

TETRA TECHNOLOGIES INC

Form 424B5

June 16, 2016

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Filed Pursuant to Rule 424(b)(5)

Registration No. 333-210335

PROSPECTUS SUPPLEMENT

(To prospectus dated April 13, 2016)

10,000,000 Shares

TETRA Technologies, Inc.

Common Stock

We are selling 10,000,000 shares of our common stock.

Our shares trade on the New York Stock Exchange under the symbol TTI. On June 15, 2016 the last sale price of the shares as reported on the New York Stock Exchange was \$6.38 per share.

Investing in our common stock involves risks, including those described or referenced under Risk Factors on page S-6 of this prospectus supplement.

| | Per Share | Total |
|----------------------------------|------------------|--------------|
| Public offering price | \$5.50 | \$55,000,000 |
| Underwriting discounts(1) | \$.2475 | \$2,475,000 |
| Proceeds, before expenses, to us | \$5.2525 | \$52,525,000 |

- (1) Please read Underwriting (Conflicts of Interest) for a description of all underwriting compensation payable in connection with this offering.

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The underwriters may also exercise their option to purchase up to an additional 1,500,000 shares from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about June 21, 2016.

Joint Book-Running Managers

BofA Merrill Lynch

Wells Fargo Securities

Co-Managers

J.P. Morgan

RBC Capital Markets

DNB Markets

Comerica Securities

The date of this prospectus supplement is June 16, 2016.

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ABOUT THIS PROSPECTUS

This document is in two parts. This prospectus supplement, which describes the terms of this offering of shares of our common stock, adds to, updates and changes the information contained in the accompanying prospectus, which provides more general information. Generally, when we refer to the prospectus, we are referring to this prospectus supplement and the accompanying prospectus combined. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. Before you invest in shares of our common stock, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents incorporated by

reference into this prospectus supplement and referred to under the heading "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus filed with the Securities and Exchange Commission, or SEC, and used or referred to in an offering to you of these securities. We

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have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained or incorporated by reference in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or any related free writing prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus or incorporated herein or therein by reference. This summary does not contain all of the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the risks discussed under Risk Factors and Cautionary Comment Regarding Forward-Looking Statements included elsewhere in this prospectus supplement and the consolidated financial statements and notes thereto and other information incorporated by reference herein or in the accompanying prospectus. Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus to TETRA, TETRA Technologies, our company, we, our, us or similar references mean TETRA Technologies, Inc. and its consolidated subsidiaries.

OUR COMPANY

We are a geographically diversified oil and gas services company, focused on completion fluids and associated products and services, water management, frac flowback, production well testing, offshore rig cooling, compression services and equipment, and selected offshore services including well plugging and abandonment, decommissioning, and diving. We also have a limited domestic oil and gas production business. We are composed of five reporting segments organized into four divisions Fluids, Production Testing, Compression, and Offshore.

Our Fluids Division manufactures and markets clear brine fluids, additives, and associated products and services to the oil and gas industry for use in well drilling, completion, and workover operations in the United States and in certain countries in Latin America, Europe, Asia, the Middle East, and Africa. The division also markets liquid and dry calcium chloride products manufactured at its production facilities or purchased from third-party suppliers to a variety of markets outside the energy industry. The Fluids Division also provides North American onshore oil and gas operators with comprehensive water management services.

Our Production Testing Division provides frac flowback, production well testing, offshore rig cooling, and other associated services in many of the major oil and gas producing regions in the United States, Mexico, and Canada, as well as in certain basins in certain regions in South America, Africa, Europe, the Middle East, and Australia.

Our Compression Division is a provider of compression services and equipment for natural gas and oil production, gathering, transportation, processing, and storage. The Compression Division's equipment and parts sales business includes the fabrication and sale of standard compressor packages, custom-designed compressor packages, and oilfield fluid pump systems designed and fabricated at the division's facilities, as well as the sale of compressor package parts and components manufactured by third-party suppliers. The Compression Division's aftermarket services business provides compressor package reconfiguration and maintenance services. The Compression Division provides its services and equipment to a broad base of natural gas and oil exploration and production, midstream, transmission, and storage companies operating throughout many of the onshore producing regions of the United States as well as in a number of foreign countries, including Mexico, Canada, and Argentina.

Our Offshore Division consists of two operating segments: Offshore Services and Maritech. The Offshore Services segment provides: (1) downhole and subsea services such as well plugging and abandonment and workover services; (2) decommissioning and certain construction services utilizing heavy lift barges and various cutting technologies with regard to offshore oil and gas production platforms and pipelines; and (3) conventional and saturation diving services.

The Maritech segment is a limited oil and gas production operation. During 2011 and the first quarter of 2012, Maritech sold substantially all of its oil- and gas-producing property interests. Maritech's operations

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consist primarily of the ongoing abandonment and decommissioning associated with its remaining offshore wells and production platforms. Maritech intends to acquire a portion of these services from the Offshore Division's Offshore Services segment.

We continue to pursue a long-term growth strategy that includes expanding our existing core businesses, with the exception of the Maritech segment, through internal growth and acquisitions, domestically and internationally.

Recent Developments

As previously disclosed in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, we determined, based upon financial forecasts and market conditions as of May 10, 2016, that it was reasonably possible that we would not be in compliance with our interest coverage ratio covenant under our revolving credit agreement (the Credit Agreement) as of September 30, 2016, and that we were in discussions with our lenders for amendments to our Credit Agreement as well as our senior note agreements with regard to those interest coverage ratio covenants. We were in compliance with the interest coverage ratio covenants and all other financial covenants under the Credit Agreement and our senior note agreements as of March 31, 2016, including a leverage ratio of 2.08x as compared to 3.0x maximum leverage ratio allowed under our Credit Agreement.

During the second quarter of 2016, we drew down a total of \$110.0 million on our Credit Agreement. We used these proceeds to (i) purchase for cash the notes tendered in our previously announced tender offers (the 2010 Notes and 2013 Notes Tender Offers) for our outstanding 5.09% Senior Notes, Series 2010-A (the 2010-A Notes), and 5.67% Senior Notes, Series 2010-B, (the 2010-B Notes and collectively with the 2010-A Notes, the 2010 Notes) and our 4.00% Senior Notes, Series 2013 (the 2013 Notes) in the aggregate principal amount of \$100,000,000, and (ii) redeem \$10.0 million of our Senior Secured Notes due April 1, 2017 (the Senior Secured Notes), reducing the outstanding principal amount of the Senior Secured Notes to \$30 million as of June 13, 2016. As of June 13, 2016, there was \$148 million outstanding under our Credit Agreement resulting in an availability of \$68.9 million, subject to compliance with financial covenants and other provisions of the Credit Agreement that limit borrowings thereunder.

Based on financial forecasts and market conditions as of June 13, 2016, we have now determined that there is a significant level of uncertainty as to whether we will be in compliance with the interest coverage ratio covenant under our Credit Agreement as of September 30, 2016. Our interest coverage ratio is based on our EBITDA less a calculated amount of maintenance capital expenditures rather than actual maintenance capital expenditures, for the last quarterly trailing twelve-month period. For the quarter ending September 30, 2016, we estimate that the calculated deduction for maintenance capital expenditures will be in excess of our projected capital expenditures for the last quarterly trailing twelve-month period as of September 30, 2016, and this excess may result in our inability to comply with the interest coverage ratio covenant as of September 30, 2016.

We have advanced the discussions that we previously disclosed with our lenders to eliminate these covenants and replace them with more conventional fixed charge coverage ratio covenants. We recently received a non-binding term sheet from the administrative agent under our Credit Agreement that provides for a fixed charge coverage ratio covenant in lieu of the existing interest coverage ratio covenant. The proposed fixed charge coverage ratio compares our EBITDA minus (i) cash income tax expense, (ii) non-financed capital expenditures, and (iii) cash dividends and distributions to our interest expense plus scheduled principal payments and stock repurchases. In exchange for this change in covenants, the non-binding term sheet contemplates other amendments to the Credit Agreement including, among others, (i) our providing collateral to secure the credit facility, (ii) an increase in the leverage ratio from 3.00x to 4.00x through June 30, 2018, with subsequent step downs, and (iii) an increase in the applicable interest rate margins based upon our leverage ratio. We believe we

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will be able to obtain these anticipated amendments without a reduction in the \$225 million commitment level under our Credit Agreement. We have been notified by the administrative agent under the Credit Agreement that these proposed amendments to our Credit Agreement are supported by lenders holding a sufficient amount of the loans necessary to approve such amendments, subject to acceptable documentation and an agreement with GSO Tetra Holding LP (GSO), the holder of our 11.0% Series 2015 Senior Notes in the outstanding principal amount of \$125 million (the 11.0% Series 2015 Senior Notes), on comparable terms. We have also recently received a non-binding term sheet from GSO that provides for a similar replacement of the interest coverage ratio covenant with a fixed charge coverage ratio covenant, as well as other proposed amendments to the related note purchase agreement (the Note Purchase Agreement), including, among others, an increase in the leverage ratio from 3.50x to 4.50x through March 31, 2018, with subsequent step downs. We do not anticipate that the applicable interest rate under the 11.0% Series 2015 Senior Notes will be changed in the amendment. We believe we will be able to consummate the required amendments reflected in both of these non-binding term sheets promptly following this offering and are in active negotiations with our lenders regarding these amendments. However, these amendments are subject to the satisfaction of certain conditions and our lenders are under no obligation to agree to the proposed amendments. Accordingly, there is no assurance that we will be successful in amending our Credit Agreement and the Note Purchase Agreement to eliminate the interest coverage ratio covenant as anticipated by the respective term sheets. We anticipate paying off the remaining \$30 million of our Senior Secured Notes prior to September 30, 2016 with drawdowns on our Credit Agreement.

If we are unable to complete the anticipated amendments to our Credit Agreement and Note Purchase Agreement or obtain a waiver to our anticipated interest coverage ratio covenant breaches, and we are not in compliance with this covenant as of September 30, 2016, an event of default will occur under our Credit Agreement. Any such event of default under our Credit Agreement would allow the lenders to terminate their commitments and to accelerate all indebtedness outstanding thereunder. The significant uncertainty with respect to compliance with our interest coverage ratio covenant for the period ending September 30, 2016 raises a substantial doubt about our ability to continue as a going concern. In addition, the acceleration of the loans under our Credit Agreement will constitute a default under our Senior Secured Notes and our 11.0% Series 2015 Senior Notes giving the holders of such notes the right to accelerate all indebtedness outstanding thereunder. However, we believe that if the amendments are finalized as expected and executed, they will resolve the covenant issue described above and eliminate any doubt regarding our ability to continue as a going concern.

