7,495)	(4,643)	(4,320)
Foreign currency translation adjustments	26,587	22,733	11,768
Balance at end of the fiscal year	191,886	214,795	157,345
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	72,947	93,098	93,538

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 APA s 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, 2013, Sony reversed 3,935 million yen of interest expense and 367 million yen of penalties.

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.

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 4,787 million yen within the next twelve months.

Sony remains subject to examinations by Japanese taxing authorities for tax years from 2008 through 2014, and by the U.S. and other material foreign taxing authorities for tax years from 1998 through 2014.

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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, 2013, 2014 and 2015 is as follows:

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Net income (loss) attributable to Sony Corporation s stockholders for basic and diluted EPS computation	41,540	(128,369)	(125,980)

	Thousands of shares		
Weighted-average shares outstanding	1,005,417	1,027,024	1,114,424
Effect of dilutive securities:			
Stock acquisition rights	67		
Zero coupon convertible bonds	65,308		
Weighted-average shares for diluted EPS computation	1,070,792	1,027,024	1,114,424

	Yen		
Basic EPS	41.32	(124.99)	(113.04)
Diluted EPS	38.79	(124.99)	(113.04)

Potential shares of common stock which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2013, 2014 and 2015 were 17,272 thousand shares, 142,866 thousand shares and 17,019 thousand shares, respectively. The potential shares related to stock acquisition rights were excluded as anti-dilutive for the fiscal year ended March 31, 2013 as 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 November 2012 were included in the diluted EPS calculation for the fiscal year ended March 31, 2013 under the if-converted method beginning upon issuance. All 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.

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 theses 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, 2015, the total assets and liabilities for these VIEs, on an aggregate basis, were 32,236 million yen and 4,011 million yen, respectively.

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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 23.1 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, 2015, the assets and liabilities of the VIE that were included in Sony s consolidated balance sheets were as follows:

	Yen in millions
Assets:	
Cash and cash equivalents	5,692
Account receivables, net	3,280
Other current assets	31,937
Property, plant and equipment, net	1,536
Intangibles, net	68,306
Goodwill	17,870
Other noncurrent assets	8,587
Total assets	137,208
Liabilities:	
Accounts payable and accrued expenses	48,126
Other current liabilities	9,723
Other noncurrent liabilities	5,366
Total liabilities	63,215

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 276 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, 2015, the fair value of the assets held by the trust exceeded 276 million U.S. dollars.

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,

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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, 2015, the only amounts recorded on Sony s consolidated balance sheet that relate to the VIE is Sony s net investment of 231.5 million U.S. dollars and a net receivable balance of 0.5 million U.S. dollars. Sony s maximum exposure to losses as of March 31, 2015 is the aggregate amounts recorded on its balance sheet of 232 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, 2015 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 March 2011, Sony obtained a controlling interest in the Game Show Network (GSN). At that time, Sony also granted a put right and received a call right for an additional 18% interest in GSN. In September 2012, the other investor in GSN (the Current Investor) exercised its put right to sell the 18% interest in GSN to Sony for 234 million U.S. dollars (the GSN Share Purchase). The GSN Share Purchase received regulatory approval and closed on December 7, 2012 (the Closing Date). After exercise, the 234 million U.S. dollars owed to the Current Investor was payable to the Current Investor in two payments of 117 million U.S. dollars each plus interest thereon at 10% per annum from the Closing Date to each payment date. Sony paid to the Current Investor the first payment of 117 million U.S. dollars plus interest of 4 million U.S. dollars on April 2, 2013 and the second payment of 117 million U.S. dollars plus interest of 12 million U.S. dollars on December 13, 2013. A buy/sell provision also applies to the equity interests in GSN owned by Sony and the Current Investor and may be exercised annually for a 60 business day window beginning April 1, 2015.

(2) Sony Semiconductor acquisitions

On March 31, 2014, SCK acquired from Renesas Electronics Corporation (Renesas) semiconductor fabrication equipment and certain related assets (Transferred Assets) for 7,510 million yen. SCK is utilizing the 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.

As the purchase prices were fully allocated to identifiable tangible and intangible assets and no liabilities were assumed, no goodwill was recorded as part of the acquisitions. The unaudited supplemental pro forma results of operations have not been presented because the effects of the acquisitions were not material.

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(3) Other acquisitions

During the fiscal year ended March 31, 2013, Sony completed other acquisitions for total consideration of 39,022 million yen which were paid for primarily in cash and included the August 10, 2012, acquisition of Gaikai for total cash consideration of 28,167 million yen. Gaikai has developed a high quality, fast interactive cloud-streaming platform that enables streaming of a broad array of content ranging from immersive core games with rich graphics to casual content to a wide variety of devices via the internet. There was no material contingent consideration subject to future change. As a result of Sony s acquisition of Gaikai and other businesses, Sony recorded 27,699 million yen of goodwill and 11,511 million yen of intangible assets.