Our Executive Offices

Our corporate headquarters are located at 24955 Interstate 45 North in The Woodlands, Texas. Our phone number is (281) 367-1983 and our website is accessed at www.tetratec.com. Information on our website is not incorporated into this prospectus or our other securities filings and is not a part of this prospectus.

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| | |
|---|---|
| Issuer | TETRA Technologies, Inc. |
| Common stock offered by us | 10,000,000 shares |
| Option to purchase additional common stock | The underwriters may purchase up to an additional 1,500,000 shares of our common stock within 30 days of the date of this prospectus supplement. |
| Common stock to be outstanding after the offering | 90,494,679 shares, or 91,994,679 shares if the underwriters exercise in full their option to purchase an additional 1,500,000 shares. ⁽¹⁾ |
| Use of proceeds | We intend to use the net proceeds of approximately \$52,025,000 million from the offering, after deducting underwriting discounts and estimated offering expenses, to repay indebtedness outstanding under our senior secured notes and revolving credit facility and for general corporate purposes. |
| Conflicts of Interest | Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are lenders under our revolving credit facility and an affiliate of Wells Fargo Securities, LLC is a holder of our senior secured notes. Because each will receive 5% or more of the net proceeds of this offering due to the repayment of the senior secured notes and a portion of the revolving credit facility by us, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are deemed to have a conflict of interest under Rule 5121, or FINRA Rule 5121, of the Financial Industry Regulatory Authority, Inc., or FINRA. Accordingly, this offering is being made in compliance with the requirements of FINRA Rule 5121. The appointment of a qualified independent underwriter is not required in connection with this offering as a bona fide public market, as defined in FINRA Rule 5121, exists for our common stock. See Use of Proceeds and Underwriting (Conflicts of Interest). |
| Exchange listing | Our common stock is listed on the New York Stock Exchange under the symbol TTI. |
| Risk factors | |

An investment in our common stock is subject to risks. Please refer to Risk Factors, and Cautionary Comment Regarding Forward-Looking Statements, together with all of the other information set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, before deciding to invest in shares of our common stock.

Transfer agent

Computershare Trust Company, N.A.

(1) The shares outstanding after this offering are based on 80,494,679 shares outstanding at June 14, 2016.

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Our summary historical consolidated financial information as of and for the periods ended December 31, 2015, 2014 and 2013 is derived from our audited historical consolidated financial statements prepared in accordance with generally accepted accounting principles, or GAAP. Our summary historical consolidated financial information as of and for the periods ended March 31, 2016 and 2015 is derived from our unaudited historical consolidated financial statements prepared in accordance with GAAP. This financial information should be read in conjunction with our historical consolidated financial statements and the notes to those statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, which are incorporated herein by reference.

| | Year Ended December 31, | | | Three Months Ended March 31 | |
|---|---|--------------|------------|-----------------------------|------------|
| | 2015 | 2014 | 2013 | 2016 | 2015 |
| | (unaudited) | | | | |
| | (In thousands, except share and per share data) | | | | |
| Statement of Operations Data | | | | | |
| Revenues | \$ 1,130,145 | \$ 1,077,567 | \$ 909,398 | \$ 169,329 | \$ 251,092 |
| Cost of Revenues | 940,909 | 982,523 | 774,006 | 164,718 | 205,005 |
| Gross profit | 189,236 | 95,044 | 135,392 | 4,611 | 46,087 |
| General and administrative expenses | 157,812 | 142,689 | 131,466 | 33,611 | 35,269 |
| Goodwill impairment | 177,006 | 64,295 | | 106,205 | |
| Interest expense, net | 50,514 | 31,998 | 17,121 | 14,639 | 13,793 |
| Other (income) expense, net | 5,667 | 13,933 | (13,067) | (704) | (921) |
| Loss before taxes | (201,763) | (157,871) | (128) | (149,140) | (2,054) |
| Provision (benefit) for income taxes | 7,704 | 9,704 | (3,454) | (1,409) | 1,568 |
| Net income (loss) | (209,467) | (167,575) | 3,325 | (147,731) | (3,622) |
| Income (loss) attributable to noncontrolling interest | 83,284 | (2,103) | (3,172) | 59,406 | (825) |
| Net income (loss) attributable to TETRA stockholders | \$ (126,183) | \$ (169,678) | \$ 153 | \$ (88,325) | \$ (4,447) |
| Net income (loss) per share attributable to TETRA stockholders | | | | | |
| Basic and diluted | \$ (1.59) | \$ (2.16) | \$ | \$ (1.11) | \$ (0.06) |
| Weighted average number of common shares outstanding used in computing per share amounts: | | | | | |
| Basic | 79,169 | 78,600 | 77,954 | 79,421 | 78,907 |
| Diluted | 79,169 | 78,600 | 78,840 | 79,421 | 78,907 |
| Balance sheet data (end of period): | | | | | |
| Cash and cash equivalents | \$ 23,057 | \$ 48,384 | \$ 38,754 | \$ 25,833 | \$ 34,516 |
| Working capital | 170,158 | 121,999 | 200,913 | 152,079 | 116,640 |

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| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Total assets | 1,656,376 | 2,082,388 | 1,206,533 | 1,437,304 | 2,028,875 |
| Long-term debt, net of current portion | 873,402 | 844,961 | 387,727 | 841,366 | 859,785 |
| Total current liabilities | 185,246 | 378,460 | 173,026 | 142,234 | 342,549 |
| Total TETRA stockholders equity | 241,217 | 369,713 | 555,541 | 155,621 | 356,679 |

Cash flow data from continuing operations:

| | | | | | |
|---|------------|------------|-----------|-----------|-----------|
| Net cash provided by operating activities | \$ 195,951 | \$ 108,645 | \$ 49,656 | \$ 25,261 | \$ 27,815 |
| Net cash used in investing activities | (114,987) | (967,739) | (100,025) | (1,992) | (46,349) |
| Net cash provided by (used in) financing activities | (103,437) | 871,644 | 15,734 | (20,538) | 5,636 |

During the three months ended March 31, 2016, we adopted Accounting Standards Update No. 2015-03 whereby certain deferred finance costs were reclassified on our consolidated balance sheet.

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RISK FACTORS

An investment in our common stock involves various risks. You should carefully consider the matters discussed under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015, as amended, as well as other information we have provided in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference, before reaching a decision regarding an investment in our common stock. The risks described below and cross-referenced in the documents above are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Common Stock and This Offering

Our common stock has experienced, and may continue to experience, price volatility.

The market price of our common stock may decline from its current levels in response to various factors and events beyond our control, including the following:

operating results that vary from the expectations of securities analysts and investors;

changes in expectations regarding our future financial performance, including financial estimates by securities analysts and investors;

general conditions in our industry, including levels of government funding for infrastructure projects;

announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, financings or capital commitments;

changes in laws and regulations;

general economic and competitive conditions;

the limited trading volume of our common stock;

our issuance of a significant number of shares of our common stock, including upon exercise of employee stock options or warrants; and

the other risk factors described herein or incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2015, as amended.

We currently do not intend to pay dividends on our common stock and, consequently, you will achieve a positive return on your investment in our common stock only if the market price of our common stock appreciates above the price that you pay for it.

We have never paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings in our business, and we do not anticipate paying any cash dividends. Whether or not we declare any dividends will be at the discretion of the Board of Directors considering then-existing conditions, including our financial condition and results of operations, capital requirements, bonding prospects, contractual restrictions (including those under our debt agreements), business prospects and other factors that our Board of Directors considers relevant. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our common stock appreciates and you are able to sell your shares at a profit.

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Future sales or the possibility of future sales of our common stock in the public market could lower our stock price.

Our directors and executive officers will beneficially own approximately 2.55 million shares of our common stock after completion of this offering. These stockholders will be free to sell those shares, subject to the limitations of Rule 144 or Rule 144(k) under the Securities Act, and, subject to certain exceptions, the 60-day lock-up agreements that these stockholders have entered into with the underwriter. In addition, approximately 125,000 shares held by our directors and officers are not, and additional shares to be issued pursuant to our long-term incentive plan in satisfaction of approximately \$2.1 million of bonuses earned for 2015 performance under our cash incentive compensation plan, based on the share price of our common stock at the time of issuance, would not be, subject to the restrictions set forth in such lock-up agreements. Registration of these restricted shares of common stock would permit their sale into the public market immediately. We cannot predict when these stockholders may sell their shares or in what volumes. However, the market price of our common stock could decline significantly if these stockholders sell a large number of shares into the public market after this offering or if the market believes that these sales may occur.

We may also issue our common stock from time to time as consideration for future acquisitions and investments. In the event that any such acquisition or investment is significant, the number of shares of our common stock that we may issue could in turn be significant. In addition, we may also grant registration rights covering those shares in connection with any such acquisition and investment.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition or compensation or incentive plan), or the perception that sales could occur, may adversely affect prevailing market prices for our common stock.

Delaware law and our charter documents may impede or discourage a takeover or change of control.

Certain provisions of our certificate of incorporation, our bylaws and the provisions of Delaware law, individually or collectively, may impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which could affect the market price of our common stock.

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CAUTIONARY COMMENT REGARDING FORWARD-LOOKING STATEMENTS

Some information contained in this prospectus, any prospectus supplement and in the documents we incorporate by reference herein and therein may contain certain statements (other than statements of historical fact) that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act.

Forward-looking statements generally can be identified by the use of words such as anticipates, assumes, believes, budgets, could, estimates, expects, forecasts, goal, intends, may, might, plans, predicts, projects, should, targets, will, and would or similar expressions that convey the uncertainty of future events, activities, expectations or outcomes. However, these are not the exclusive means of identifying forward-looking statements.

Where any forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that, while we believe these assumptions or bases to be reasonable and to be made in good faith, assumed facts or bases almost always vary from actual results, and the difference between assumed facts or bases and actual results could be material, depending on the circumstances. It is important to note that actual results could differ materially from those projected by such forward-looking statements.

Although we believe that the expectations in our forward-looking statements are reasonable, we cannot give any assurance that those expectations will be correct. Our operations are subject to numerous uncertainties, risks and other influences, many of which are outside our control and any of which could materially affect our results of operations and ultimately prove the statements we make to be inaccurate.

Factors that could cause our results to differ materially from the results discussed in such forward-looking statements include, but are not limited to, the following:

economic and operating conditions that are outside of our control, including the supply, demand, and prices of crude oil and natural gas;

the levels of competition we encounter;

the activity levels of our customers;

the availability of adequate sources of capital to us;

our ability to comply with contractual obligations, including those under our financing arrangements;

our operational performance;

risks related to acquisitions and our growth strategy;

the availability of raw materials and labor at reasonable prices;

risks related to our foreign operations;

the effect and results of litigation, regulatory matters, settlements, audits, assessments, and contingencies;

information technology risks including the risk from cyberattack; and

other risks and uncertainties under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016.

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The risks and uncertainties referred to above are generally beyond our ability to control and we cannot predict all the risks and uncertainties that could cause our actual results to differ from those indicated by the forward-looking statements. If any of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may vary from those indicated by the forward-looking statements, and such variances may be material.

All subsequent written and oral forward-looking statements made by or attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward-looking statements we may make, except as may be required by law.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of 10,000,000 shares of our common stock in this offering will be approximately \$52,025,000 million (\$59,903,750 million if the underwriters' option to purchase additional shares is exercised in full), after deducting estimated underwriting discounts and estimated offering expenses.

We intend to use the net proceeds from this offering to repay indebtedness outstanding under our Senior Secured Notes and Credit Agreement and for general corporate purposes.

At June 13, 2016, we had \$148 million of borrowings outstanding under our \$225.0 million Credit Agreement, with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. In addition, we had \$8.1 million in letters of credit and guarantees against the credit facility. Of the amount outstanding under our Credit Agreement, \$65.0 million was incurred on June 3, 2016 to repay our 5.09% Senior Notes, Series 2010-A and our 5.67% Senior Notes, Series 2010-B; \$35.0 million was incurred on May 25, 2016 to repay our 4.00% Senior Notes, Series 2013; and an aggregate of \$20.0 million was incurred in February and May 2016 to repay portions of our Senior Secured Notes. The average interest rate on the loans outstanding under our Credit Agreement during the three months ended March 31, 2016 was approximately 2.985%. Outstanding indebtedness under our Credit Agreement is payable on September 30, 2019.

At June 13, 2016, we had \$30.0 million of Senior Secured Notes outstanding, which were initially purchased by Wells Fargo Energy Capital, Inc. The average interest rate on the Senior Secured Notes outstanding during the three months ended March 31, 2016 was approximately 5.75%. The Senior Secured Notes are due April 1, 2019.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are lenders under our revolving credit facility, and an affiliate of Wells Fargo Securities, LLC is a purchaser of our Senior Secured Notes, and such affiliates will receive a portion of the net proceeds from this offering in the form of the repayment of borrowings under our Credit Agreement and Senior Secured Notes. See Underwriting (Conflicts of Interest).

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Our common stock is traded on the New York Stock Exchange under the symbol TTI. The quarterly market high and low sales prices for our common stock for 2014, 2015 and 2016 are summarized below:

| | Price per share | |
|--|------------------------|------------|
| | High | Low |
| 2016 | | |
| Second Quarter (through June 14, 2016) | \$ 7.75 | \$ 4.91 |
| First Quarter | \$ 7.81 | \$ 4.62 |
| 2015 | | |
| Fourth Quarter | \$ 6.84 | \$ 4.72 |
| Third Quarter | \$ 7.52 | \$ 5.85 |
| Second Quarter | \$ 7.76 | \$ 4.62 |
| First Quarter | \$ 9.44 | \$ 5.66 |
| 2014 | | |
| Fourth Quarter | \$ 12.84 | \$ 9.92 |
| Third Quarter | \$ 13.43 | \$ 10.87 |
| Second Quarter | \$ 12.11 | \$ 9.25 |
| First Quarter | \$ 10.96 | \$ 4.90 |

On June 14, 2016, the closing sale price of our common stock as reported on the NYSE was \$6.41 per share. As of March 4, 2016, there were approximately 381 holders of record of our common stock. The number of record holders does not include holders of shares in street name or persons, partnerships, associations, corporations or other entities identified in security position listing maintained by depositories.

DIVIDEND POLICY

We have never paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings in our business, and we do not anticipate paying any cash dividends. Whether or not we declare any dividends will be at the discretion of our Board of Directors considering then-existing conditions, including the Company's financial condition and results of operations, capital requirements, bonding prospects, contractual restrictions (including those under our debt agreements), business prospects and other factors that our Board of Directors considers relevant.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash, cash equivalents and capitalization as of March 31, 2016:

on an actual basis;

on an as adjusted basis reflecting the application of the net proceeds from this offering, assuming no exercise of the underwriters' option to purchase additional shares and after deducting approximately \$2.5 million for underwriting discounts and estimated offering expenses of approximately \$500 thousand, as set forth under "Use of Proceeds."

556,605

| | | | | | |
|--|------------|------------|------------|------------|-------------------|
| Sony Corporation's stockholders equity | 2,023,822 | 2,192,262 | 2,258,137 | 2,317,077 | 2,463,340 |
| Common stock | 630,923 | 630,923 | 646,654 | 707,038 | 858,867 |
| Total assets | 13,299,691 | 14,211,033 | 15,333,720 | 15,834,331 | 16,673,390 |
| Number of shares issued at fiscal year-end (thousands of shares of common stock) | 1,004,638 | 1,011,950 | 1,044,708 | 1,169,773 | 1,262,494 |
| Sony Corporation's stockholders equity per share of common stock | 2,016.61 | 2,168.62 | 2,163.63 | 1,982.54 | 1,952.79 |

* Refer to Note 22 of the consolidated financial statements.

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

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

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

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

B. Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sony's Pictures segment is subject to labor interruption.

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

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

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

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

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

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

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

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

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

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

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

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

changes in trends underlying its assumptions and estimates, such as mortality and morbidity rates;

the availability of sufficient reliable data and its ability to correctly analyze the data;

the selection and application of appropriate pricing and rating techniques; and

changes in legal standards, claim settlement practices and medical care expenses.

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

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

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

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

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

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

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

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

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

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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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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

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

Item 4. Information on the Company**A. History and Development of the Company**

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

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

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

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

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

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

In July 1987, Sony Chemicals Corporation, a subsidiary of Sony Corporation, was listed on the Second Section of the TSE. The subsidiary changed its name to Sony Chemical & Information Device Corporation in July 2006, and changed its name again to 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. SCEI changed its name to Sony Interactive Entertainment Inc. (SIE) in April 2016.

In January 2000, acquisition transactions by way of a share exchange were completed such that three subsidiaries which had been listed on the TSE (SMEJ, Sony Chemicals Corporation (currently 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 personal computer (PC) business operated under the VAIO brand to Japan Industrial Partners, Inc.

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

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

Principal Capital Investments

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

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

B. Business Overview

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

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

Products and Services**Mobile Communications (MC)**

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

Game & Network Services (G&NS)

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

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

Hardware:

Hardware includes home and portable game consoles.

Network:

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

Table of Contents**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.

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

Digital Imaging Products:

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

Professional Solutions:

Professional Solutions includes broadcast- and professional-use products.

Home Entertainment & Sound (HE&S)

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

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

Televisions:

Televisions includes LCD televisions.

Audio and Video:

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

Devices

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

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

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

Components:

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

Pictures

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

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

Motion Pictures:

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

Television Productions:

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

Media Networks:

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

Music

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

| | 2014 | | Fiscal year ended March 31 2015 | | 2016 | |
|--|------|--|------------------------------------|--|------|--|
| | | | (Yen in millions) | | | |

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| | | | | | | |
|----------------------------------|---------|---------|---------|---------|----------------|----------------|
| <i>Recorded Music</i> | 347,684 | (69.8) | 383,350 | (70.9) | 412,718 | (68.7) |
| <i>Music Publishing</i> | 66,869 | (13.4) | 70,959 | (13.1) | 71,258 | (11.8) |
| <i>Visual Media and Platform</i> | 83,777 | (16.8) | 86,195 | (16.0) | 116,993 | (19.5) |
| Music Total | 498,330 | (100.0) | 540,504 | (100.0) | 600,969 | (100.0) |

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Recorded Music:

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

Music Publishing:

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

Visual Media and Platform:

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

Financial Services

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

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

All Other

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

Sales and Distribution

Electronics*

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

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

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

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

Japan:

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

United States:

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

Europe:

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

China:

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

Asia-Pacific:

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

Other Areas:

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

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

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

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

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Pictures

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

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

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

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

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

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

Music

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

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

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

Financial Services

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

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

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

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

All Other

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

Sales to External Customers by Geographic Area

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

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

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Sources of Supply

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

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

After-Sales Service

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

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

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

Patents and Licenses

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

Competition

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

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Electronics

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

Pictures

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

Music

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

Financial Services

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

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

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

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

greater financial resources and financial strength ratings;

greater brand awareness;

more extensive marketing and sales networks, including through tie-ups with other types of financial institutions;

more competitive pricing;

larger customer bases; and

a wider range of products and services.

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

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

All Other

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

Government Regulations

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

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

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

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

Social Responsibility Regulations Such as Environmental and Human Rights Regulations

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

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

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

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

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

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

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

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

During the fiscal year ended March 31, 2016, a non-U.S. subsidiary of Sony sold medical instruments, including medical printers, print media and monitors, to a third-party-owned dealer in Dubai, which, to the best of Sony's knowledge, planned to resell those products to hospitals and health organizations in Iran, some of which are under the control of the Iranian Ministry of Health. Sony's gross revenue from these sales was approximately 4.8 million U.S. dollars, and Sony has estimated that its net profit from such sales was 0.3 million U.S. dollars.

Sony's representative office in Tehran, Iran, which was established in 1992, has been closed and has been under liquidation processes since before the beginning of the fiscal year ended March 31, 2014. In the course of liquidation, Sony engages in certain incidental transactions (for example, permits, taxes, and similar matters incidental to the wind-down of the office in Iran) with Iranian government-owned entities. No material revenues or profits are associated with these transactions with the Iranian government-owned entities.