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 the 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 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 the acquisitions, Sony recorded 12,626 million yen of goodwill and 10,731 million yen of intangible assets.

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) Chemical products related business

On September 28, 2012, Sony sold the chemical products related business, which was included in the Devices segment, to the Development Bank of Japan (DBJ). As a result of the transaction, the transfer of Sony s domestic and overseas operations of the chemical products related business, including all shares in Sony Chemical & Information Device Corporation, to DBJ has been completed. The sale resulted in net cash proceeds of 52,756 million yen, and a gain of 9,050 million yen, recorded in other operating (income) expense, net in the consolidated statements of income.

(2) 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 (income) expense, net in the consolidated statements of income.

(3) 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, Sony recorded an impairment loss of 12,817 million yen for long-lived assets in the fiscal year ended March 31, 2014, based on the present value of estimated net cash flows. Additionally, for the fiscal year ended March 31, 2014, 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. Sony also recorded charges of 17,391 million yen for the fiscal year ended March 31, 2014, primarily for the write-down of excess components in inventory which are included in cost of sales in the consolidated statements of income. 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 for the fiscal year ended March 31, 2014 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.

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, 2013, 2014 and 2015, 12,538 million yen, 17,291 million yen and 23,741 million yen, respectively, were recorded as net sales for amounts due from the other participants and 31,587 million yen, 16,359 million yen and 22,983 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, 2015, the total unused portion of the lines of credit extended under these contracts was 25,440 million yen. The aggregate amounts of future year-by-year payments for these loan commitments cannot be determined.

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(2) Purchase commitments and other

Purchase commitments and other outstanding as of March 31, 2015 amounted to 389,341 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, 2015, these subsidiaries were committed to make payments under such contracts of 126,925 million yen.

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, 2015, these subsidiaries were committed to make payments of 63,481 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 five years. As of March 31, 2015, Sony has committed to make payments of 26,779 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:

Fiscal year ending March 31	Yen in millions
2016	207,105
2017	88,658
2018	45,698
2019	24,860
2020	9,226
Later fiscal years	13,794
Total	389,341

(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. The DOJ has notified Sony that it has closed its investigation, and Sony understands that the investigations by several other agencies have now ended, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser lawsuits, including class actions, were 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. In October 2014, the United States District Court hearing the U.S. class actions denied motions for class certification in both the direct and indirect purchaser class actions. The class plaintiffs filed petitions to appeal these rulings, and in January 2015, the appellate court denied the petitions to appeal. However, in February 2015 the district court gave the plaintiffs an opportunity to seek certification of narrower classes, and the civil actions continue. Based on the investigations and cases, it is not possible to estimate the amount of loss or range of possible loss, 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

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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 class action lawsuits 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. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

Beginning in early 2011, the network services of PlayStation®Network, Qriocity, Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of May 25, 2015, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from such cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including formal and/or informal requests for information from Attorneys General from a number of states in the United States. Additionally, Sony Corporation and/or certain of its subsidiaries were named in a number of purported class actions in certain jurisdictions, including the United States. The U.S. class action suits have been settled, and the settlement has received the final approval of the court. A non-U.S. class action suit remains pending. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

In the fall of 2014, Sony Corporation s U.S. subsidiary, Sony Pictures Entertainment Inc. (SPE), was subject to a cyberattack that resulted in unauthorized access to, and theft and disclosure of SPE business information, including employee information and other information. In connection with the theft and disclosure of information, SPE has been named in a number of purported class action suits in the United States brought by former employees of SPE. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of these proceedings.

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, 2015 amounted to 44,631 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 276 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, 2015, the fair value of the collateral exceeded 276 million U.S. dollars.

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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, 2013, 2014 and 2015 are as follows:

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Balance at beginning of the fiscal year	67,860	66,776	79,718
Additional liabilities for warranties	55,880	83,959	87,902
Settlements (in cash or in kind)	(55,327)	(72,230)	(78,356)
Changes in estimate for pre-existing warranty reserve	(8,198)	(6,070)	(13,731)
Translation adjustment	6,561	7,283	(404)
Balance at end of the fiscal year	66,776	79,718	75,129

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 first quarter of the fiscal year ended March 31, 2015, to reflect modifications to its organizational structure as of April 1, 2014, primarily repositioning the operations of the previously reported Mobile Products & Communications (MP&C) and Game segments. In connection with this realignment, the previously reported operations of the network business which were included in All Other are now integrated with the previously-reported Game segment and are reported as the G&NS segment. The previously reported Mobile Communications category which was included in the MP&C segment has been reclassified as the newly established MC segment, while the other categories in the previously reported MP&C segment are now included in All Other. This includes the reclassification of the PC business into All Other. In addition, certain businesses previously included in the Devices segment have been integrated into All Other as a result of changes in Sony s organizational structure. 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 fiscal year s presentation.