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

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

Table of Contents**C. Organizational Structure**

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

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

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

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

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

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

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

Table of Contents**D. Property, Plant and Equipment**

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

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

| Location | Approximate floor space (square feet) | Principal products produced |
|--|--|---|
| <i>In Japan:</i> | | |
| Nagasaki (Sony Semiconductor Corporation* Nagasaki TEC) | 2,306,000 | CMOS image sensors and other semiconductors |
| Kumamoto (Sony Semiconductor Corporation* Kumamoto TEC) | 2,123,000 | CCDs, CMOS image sensors, LCDs and other semiconductors |
| Kagoshima (Sony Semiconductor Corporation* Kagoshima TEC) | 1,767,000 | CCDs and other semiconductors |
| Oita (Sony Semiconductor Corporation* Oita TEC) | 585,000 | CMOS image sensors and other semiconductors |
| Motomiya, Fukushima (Sony Energy Devices Corporation Motomiya Plant) | 961,000 | Batteries |
| Kohda, Aichi (Sony EMCS Corporation** Tokai TEC Kohda Site) | 902,000 | Home-use video cameras, compact digital cameras and interchangeable single-lens cameras |
| Inazawa, Aichi (Sony EMCS Corporation** Tokai TEC Inazawa Site) | 842,000 | LCD televisions |
| Tsuruoka, Yamagata | 703,000 | CMOS image sensors and other semiconductors |

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(Sony Semiconductor Corporation*

Yamagata TEC)

| | | |
|---------------------|---------|-----------|
| Koriyama, Fukushima | 593,000 | Batteries |
|---------------------|---------|-----------|

(Sony Energy Devices Corporation

Koriyama Plant)

| | | |
|-----------------|---------|--|
| Kosai, Shizuoka | 576,000 | Broadcast-and professional-use video equipment |
|-----------------|---------|--|

(Sony EMCS Corporation** Tokai TEC

Kosai Site)

| | | |
|-----------------|---------|--|
| Kisarazu, Chiba | 541,000 | Blu-ray Disc players/recorders, audio equipment and video conference systems |
|-----------------|---------|--|

(Sony EMCS Corporation**

Kisarazu TEC)

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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.) | 1,027,000 | Optical pickups and LCDs |
| Wuxi, China (Sony Electronics (Wuxi) Co., Ltd., Sony Digital Products (Wuxi) Co., Ltd. and Sony (China) Ltd.) | 1,886,000 | Batteries and compact digital cameras |
| Penang, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. PG TEC) | 1,021,000 | Audio equipment |
| Tuas, Singapore (Sony Electronics (Singapore) Pte. Ltd.) | 825,000 | Batteries |
| Bangi, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. KL TEC) | 954,000 | LCD televisions, TV components, Blu-ray Disc players/recorders and DVD-players/recorders |
| Guangzhou, China (Sony Electronics Huanan Co., Ltd.) | 687,000 | Optical pickups |
| Beijing, China (Sony Mobile Communications (China) Co., Ltd.) | 680,000 | Mobile phones |

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

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

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

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

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

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

Ltd., a Japanese real estate company.

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

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

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

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

Item 4A. Unresolved Staff Comments

Not applicable

Item 5. Operating and Financial Review and Prospects**A. Operating Results****Operating Performance**

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

Sales

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Equity in Net Income (Loss) of Affiliated Companies**Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

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

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

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

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

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

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

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

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

Other Income and Expenses**Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

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

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

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

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

Table of Contents***Income before Income Taxes***

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

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

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

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

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

Net Income Attributable to Sony Corporation's Stockholders**Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

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

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

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

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

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

Operating Performance by Business Segment

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

Business Segment Information

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

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

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

Table of Contents**Mobile Communications****Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

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

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

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

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

Major product unit sales

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

Game & Network Services**Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

Table of Contents**Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:**

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

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

Sales to external customers by product category

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

Major product unit sales

| | Fiscal year ended March 31 | | | Percent change from | |
|-----|----------------------------|------|-------------|---------------------|---------------|
| | 2014 | 2015 | 2016 | 2014 to 2015 | 2015 to 2016 |
| PS4 | 7.5 | 14.8 | 17.7 | +97.3% | +19.6% |

Imaging Products & Solutions**Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

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

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

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

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

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

Sales to external customers by product category

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

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

Major product unit sales

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

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

Home Entertainment & Sound**Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

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

Table of Contents**Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014:**

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

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

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

* Sales for Televisions do not include operating revenue.

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

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

Sales to external customers by product category

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

Major product unit sales

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

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

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

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

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

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

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

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

Below are the sales to external customers by product category:

Sales to external customers by product category

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

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

Electronics*

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

Inventory

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

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Sales to External Customers by Geographic Area

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

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

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

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

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

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

Manufacturing by Geographic Area

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Below are the sales to external customers by product category:

Sales to external customers by product category

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

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

Music

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

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

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

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

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

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

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

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

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

Below are the sales to external customers by product category:

Sales to external customers by product category

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

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

Financial Services

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

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

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

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

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

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

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

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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.

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

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| | | | |
|--|-----------|-----------|----------------|
| Other income (expenses), net | (754) | (28,819) | 10,307 |
| Income before income taxes | 25,741 | 39,729 | 304,504 |
| Income taxes and other | 154,110 | 165,709 | 156,713 |
| Net income (loss) attributable to Sony Corporation's Stockholders | (128,369) | (125,980) | 147,791 |

Table of Contents**All Other****Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015:**

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

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

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

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

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

Restructuring

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

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

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

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

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

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

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

Foreign Exchange Fluctuations and Risk Hedging

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

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

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

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

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

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

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

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

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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 |
|---------|-------------------------|----------------------------|----------------|------------------------------------|--|--|
| | | 2015 | 2016 | Change in yen (Yen in billions) | | |
| MC | Sales | 1,410.2 | 1,127.5 | -20.0% | -20% | -2.4 |
| | Operating loss | (217.6) | (61.4) | +156.1 | +223.6 | -67.5 |
| G&NS | Sales | 1,388.0 | 1,551.9 | +11.8% | +10% | +30.2 |
| | Operating income | 48.1 | 88.7 | +40.6 | +88.3 | -47.7 |
| IP&S | Sales | 723.9 | 711.2 | -1.7% | -5% | +20.6 |
| | Operating income | 41.8 | 72.1 | +30.4 | +31.9 | -1.6 |
| HE&S | Sales | 1,238.1 | 1,159.0 | -6.4% | -8% | +23.7 |
| | Operating income | 24.1 | 50.6 | +26.5 | +63.1 | -36.7 |
| Devices | Sales | 927.1 | 935.8 | +0.9% | -6% | +64.9 |
| | Operating income (loss) | 89.0 | (28.6) | -117.6 | -142.3 | +24.7 |

| | | Fiscal year ended March 31 | | | Change on constant currency basis* | Impact of changes in foreign exchange rates |
|---------|-------------------------|----------------------------|----------------|------------------------------------|--|--|
| | | 2014 | 2015 | Change in yen (Yen in billions) | | |
| MC | Sales | 1,265.0 | 1,410.2 | +11.5% | +4% | +45.3 |
| | Operating income (loss) | 8.7 | (217.6) | -226.3 | -167.2 | -59.1 |
| G&NS | Sales | 1,043.9 | 1,388.0 | +33.0% | +6% | +66.4 |
| | Operating income (loss) | (18.8) | 48.1 | +66.9 | +96.9 | -29.9 |
| IP&S | Sales | 743.8 | 723.9 | -2.7% | +5% | +36.2 |
| | Operating income | 12.2 | 41.8 | +29.6 | +22.8 | +6.8 |
| HE&S | Sales | 1,199.7 | 1,238.1 | +3.2% | +5% | +59.6 |
| | Operating income (loss) | (21.0) | 24.1 | +45.1 | +69.4 | -24.4 |
| Devices | Sales | 741.8 | 927.1 | +25.0% | +9% | +67.4 |
| | Operating income (loss) | (16.9) | 89.0 | +106.0 | +76.9 | +29.1 |

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

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

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

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

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

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

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

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

Assets, Liabilities and Stockholders' Equity**Assets**

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

Table of Contents***Current Assets***

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

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

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

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

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

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

Investments and Advances

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

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

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

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

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

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

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

Other Assets

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

Table of Contents**Liabilities**

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

Current Liabilities

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

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

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

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

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

Long-term Liabilities

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

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

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

Total Interest-bearing Debt

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

Redeemable Noncontrolling Interest

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

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Sony Corporation's Stockholders' Equity

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

Table of Contents**Information on Financial Position Separating Out the Financial Services Segment**

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

Financial Services segment

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

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

10,089,850 **10,915,529**

Table of Contents**Sony without the Financial Services segment**

| | March 31 | |
|--|-------------------|------------------|
| | 2015 | 2016 |
| | (Yen in millions) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 741,886 | 749,911 |
| Marketable securities | 3,307 | 3,202 |
| Notes and accounts receivable, trade | 893,847 | 847,788 |
| Other | 1,272,562 | 1,272,710 |
| | 2,911,602 | 2,873,611 |
| Film costs | 305,232 | 301,228 |
| Investments and advances | 395,189 | 309,184 |
| Investments in Financial Services, at cost | 111,476 | 111,476 |
| Property, plant and equipment | 720,694 | 801,485 |
| Other assets | 1,497,805 | 1,559,646 |
| | 5,941,998 | 5,956,630 |

| | March 31 | |
|---|-------------------|------------------|
| | 2015 | 2016 |
| | (Yen in millions) | |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Short-term borrowings | 215,175 | 243,543 |
| Notes and accounts payable, trade | 622,215 | 550,964 |
| Other | 1,832,085 | 1,832,039 |
| | 2,669,475 | 2,626,546 |
| Long-term liabilities: | | |
| Long-term debt | 671,104 | 525,507 |
| Accrued pension and severance costs | 274,220 | 433,302 |
| Other | 478,704 | 462,319 |
| | 1,424,028 | 1,421,128 |
| Redeemable noncontrolling interest | 5,248 | 7,478 |
| Stockholders' equity of Sony without Financial Services | 1,733,233 | 1,796,891 |
| Noncontrolling interests | 110,014 | 104,587 |
| | 5,941,998 | 5,956,630 |

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| | March 31 | |
|--------------------------------------|-------------------|-------------------|
| | 2015 | 2016 |
| | (Yen in millions) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 949,413 | 983,612 |
| Marketable securities | 936,731 | 946,397 |
| Notes and accounts receivable, trade | 899,902 | 853,592 |
| Other | 1,411,855 | 1,413,126 |
| | 4,197,901 | 4,196,727 |
| Film costs | 305,232 | 301,228 |
| Investments and advances | 8,531,353 | 9,234,083 |
| Property, plant and equipment | 739,285 | 820,818 |
| Other assets: | | |
| Deferred insurance acquisition costs | 520,571 | 511,834 |
| Other | 1,539,989 | 1,608,700 |
| | 2,060,560 | 2,120,534 |
| | 15,834,331 | 16,673,390 |

| | March 31 | |
|---|-------------------|-------------------|
| | 2015 | 2016 |
| | (Yen in millions) | |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Short-term borrowings | 221,525 | 336,940 |
| Notes and accounts payable, trade | 622,215 | 550,964 |
| Deposits from customers in the banking business | 1,872,965 | 1,912,673 |
| Other | 2,028,885 | 2,030,173 |
| | 4,745,590 | 4,830,750 |
| Long-term liabilities: | | |
| Long-term debt | 712,087 | 556,605 |
| Accrued pension and severance costs | 298,753 | 462,384 |
| Future insurance policy benefits and other | 6,381,886 | 6,910,535 |
| Other | 762,298 | 781,228 |
| | 8,155,024 | 8,710,752 |
| Redeemable noncontrolling interest | 5,248 | 7,478 |
| Sony Corporation's stockholders' equity | 2,317,077 | 2,463,340 |
| Noncontrolling interests | 611,392 | 661,070 |
| | 15,834,331 | 16,673,390 |

Table of Contents**Investments**

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

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

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

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

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

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

| | |
|-----------------|--------------|
| Within 1 year: | 34.4 percent |
| 1 to 5 years: | |
| 5 to 10 years: | |
| above 10 years: | 65.6 percent |

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

| | |
|-----------------|--------------|
| Within 1 year: | 18.4 percent |
| 1 to 5 years: | 46.2 percent |
| 5 to 10 years: | 35.4 percent |
| above 10 years: | |

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

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

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

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

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

Cash Flows

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

** Eliminations primarily consist of intersegment dividend payments

Table of Contents**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 | |
|---|-----------------------------------|-------------|
| | 2015 | 2016 |
| | (Yen in millions) | |
| Net cash provided by operating activities | 459,719 | 495,283 |
| Net cash used in investing activities | (536,920) | (694,031) |
| Net cash provided by financing activities | 44,396 | 224,922 |
| Net increase (decrease) in cash and cash equivalents | (32,805) | 26,174 |
| Cash and cash equivalents at beginning of the fiscal year | 240,332 | 207,527 |
| Cash and cash equivalents at end of the fiscal year | 207,527 | 233,701 |

| Sony without the Financial Services segment | Fiscal year ended March 31 | |
|--|-----------------------------------|-------------|
| | 2015 | 2016 |
| | (Yen in millions) | |
| Net cash provided by operating activities | 303,659 | 262,783 |
| Net cash used in investing activities | (103,630) | (334,900) |
| Net cash provided by (used in) financing activities | (315,415) | 144,751 |
| Effect of exchange rate changes on cash and cash equivalents | 51,138 | (64,609) |
| Net increase (decrease) in cash and cash equivalents | (64,248) | 8,025 |
| Cash and cash equivalents at beginning of the fiscal year | 806,134 | 741,886 |
| Cash and cash equivalents at end of the fiscal year | 741,886 | 749,911 |

| Consolidated | Fiscal year ended March 31 | |
|--|-----------------------------------|-------------|
| | 2015 | 2016 |
| | (Yen in millions) | |
| Net cash provided by operating activities | 754,640 | 749,089 |
| Net cash used in investing activities | (639,636) | (1,030,403) |
| Net cash provided by (used in) financing activities | (263,195) | 380,122 |
| Effect of exchange rate changes on cash and cash equivalents | 51,138 | (64,609) |
| Net increase (decrease) in cash and cash equivalents | (97,053) | 34,199 |
| Cash and cash equivalents at beginning of the fiscal year | 1,046,466 | 949,413 |
| Cash and cash equivalents at end of the fiscal year | 949,413 | 983,612 |

Cash Flows

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

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

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

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

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

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

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

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

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

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

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

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

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* 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

Table of Contents***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 |

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.

Table of Contents***Liquidity Management and Market Access***

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

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

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

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

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

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

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

Table of Contents***Ratings***

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

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

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

Cash Management

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

Financial Services segment

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

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

C. Research and Development

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

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

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

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

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

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

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

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

D. Trend Information

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

Issues Facing Sony and Management's Response to those Issues

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

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

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

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

Key strategies for business operations

Business management that emphasizes profitability, without necessarily pursuing volume

Business management that grants each business unit greater autonomy and mandates a focus on shareholder value

Clearly defined positioning of each business within a broader business portfolio perspective

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

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

Group Environmental Mid-Term Targets Green Management 2020

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

Formulate targets and implement initiatives that leverage the distinctive characteristics of Sony's businesses, from Electronics to entertainment. Among these, reduce annual energy consumption by an average of 30 percent (compared to levels at the fiscal year ended March 31, 2014) in Electronics products, and in entertainment, continue to look to use its contents to raise awareness of sustainability issues and inspire environmentally conscious actions;

Enhance efforts to reduce Sony's environmental footprint across its entire value chain, including manufacturing partners and suppliers, by calling on them to reduce greenhouse gas (GHG) emissions and water consumption; and

Accelerate the use of renewable energy.

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

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

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

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

E. Off-balance Sheet Arrangements

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

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

F. Contractual Obligations, Commitments, and Contingent Liabilities

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

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

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

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

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

The total amount of expected future pension payments is not included as such amount is not currently determinable. Sony expects to contribute approximately 11 billion yen to Japanese pension plans and approximately 6 billion yen to foreign pension plans during the fiscal year ending March 31, 2017. Refer to Note 15 of the consolidated financial statements.

The total unused portion of the line of credit extended under loan agreements in the Financial Services segment is not included in the above table as it is not foreseeable what loans will be incurred under such line of credit. The total unused portion of the line of credit extended under these contracts was approximately 30.6 billion yen as of March 31, 2016. Refer to Note 27 of the consolidated financial statements.

Purchases made during the ordinary course of business from certain component manufacturers and contract manufacturers in order to establish the best pricing and continuity of supply for Sony's production are not included as there are typically no binding purchase obligations. Purchase obligations are defined as contractual obligations to purchase goods or services that are enforceable and legally binding on Sony. These obligations specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include contracts that may be cancelled without penalty. These purchases include arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. This allows Sony's supply chain management to have flexible and mutually beneficial purchase arrangements with these manufacturers in order to minimize inventory risk. Consistent with industry practice, Sony purchases processed goods that meet technical criteria from these component manufacturers after issuing to these manufacturers information on Sony's projected demand and manufacturing needs.

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

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, Sony evaluates its estimates, which are based on historical experience, future projections and various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of expenses that are not readily apparent

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

Investments

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

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

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

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

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

Impairment of long-lived assets

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

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

Business combinations

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

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

Goodwill and other intangible assets

Goodwill and indefinite lived intangible assets are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Such an event or change in circumstances would include unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, which are periodically reviewed by Sony's management.

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

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

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

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

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

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

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

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

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

The discount rates ranged from 6.3 percent to 10.0 percent. A hypothetical one percentage point increase in the discount rate, holding all other assumptions constant, would not have resulted in a failure of step one of the goodwill impairment test.

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

The earnings multiple used to calculate the terminal value in the Pictures reporting units was 9.0x. A hypothetical reduction in the earnings multiple to 8.0x, holding all other assumptions constant, would not have resulted in a failure of step one of the goodwill impairment test.

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

Pension benefit costs

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

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

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

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

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

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

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

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.

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

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

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

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

Film accounting

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

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

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

Future insurance policy benefits

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

Policyholders' account in the life insurance business

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

Recently Adopted Accounting Standards

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

Recent Accounting Pronouncements

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

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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 17, 2016.

Board of Directors

Kazuo Hirai

Date of Birth: December 22, 1960

Director (Member of the Board) Since: 2012

Corporate Executive Officer Since: 2009

Current Positions within Sony: President and Chief Executive Officer, Representative Corporate Executive Officer

Member of the Nominating Committee

Principal Business Activities Outside Sony: None

Prior Positions:

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

Kenichiro Yoshida

Date of Birth: October 20, 1959

Director (Member of the Board) Since: 2014

Corporate Executive Officer Since: 2013

Current Positions within Sony: Executive Deputy President and Chief Financial Officer, Representative Corporate Executive Officer

Member of the Compensation Committee

Principal Business Activities Outside Sony: None

Prior Positions:

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

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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:

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

Prior Positions:

2008 Executive Board member, Ernst & Young ShinNihon LLC
 1997 Senior partner, Showa Ota & Co.
 1989 Partner, Asahi Shinwa & Co.

Eikoh Harada

Date of Birth: December 3, 1948
 Outside Director (Member of the Board) Since: 2013
 Current Position within Sony: Chair of the Compensation Committee

Principal Business Activities Outside Sony:

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

Prior Positions:

2014 Chairman, Director, McDonald's Holdings Company (Japan), Ltd.
 Chairman, Director, McDonald's Company (Japan), Ltd.
 2005 Chairman, President and Chief Executive Officer, Representative Director, McDonald's Holdings Company (Japan), Ltd.
 Chairman, President and Chief Executive Officer, Representative Director, McDonald's Company (Japan), Ltd.
 1997 President, Apple Japan, Inc.
 Vice President, Apple Computer, Inc.
 1983 Director, Schlumberger Group

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Joichi Ito

Date of Birth: June 19, 1966
 Outside Director (Member of the Board) Since: 2013
 Current Position within Sony: none
 Principal Business Activities Outside Sony:
 Director, MIT Media Lab, Massachusetts Institute of Technology
 Director, Digital Garage, Inc.
 Director, The New York Times Company
 Chairman, PureTech Health plc

Prior Positions:

1999 Chairman, Infoseek Japan
 1995 Co-founder, Chief Executive Officer, Digital Garage, Inc.

Tim Schaaff

Date of Birth: December 5, 1959
 Director (Member of the Board) Since: 2013
 Current Position within Sony: none
 Principal Business Activities Outside Sony:
 Independent Startup Adviser
 Chief Product Officer, Intertrust Technologies Corporation

Prior Positions:

2012 Group Executive, Sony Corporation
 2009 President, Sony Network Entertainment International LLC
 2005 Entered Sony Corporation of America as Senior Vice President
 1998 Vice President, Apple Computer, Inc.

Kazuo Matsunaga

Date of Birth: February 28, 1952
 Director (Member of the Board) Since: 2014
 Current Position within Sony: Member of the Audit Committee
 Principal Business Activities Outside Sony:
 Director, Sumitomo Corporation
 Director, Takasago Thermal Engineering Co., Ltd.
 Director, Hashimoto Sogyo Co., Ltd.