The MC segment includes the manufacture and sale of mobile phones. The G&NS segment includes the manufacture and sales of home gaming products, software and network services business. The IP&S segment includes Digital Imaging Products, and Professional Solutions. 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 an Internet-related service business, the PC business, the medical business and the disc manufacturing business. Sony s products and services are generally unique to a single operating segment.

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Sales and operating revenue:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Sales and operating revenue:			
Mobile Communications			
Customers	733,622	1,191,787	1,323,205
Intersegment	37,103	22	75
Total	770,725	1,191,809	1,323,280
Game & Network Services			
Customers	646,421	946,479	1,292,146
Intersegment	103,446	97,379	95,883
Total	749,867	1,043,858	1,388,029
Imaging Products & Solutions			
Customers	752,603	737,474	716,258
Intersegment	3,598	3,729	3,712
Total	756,201	741,203	719,970
Home Entertainment & Sound			
Customers	993,822	1,166,007	1,204,922
Intersegment	1,005	2,572	2,371
Total	994,827	1,168,579	1,207,293
Devices			
Customers	558,027	583,089	756,724
Intersegment	248,125	189,890	201,120
Total	806,152	772,979	957,844
Pictures			
Customers	732,127	828,668	876,314
Intersegment	612	916	2,367
Total	732,739	829,584	878,681
Music			
Customers	431,719	492,058	533,986
Intersegment	9,989	11,230	10,625
Total	441,708	503,288	544,611
Financial Services			
Customers	999,276	988,944	1,077,604
Intersegment	3,113	4,902	6,025
Total	1,002,389	993,846	1,083,629
All Other			
Customers	899,749	780,749	395,066
Intersegment	73,268	77,295	96,043

Total	973,017	858,044	491,109
Corporate and elimination	(432,121)	(335,924)	(378,566)
Consolidated total	6,795,504	7,767,266	8,215,880

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.

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Segment profit or loss:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Operating income (loss):			
Mobile Communications	(41,112)	12,601	(220,436)
Game & Network Services	(3,695)	(18,845)	48,104
Imaging Products & Solutions	1,442	26,327	54,684
Home Entertainment & Sound	(84,315)	(25,499)	20,054
Devices	45,573	(12,420)	93,079
Pictures	47,800	51,619	58,527
Music	37,218	50,208	58,959
Financial Services	142,209	170,292	193,307
All Other	49,503	(136,053)	(103,364)
Total	194,623	118,230	202,914
Corporate and elimination	31,880	(91,735)	(134,366)
Consolidated operating income	226,503	26,495	68,548
Other income	68,656	42,453	25,076
Other expenses	(53,075)	(43,207)	(53,895)
Consolidated income before income taxes	242,084	25,741	39,729

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 gains on sale and remeasurement related to the shares in M3, as well as the results of the PC business and the disc manufacturing business (Refer to Notes 5, 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. In addition, Corporate and elimination includes gains on the sale of the U.S. headquarters building and Sony City Osaki (Refer to Note 8).

Within the HE&S segment, the operating income (loss) of Televisions, which primarily consists of LCD televisions, for the fiscal years ended March 31, 2013, 2014 and 2015 were (69,602) million yen, (25,705) million yen and 8,286 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.

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Other significant items:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Equity in net income (loss) of affiliated companies:			
Mobile Communications			
Game & Network Services			
Imaging Products & Solutions	743	188	(70)
Home Entertainment & Sound			
Devices			
Pictures	(601)	(1,829)	(742)
Music	(4,766)	2,338	3,471
Financial Services	(2,303)	(2,336)	(782)
All Other	(21)	(5,735)	2,044
Consolidated total	(6,948)	(7,374)	3,921
Depreciation and amortization:			
Mobile Communications	19,165	22,073	22,067
Game & Network Services	12,324	16,529	18,336
Imaging Products & Solutions	39,605	38,080	31,775
Home Entertainment & Sound	26,968	25,806	25,238
Devices	112,486	106,472	87,795
Pictures	15,428	18,078	19,980
Music	13,209	14,414	13,632
Financial Services, including deferred insurance acquisition costs	62,633	54,348	66,223
All Other	30,348	29,825	15,427
Total	332,166	325,625	300,473
Corporate	44,569	51,070	54,151
Consolidated total	376,735	376,695	354,624