 President, Japan Cooperation Center for the Middle East
 Vice Chairman of the Board, Mitsubishi Fuso Truck and Bus Corporation

Prior Positions:

2010 Vice-Minister of Economy, Trade and Industry, METI
 2008 Director-General, Economic and Industrial Policy Bureau, METI
 2004 Director-General, Nuclear and Industrial Safety Agency, Ministry of Economy, Trade and Industry (METI)

Koichi Miyata

Date of Birth: November 16, 1953
 Director (Member of the Board) Since: 2014
 Current Position within Sony: Member of the Nominating Committee
 Principal Business Activities Outside Sony:
 Director and President, Sumitomo Mitsui Financial Group, Inc.
 Director, Sumitomo Mitsui Banking Corporation

Prior Positions:

2010 Director, Sumitomo Mitsui Financial Group, Inc.
 2010 Senior Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.
 2009 Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation

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John V. Roos

Date of Birth: February 14, 1955

Director (Member of the Board) Since: 2014

Current Positions within Sony: Member of the Nominating Committee

Member of the Compensation Committee

Principal Business Activities Outside Sony:

Founding Partner, Geodesic Capital

Chief Executive Officer, The Roos Group, LLC

Senior Advisor, Centerview Partners LLC

Director, salesforce.com, inc.

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

Prior Positions:

2009 United States Ambassador to Japan

2005 Chief Executive Officer, Wilson Sonsini Goodrich & Rosati

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

Eriko Sakurai

Date of Birth: November 16, 1960

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Audit Committee

Principal Business Activities Outside Sony:

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

Regional President Japan/Korea, Dow Corning Corporation

Director, Sumitomo Mitsui Financial Group, Inc.

Prior Positions:

2008 Director, Dow Corning Toray Co., Ltd.

Corporate Executive Officers

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

Tomoyuki Suzuki

Date of Birth: August 19, 1954

Corporate Executive Officer Since: 2012

Current Positions within Sony: Executive Deputy President, Officer in charge of RDS Platform,

Energy Business and Storage Media Business

Prior Positions:

2012 Executive Vice President, Sony Corporation

2005 Senior Vice President, Sony Corporation

2004 Executive Officer, Sony Corporation

1979 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Shiro Kambe

Date of Birth: December 18, 1961

Corporate Executive Officer Since: 2014

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

Prior Positions:

2010 Senior Vice President, Corporate Executive, Sony Corporation

1984 Entered Sony Corporation
Principal Business Activities Outside Sony: None

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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

Andrew House

Date of Birth: January 23, 1965

Corporate Executive Officer Since: 2016

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

Prior Positions:

2005 Chief Marketing Officer, Group Executive, Sony Corporation

1990 Joined Sony Corporation

Principal Business Activities Outside Sony: None

Michael Lynton

Date of Birth: January 1, 1960

Corporate Executive Officer Since: 2016

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

Prior Positions:

2004 Group Executive Officer, Sony Corporation

2004 Joined Sony Corporation

Principal Business Activities Outside Sony:

Board Member, Ares Capital Corporation

Board Member, Snapchat

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Ichiro Takagi

Date of Birth: December 26, 1958

Corporate Executive Officer Since: 2016

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

Prior Positions:

2015 Group Executive, Sony Corporation

2011 Senior Vice President, Corporate Executive, Sony Corporation

1981 Joined Sony Corporation

Principal Business Activities Outside Sony: None

Hiroki Totoki

Date of Birth: July 17, 1964

Corporate Executive Officer Since: 2016

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

Prior Positions:

2014 Group Executive, Sony Corporation

2013 Senior Vice President, Corporate Executive, Sony Corporation

1987 Joined Sony Corporation

Principal Business Activities Outside Sony: None

Kazushi Ambe

Date of Birth: April 23, 1961

Corporate Executive Officer Since: 2016

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

Prior Positions:

2014 Senior Vice President, Corporate Executive, Sony Corporation

1984 Joined Sony Corporation

Principal Business Activities Outside Sony: None

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Basic policy of Director remuneration

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

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

ensuring the effectiveness of the supervisory function of the Directors.

Based upon the above, the remuneration of Directors consists of the following two components:

fixed remuneration; and

the Phantom Restricted Stock Plan.

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

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

(b) Basic policy of Corporate Executive Officer remuneration

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

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

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

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

fixed remuneration;

remuneration linked to business results;

remuneration linked to share price; and

the Phantom Restricted Stock Plan.

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

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

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

C. Board Practices

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

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

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

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

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

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

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

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

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

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

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

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

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

(Supplementary Information)

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

For an explanation as to the significant differences between the New York Stock Exchange's corporate governance standards and Sony's corporate governance practices, please refer to "Disclosure About Differences in Corporate Governance" in Item 16G.

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

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

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

Number of Employees by Segment

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

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

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

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

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

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

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

Sony generally considers its labor relations to be good.

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

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

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

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

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

E. Share Ownership

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

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

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

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

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

Item 7. Major Shareholders and Related Party Transactions**A. Major Shareholders**

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

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

| 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 | 52,312,421 | 5.04 |
| July 22, 2014 | BlackRock Japan Co., Ltd. | 52,313,772 | 5.01 |
| May 20, 2016 | Capital Research and Management Company | 86,520,000 | 6.85 |

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

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

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

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

B. Related Party Transactions

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

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

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

C. Interests of Experts and Counsel

Not Applicable

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

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

Legal Proceedings

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

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

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

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

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

Dividend Policy

Sony believes that continuously increasing corporate value and providing dividends are essential to rewarding shareholders. It is Sony's policy to utilize retained earnings, after ensuring the perpetuation of stable dividends, to carry out various investments that contribute to an increase in corporate value such as those that ensure future growth and strengthen competitiveness. Going forward, Sony will determine the amount of dividends based on an overall consideration of our consolidated operating results, financial condition and future business expectations.

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

B. Significant Changes

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

Item 9. *The Offer and Listing*

A. Offer and Listing Details

Trading Markets

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

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

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

Table of Contents**Trading on the TSE and the NYSE**

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

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

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

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

B. Plan of Distribution

Not Applicable

C. Markets

Please refer to Item 9 A Offer and Listing Details.

D. Selling Shareholders
Not Applicable

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E. Dilution

Not Applicable

F. Expenses of the Issue

Not Applicable

Item 10. Additional Information

A. Share Capital

Not Applicable

B. Memorandum and Articles of Association

Organization

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

Objects and purposes

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

- (i) manufacture and sale of electronic and electrical machines and equipment, medical instruments, optical instruments and other equipment, machines and instruments;
- (ii) planning, production and sale of audio-visual software and computer software programs;
- (iii) manufacture and sale of metal industrial products, chemical industrial products and ceramic industrial products, textile products, paper products and wood-crafted articles, daily necessities, foodstuffs and toys, transportation machines and equipment, and petroleum and coal products;
- (iv) real estate activities, construction business, transportation business and warehousing business;
- (v) publishing business and printing business;
- (vi) advertising agency business, insurance agency business, broadcasting enterprise, recreation business such as travel, management of sporting facilities, etc. and other service enterprises;

- (vii) financial business;
- (viii) Type I and Type II telecommunications business under the Telecommunications Business Law;
- (ix) investing in stocks and bonds, etc.;
- (x) manufacture, sale, export and import of products which are incidental to or related to those mentioned above;
- (xi) rendering of services related to those mentioned above;
- (xii) investment in businesses mentioned above operated by other companies or persons; and
- (xiii) all businesses which are incidental to or related to those mentioned above.

Directors

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

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

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

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

Capital stock***(General)***

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

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

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

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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 depository for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights against Sony Corporation.

(Authorized capital)

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

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

(Distribution of Surplus)

Distribution of Surplus – General

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

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

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

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

Distribution of Surplus Restriction on distribution of Surplus

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

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

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

In the above formula:

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

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

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

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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

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Corporation's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. Sony Corporation must disclose the reason for the consolidation of shares at a General Meeting of Shareholders.

(General Meeting of Shareholders)

The Ordinary General Meeting of Shareholders of Sony Corporation for each business year is normally held in June of each year in Tokyo, Japan. In addition, Sony Corporation may hold an Extraordinary General Meeting of Shareholders whenever necessary by giving notice thereof at least two weeks prior to the date set for the meeting.

Notice of a shareholders' meeting setting forth the place, time and purpose thereof must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to such shareholder's resident proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Under the Companies Act, such notice may be given to shareholders by electronic means, subject to obtaining consent by the relevant shareholders. The record date for an Ordinary General Meeting of Shareholders is March 31 of each year.

Any shareholder or group of shareholders holding at least three percent of the total number of voting rights for a period of six months or more may require the convocation of a General Meeting of Shareholders for a particular purpose. Unless such a shareholders' meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such a shareholders' meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or one percent of the total number of voting rights for a period of six months or more may propose a matter to be considered at a General Meeting of Shareholders by submitting a written request to Sony Corporation at least eight weeks prior to the date set for such meeting.

If the Articles of Incorporation so provide, any of the minimum voting rights or percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened. Sony Corporation's Articles of Incorporation currently do not include any such provisions.

(Voting rights)

So long as Sony Corporation maintains the unit share system, a holder of shares constituting one or more units is entitled to one vote for each such unit of stock (refer to (*Unit share system*) below; currently 100 shares constitute one unit), except that no voting rights with respect to shares of capital stock of Sony Corporation are afforded to Sony Corporation or any corporate or certain other entities more than one-quarter of the total voting rights of which are directly or indirectly held by Sony Corporation. If Sony Corporation eliminates from its Articles of Incorporation the provisions relating to units of stock, holders of capital stock will have one vote for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation of Sony Corporation, a resolution can be adopted at a General Meeting of Shareholders by a majority of the number of voting rights of all the shareholders represented at the meeting. The Companies Act and Sony Corporation's Articles of Incorporation provide, however, that the quorum for the election of Directors shall be one-third of the total number of voting rights of all the shareholders. Sony Corporation's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may cast their votes in writing and may also exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. Shareholders may also exercise their voting rights by electronic means pursuant to the method designated by Sony Corporation.

The Companies Act and the Articles of Incorporation of Sony Corporation provide that in order to amend the Articles of Incorporation and in certain other instances, including:

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;

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- (3) any offering of new shares or existing shares held by Sony Corporation as treasury stock at a specially favorable price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights on specially favorable conditions) to any persons other than shareholders;
- (4) the exemption of liability of a Director, Corporate Executive Officer or independent auditor with certain exceptions;
- (5) a reduction of stated capital with certain exceptions;
- (6) a distribution of in-kind dividends which meets certain requirements;
- (7) dissolution, merger, consolidation, or corporate split with certain exceptions;
- (8) the transfer of the whole or a material part of the business;
- (9) the transfer of the whole or a part of the shares or equity interests in a subsidiary which meets certain requirements;
- (10) the taking over of the whole of the business of any other corporation with certain exceptions; or
- (11) share exchange or share transfer for the purpose of establishing 100 percent parent-subsidary relationships with certain exceptions, the quorum shall be one-third of the total number of voting rights of all the shareholders, and the approval by at least two-thirds of the number of voting rights of all the shareholders represented at the meeting is required (the special shareholders resolutions).

(Issue of additional shares and pre-emptive rights)

Holders of Sony Corporation's shares of capital stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued at such times and upon such terms as the Board of Directors or the CEO determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under (*Voting rights*) above.

In the case of an issuance or transfer of shares or stock acquisition rights whereby any subscriber will hold more than 50 percent of the voting rights of all shareholders, generally Sony Corporation shall give public notice at least two weeks prior to the payment date for such issuance or transfer, and if shareholders who hold one-tenth or more of the voting rights of all shareholders dissent from the issuance or transfer of shares or stock acquisition rights, the approval by a resolution of a General Meeting of Shareholders is generally required before the payment date pursuant to the Companies Act. In addition, in the case of an issuance of shares (including a transfer of treasury shares) of Sony Corporation or its stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25 percent or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative vote from a person independent of the management is generally required pursuant to the rules of the TSE. The Board of Directors or the CEO may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks prior public notice is given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

Subject to certain conditions, Sony Corporation may issue stock acquisition rights by a resolution of the Board of Directors or a determination by the CEO. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, Sony Corporation will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it.

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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

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exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

(Unit share system)

The Articles of Incorporation of Sony Corporation provide that 100 shares constitute one unit of shares of stock. The Board of Directors or the Corporate Executive Officer to whom the authority to make such a determination has been delegated by a resolution of the Board of Directors is permitted to amend the Articles of Incorporation to reduce the number of shares that constitute a unit or to abolish the unit share system entirely. Under the Companies Act, the number of shares constituting one unit cannot exceed 1,000 shares nor 0.5 percent of the total number of issued shares.

Under the unit share system, shareholders have one voting right for each unit of stock that they hold. Any number of shares less than one full unit have neither voting rights nor rights related to voting rights. Holders of shares constituting less than one unit will have no other shareholder rights if Sony Corporation's Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distribution of Surplus.

A holder of shares constituting less than one full unit may require Sony Corporation to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of Sony Corporation. In addition, the Articles of Incorporation of Sony Corporation provide that a holder of shares constituting less than one full unit may request Sony Corporation to sell to such holder such amount of shares which will, when added together with the shares constituting less than one full unit, constitute one full unit of stock. Such request by a holder and the sale by Sony Corporation must be made in accordance with the provisions of the Share Handling Regulations of Sony Corporation. As prescribed in the Share Handling Regulations, such requests shall be made through an account management institution and JASDEC pursuant to the rules set by JASDEC, without going through the notification procedure required for the exercise of the shareholders' rights to which shareholders are entitled, regardless of whether such shareholder held shares on the requisite record date, as described in General. Shares constituting less than a full unit are transferable, under the new book-entry transfer system described in General. Under the rules of the stock exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

(Sale by Sony Corporation of shares held by shareholders whose location is unknown)

Sony Corporation is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in Sony Corporation's register of shareholders or at the address otherwise notified to Sony Corporation continuously for five years or more.

In addition, Sony Corporation may sell or otherwise dispose of shares of capital stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for five years or more at the shareholder's registered address in Sony Corporation's register of shareholders or at the address otherwise notified to Sony Corporation, and (ii) the shareholder fails to receive distributions of Surplus on the shares continuously for five years or more at the address registered in Sony Corporation's register of shareholders or at the address otherwise notified to Sony Corporation, Sony Corporation may sell or otherwise dispose of such shareholder's shares at the then market price of the shares by a determination of a Corporate Executive Officer and after giving at least three months' prior public and individual notice, and hold or deposit the proceeds of such sale or disposal of shares for such shareholder.

Reporting of substantial shareholdings

The Financial Instruments and Exchange Act of Japan and its related regulations require any person, regardless of residence, who has become, beneficially and solely or jointly, a holder of more than five percent of the total issued shares of capital stock of a company listed on any Japanese stock exchange or whose shares are

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traded on the over-the-counter market in Japan to file with the Director General of the competent Local Finance Bureau of the Ministry of Finance within five business days a report concerning such shareholdings. A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding, or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such persons upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares held by such holders and the issuer's total issued share capital. Any such report shall be filed with the Director General of the relevant Local Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors Network (EDINET) system.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, except for the limitations under the Foreign Exchange Regulations as described in D. Exchange Controls below, and except for general limitations under the Companies Act or Sony Corporation's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Sony Corporation or under its Articles of Incorporation on the rights of non-residents or foreign shareholders to hold or exercise voting rights on the shares of capital stock of Sony Corporation.

There is no provision in Sony Corporation's Articles of Incorporation or internal regulations that would have an effect of delaying, deferring or preventing a change in control of Sony Corporation and that would operate only with respect to merger, acquisition or corporate restructuring involving Sony Corporation.

C. Material Contracts

None

D. Exchange Controls

The Foreign Exchange and Foreign Trade Act of Japan and its related cabinet orders and ministerial ordinances (the Foreign Exchange Regulations) govern the acquisition and holding of shares of capital stock of Sony Corporation by exchange non-residents and by foreign investors. The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

individuals who do not reside in Japan; and

corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

individuals who are exchange non-residents;

corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and

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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.

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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 depository 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.

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The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan (non-resident Holders) who are holders of shares of Common Stock of Sony Corporation or of ADRs evidencing ADSs representing shares of Common Stock of Sony Corporation. The information given below regarding Japanese taxation is based on the tax laws and tax treaties in force and their interpretations by the Japanese tax authorities as of June 17, 2016. Tax laws and tax treaties as well as their interpretations may change at any time, possibly with retroactive effect. Sony Corporation will not update this summary for any changes in the tax laws or tax treaties or their interpretation that occurs after such date.

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by Japanese corporations. Such taxes are withheld prior to payment of dividends as required by Japanese law. Stock splits are, in general, not a taxable event.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is generally 20.42 percent, provided, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of Common Stock or ADSs of Sony Corporation) to non-resident Holders other than any individual shareholder who holds 3 percent or more of the total shares issued by the relevant Japanese corporation, the aforementioned 20.42 percent withholding tax rate is reduced to 15.315 percent for dividends due and payable on or before December 31, 2037. Due to the imposition of a special additional withholding tax (2.1 percent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rates of 15 percent and 20 percent as applicable, have been effectively increased to 15.315 percent and 20.42 percent, respectively, until December 31, 2037.

As of the date of this document, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain, and 10 percent under the income tax treaties with, among other countries, Australia, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the U.K. and the United States). Under the Treaty, the maximum rate of Japanese withholding tax that may be imposed on dividends paid by a Japanese corporation to a U.S. holder that does not own directly or indirectly at least 10 percent of the voting stock of the Japanese corporation is generally reduced to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to a U.S. holder that is a pension fund are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Sony Corporation to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law, or if any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of Common Stock by Sony Corporation is, in principle, required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. In this regard, a certain simplified special filing procedure is available for non-resident Holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock (together with any other required forms and documents). With respect to ADSs, this reduced rate or exemption is applicable if the depositary or its agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends). To claim this reduced rate or exemption, a non-resident Holder of ADSs will be required to file a proof of taxpayer

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status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the depository. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced rate which is lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the full amount of tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority, by complying with a certain subsequent filing procedure. Sony Corporation does not assume any responsibility to ensure withholding at the reduced treaty rate or to ensure the absence of withholding for shareholders who would be so eligible under any applicable income tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of Common Stock or ADSs of Sony Corporation outside Japan by a non-resident Holder holding such shares or ADSs as portfolio investors are, in general, not subject to Japanese income tax or corporation tax under Japanese tax law. U.S. holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty.

Japanese inheritance tax and gift tax at progressive rates may be payable by an individual who has acquired from another individual shares of Common Stock or ADSs of Sony Corporation as a legatee, heir or donee even though neither the acquiring individual nor the deceased nor donor is a Japanese resident.

Holders of shares of Common Stock or ADSs of Sony Corporation should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

United States Taxation with respect to shares of Common Stock and ADSs

The U.S. dollar amount of dividends received (prior to deduction of Japanese taxes) by a U.S. holder of ADSs or Common Stock of Sony Corporation will be included in income as ordinary income for U.S. federal income tax purposes to the extent paid out of current or accumulated earnings and profits of Sony Corporation as determined for U.S. federal income tax purposes. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. holder with respect to the ADSs or Common Stock will be subject to taxation at a reduced rate if the dividends are qualified dividends. Dividends paid on the ADSs or Common Stock will be treated as qualified dividends if Sony Corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid a passive foreign investment company (PFIC). Based on Sony Corporation's audited financial statements and relevant market and shareholder data, Sony Corporation believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2015 taxable year. In addition, based on Sony Corporation's audited financial statements and Sony Corporation's current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, Sony Corporation does not anticipate becoming a PFIC for the 2016 taxable year. Holders of ADSs and Common Stock of Sony Corporation should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances.

Subject to applicable limitations and special considerations discussed below, a U.S. holder of ADSs or Common Stock of Sony Corporation will be entitled to a credit for Japanese tax withheld in accordance with the Treaty from dividends paid by Sony Corporation. For purposes of the foreign tax credit limitation, dividends will be foreign source income, and will generally constitute passive income. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions and may not be allowed in respect of arrangements in which economic profit, after non-U.S. taxes, is insubstantial. Holders of ADSs and Common Stock of Sony Corporation should consult their own tax advisors regarding the implications of these rules in light of their particular circumstances.

Dividends paid by Sony Corporation to U.S. corporate holders of ADSs or Common Stock of Sony Corporation will not be eligible for the dividends-received deduction.

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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.

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Sony measures the economic impact of market fluctuations on the value of derivatives agreements and marketable securities by using Value-at-Risk (VaR) analysis in order to comply with Item 11 disclosure requirements. VaR in this context indicates the potential maximum amount of loss in fair value resulting from adverse market fluctuations for a selected period of time and at a selected level of confidence.

The following table shows the results of VaR. These analyses for the fiscal year ended March 31, 2016 indicate the potential maximum loss in fair value as predicted by the VaR analysis resulting from market fluctuations in one day at a 95 percent confidence level. The VaR of currency exchange rate risk principally consists of risks arising from the volatility of the exchange rates between the yen and the U.S. dollar and between the yen and the euro, the currencies in which a significant amount of financial assets and liabilities and derivative transactions are maintained on a consolidated basis. The VaR of interest rate risk and stock price risk consists of risks arising from the volatility of the interest rates and stock prices against invested securities and derivatives transactions in the Financial Services segment.

The net VaR for Sony's entire portfolio is smaller than the simple aggregate of VaR for each component of market risk. This is due to the fact that market risk factors such as currency exchange rates, interest rates and stock prices are not completely independent and potential profits and losses arising from each market risk may be mutually offsetting to some degree.