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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		
	2013	2014	2015
Sales and operating revenue:			
Mobile Communications	733,622	1,191,787	1,323,205
Game & Network Services	646,421	946,479	1,292,146
Imaging Products & Solutions			
Digital Imaging Products	481,609	442,723	432,594
Professional Solutions	253,813	277,417	271,903
Other	17,181	17,334	11,761
Total	752,603	737,474	716,258
Home Entertainment & Sound			
Televisions	581,475	754,308	835,068
Audio and Video	405,024	400,828	366,050
Other	7,323	10,871	3,804
Total	993,822	1,166,007	1,204,922
Devices			
Semiconductors	301,915	336,845	496,694
Components	245,713	243,751	253,020
Other	10,399	2,493	7,010
Total	558,027	583,089	756,724
Pictures			
Motion Pictures	446,254	422,255	434,253
Television Productions	159,794	247,568	252,456
Media Networks	126,079	158,845	189,605
Total	732,127	828,668	876,314
Music			
Recorded Music	307,788	347,684	383,350
Music Publishing	52,764	66,869	70,959
Visual Media and Platform	71,167	77,505	79,677
Total	431,719	492,058	533,986
Financial Services	999,276	988,944	1,077,604
All Other	899,749	780,749	395,066
Corporate	48,138	52,011	39,655
Consolidated total	6,795,504	7,767,266	8,215,880

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Geographic Information:

Sales and operating revenue attributed to countries based on location of external customers for the fiscal years ended March 31, 2013, 2014 and 2015 and property, plant and equipment, net as of March 31, 2014 and 2015 are as follows:

	Yen in millions Fiscal year ended March 31		
	2013	2014	2015
Sales and operating revenue:			
Japan	2,197,881	2,199,099	2,233,776
United States	1,064,765	1,302,052	1,528,097
Europe	1,362,488	1,753,526	1,932,941
China	464,784	520,539	546,697
Asia-Pacific	806,205	1,013,635	1,052,453
Other Areas	899,381	978,415	921,916
Total	6,795,504	7,767,266	8,215,880

	Yen in millions March 31	
	2014	2015
Property, plant and equipment, net:		
Japan	526,472	495,502
United States	74,302	85,412
Europe	48,055	38,637
China	45,346	69,854
Asia-Pacific	39,815	41,096
Other Areas	16,020	8,784
Total	750,010	739,285

Major 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, 2013, 2014 and 2015.

29. ***Subsequent events***

(1) Orchard Media, Inc. acquisition

In April 2015, Sony Music Entertainment (SME), a wholly owned subsidiary of Sony, closed the transaction pursuant to which it increased its shareholding in an equity method investment, Orchard Media, Inc.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(The Orchard), to 100% by acquiring shares from the current holder, Orchard Asset Holdings, LLC. Sony expects to recognize a gain of approximately 150 million U.S. dollars, subject to transaction costs and other adjustments on the remeasurement of SME s 51% equity interest in The Orchard that it owned prior to the acquisition at fair value, in other operating (income) expense, net in the consolidated statement of income for the first quarter of the fiscal year ending March 31, 2016.

(2) Sale of the logistics business

On April 1, 2015, in connection with the formation of a logistics joint venture, Sony sold a part of the logistics business in Japan, Thailand, and Malaysia, which was in All Other to MITSUI-SOKO HOLDINGS Co., Ltd. with a total sales price of approximately 18,000 million yen. The sale proceeds are subject to the finalization of certain post-closing conditions and adjustments. In connection with the sale, Sony expects to recognize a gain on sale totaling approximately 13,000 million yen in other operating (income) expense, net in the consolidated statement of income for the first quarter of the fiscal year ending March 31, 2016.

(3) Sale of certain Olympus shares held by Sony Corporation

On April 1, 2015, Sony sold 17,243,950 shares of its 34,487,900 shares of Olympus Corporation to a third party to strengthen its financial resources and obtain funds for growth-oriented strategic investments. In connection with the sale, Sony expects to recognize a gain on the sale of approximately 46,757 million yen in gain on sale of securities investments, net in the consolidated statement of income for the first quarter of the fiscal year ending March 31, 2016.

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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, 2013:					
Allowance for doubtful accounts and sales Returns	71,009	26,960	(37,823)	7,479	67,625
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

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, 2013:					
Valuation allowance Deferred tax assets	868,233	86,215	(59,179)	35,978	931,247
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

Note:

1. Translation adjustment and the effect of changes in statutory tax rate.