The disclosed VaR amounts simply represent the calculated maximum potential loss on the specified date and do not necessarily indicate an estimate of actual or future loss.

Consolidated

| | June 30, 2015 | September 30, 2015 | December 31, 2015 | March 31, 2016 |
|------------------------------------|-------------------|-----------------------|----------------------|-------------------|
| | (Yen in billions) | | | |
| Net VaR | 1.2 | 1.2 | 1.0 | 1.3 |
| VaR of currency exchange rate risk | 1.2 | 1.2 | 0.9 | 1.3 |
| VaR of interest rate risk | 0.1 | 0.1 | 0.1 | 0.1 |
| VaR of stock price risk | 0.0 | 0.0 | 0.0 | 0.0 |

Financial Services

| | June 30, 2015 | September 30, 2015 | December 31, 2015 | March 31, 2016 |
|------------------------------------|-------------------|-----------------------|----------------------|-------------------|
| | (Yen in billions) | | | |
| Net VaR | 1.3 | 0.9 | 0.8 | 1.1 |
| VaR of currency exchange rate risk | 1.2 | 0.9 | 0.8 | 1.0 |
| VaR of interest rate risk | 0.1 | 0.1 | 0.1 | 0.1 |
| VaR of stock price risk | 0.0 | 0.0 | 0.0 | 0.0 |

Sony without the Financial Services segment

| | June 30, 2015 | September 30, 2015 | December 31, 2015 | March 31, 2016 |
|------------------------------------|-------------------|-----------------------|----------------------|-------------------|
| | (Yen in billions) | | | |
| Net VaR | 0.8 | 0.6 | 0.4 | 0.8 |
| VaR of currency exchange rate risk | 0.8 | 0.6 | 0.4 | 0.8 |
| VaR of interest rate risk | 0.0 | 0.0 | 0.0 | 0.0 |
| VaR of stock price risk | 0.0 | 0.0 | 0.0 | 0.0 |

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Not Applicable

B. Warrants and Rights

Not Applicable

C. Other Securities

Not Applicable

D. American Depositary Shares

Citibank N.A. (the Depository) serves as the depository for Sony Corporation's ADSs. ADS holders (Holders) may be required to pay various fees to the Depository and the Depository 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 Depository.

Under the terms of the Deposit Agreement, Holders may have to pay the following service fees to the Depository.

| 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 Depository | Person holding ADSs on the applicable record date(s) established by the Depository |

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

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applicable interest and penalties) and other governmental charges; (ii) such registration fees as may from time to time be in effect for the registration of Sony Corporation's Common Stock or other deposited securities on the share register and applicable to transfer of Sony Corporation's Common Stock or other deposited securities to or from the name of the custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively; (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Sony Corporation's Common Stock or withdrawing deposited securities or of the Holders and beneficial owners of ADSs; (iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency; (v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Sony Corporation's Common Stock, deposited securities, ADSs and ADRs; and (vi) the fees and expenses incurred by the Depositary, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

Direct and Indirect Payments by the Depositary to Sony

The Depositary reimburses Sony for certain expenses Sony incurs in connection with its ADR program, subject to certain ceilings. These reimbursable expenses currently include, but are not limited to, legal and accounting fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the fiscal year ended March 31, 2016, such reimbursements totaled approximately 1,053,900 U.S. dollars.

In addition, as part of its service to Sony, the Depositary waives fees in connection with its ADR program, subject to a ceiling. These waived expenses currently include, but are not limited to, standard costs associated with the administration of the ADR program, associated operating expenses, investor relations advice and access to an internet-based tool used in Sony's investor relations activities. For the fiscal year ended March 31, 2016, the amount of such indirect payments was estimated to total 5,000 U.S. dollars.

Item 13. *Defaults, Dividend Arrearages and Delinquencies*

None

Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds*

None

Item 15. *Controls and Procedures*

Item 15(a). Disclosure Controls and Procedures

Sony has carried out an evaluation under the supervision and with the participation of Sony's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of Sony's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of March 31, 2016. Disclosure controls and procedures require that information to be disclosed in the reports Sony files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported as and when required, within the time periods specified in the applicable rules and forms, and that such information is accumulated and communicated to Sony's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon Sony's evaluation, the CEO and CFO have concluded that, as of March 31, 2016, the disclosure controls and procedures were effective at the reasonable assurance level.

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Item 15(b). Management's Annual Report on Internal Control over Financial Reporting

Sony's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Sony's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Sony's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Sony;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Sony are being made only in accordance with authorizations of management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Sony's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2016 based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2016.

Sony's independent registered public accounting firm, PricewaterhouseCoopers Aarata, has issued an audit report on Sony's internal control over financial reporting as of March 31, 2016, presented on page (F-2).

Item 15(c). Attestation Report of the Registered Public Accounting Firm

Refer to the Report of Independent Registered Public Accounting Firm on page (F-2).

Item 15(d). Changes in Internal Control over Financial Reporting

There has been no change in Sony's internal control over financial reporting during the fiscal year ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, Sony's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Sony's Board of Directors has determined that Takaaki Nimura qualifies as an audit committee financial expert as defined in Item 16A of Form 20-F under the Securities Exchange Act of 1934, as amended. In addition, he is determined to be independent as defined under the New York Stock Exchange (NYSE) Corporate Governance Standards.

Item 16B. Code of Ethics

Sony has adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. The code of ethics applies to Sony's Chief Executive Officer, Chief Financial Officer, chief

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accounting officer and persons performing similar functions, as well as to directors and all other officers and employees of Sony, as defined in the code of ethics. The code of ethics is available at <http://www.sony.net/code>.

**Item 16C. Principal Accountant Fees and Services
Audit and Non-Audit Fees**

The following table presents fees for audit and other services rendered by PricewaterhouseCoopers for the fiscal years ended March 31, 2015 and 2016.

| | Fiscal year ended March 31 | |
|------------------------|-------------------------------|-------|
| | 2015 | 2016 |
| | Yen in millions | |
| Audit Fees (1) | 3,919 | 3,561 |
| Audit-Related Fees (2) | 126 | 76 |
| Tax Fees (3) | 7 | 6 |
| All Other Fees (4) | 79 | 30 |
| | 4,131 | 3,673 |

- (1) Audit Fees consist of fees for the annual audit services engagement and other audit services, which are those services that only the external auditor can provide.
- (2) Audit-Related Fees consist of fees billed for assurance and related services, and audit services relating to benefit plans, business acquisitions and dispositions.
- (3) Tax Fees primarily consist of fees for tax advice.
- (4) All Other Fees consist of fees primarily for services rendered with respect to advisory services.

Audit Committee's Pre-Approval Policies and Procedures

Consistent with the U.S. Securities and Exchange Commission rules regarding auditor independence, Sony Corporation's Audit Committee is responsible for appointing, reviewing and setting compensation, retaining, and overseeing the work of Sony's independent auditor, so that the auditor's independence will not be impaired. The Audit Committee established a formal policy requiring pre-approval of all audit and permissible non-audit services provided by the independent auditor to Sony Corporation or any of its subsidiaries. The Audit Committee periodically reviews this policy with due regard for compliance with laws and regulations of host countries where Sony Corporation is listed.

Prior to the engagement of the independent auditor for the following fiscal year's audit, management submits an application form to the Audit Committee for comprehensive pre-approval of all recurring services expected to be rendered during that year. In order to obtain comprehensive pre-approval, management provides sufficient information regarding each service so that each service can be classified into one of four categories (Audit, Audit-Related, Tax, or All Other) as well as information regarding the fees expected to be budgeted for each service. Management describes each service in detail and indicates precisely and unambiguously the nature and scope of each particular service. Any additional services not contemplated in the application form require the Audit Committee's separate pre-approval on an individual basis. The Audit Committee approves, if necessary, any changes in terms, conditions and fees resulting from changes in the scope of services to be provided or from other circumstances. The Audit Committee Chair retains pre-approval authority and evaluates items for approval upon request. The Audit Committee or its designee establishes procedures to assure that the independent auditor is aware in a timely manner of the services

that have been pre-approved.

Item 16D. *Exemptions from the Listing Standards for Audit Committees*
Not Applicable

Table of Contents**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table sets out information concerning purchases made by Sony Corporation during the fiscal year ended March 31, 2016.

| Period | (a) Total number of shares purchased | (b) Average price paid per share (yen) | (c) Total number of shares purchased as part of publicly announced plans or programs | (d) Maximum number of shares that may yet be purchased under the plans or programs |
|----------------------|--------------------------------------|--|--|--|
| April 1 30, 2015 | 3,784 | 3,554.07 | N/A | N/A |
| May 1 31, 2015 | 2,750 | 3,788.28 | N/A | N/A |
| June 1 30, 2015 | 2,522 | 3,771.23 | N/A | N/A |
| July 1 31, 2015 | 2,520 | 3,501.85 | N/A | N/A |
| August 1 31, 2015 | 2,363 | 3,376.41 | N/A | N/A |
| September 1 30, 2015 | 1,087 | 3,073.74 | N/A | N/A |
| October 1 31, 2015 | 2,129 | 3,223.84 | N/A | N/A |
| November 1 30, 2015 | 2,558 | 3,405.39 | N/A | N/A |
| December 1 31, 2015 | 8,006 | 3,041.81 | N/A | N/A |
| January 1 31, 2016 | 2,643 | 2,791.18 | N/A | N/A |
| February 1 28, 2016 | 1,426 | 2,544.75 | N/A | N/A |
| March 1 31, 2016 | 2,147 | 2,682.73 | N/A | N/A |
| Total | 33,935 | 3,247.82 | N/A | N/A |

Under the Companies Act, a holder of shares constituting less than one full unit may require Sony Corporation to purchase such shares at their market value (Refer to B. Memorandum and Articles of Association *Capital stock (Unit share system)* in Item 10. *Additional Information*). During the fiscal year ended March 31, 2016, Sony Corporation purchased 33,935 shares of Common Stock for a total purchase price of 110,214,650 yen upon such requests from holders of shares constituting less than one full unit.

Item 16F. Change in Registrant's Certifying Accountant

Not Applicable

Item 16G. Disclosure About Differences in Corporate Governance

The table below discloses the significant ways in which Sony's corporate governance practices differ from those required for U.S. companies under the listing standards of the NYSE. As a foreign private issuer listed on the NYSE, Sony is exempt from most of the exchange's corporate governance standards requirements. For further information on Sony's corporate governance practices and history, please refer to Board Practices in Item 6. *Director, Senior Management and Employees*. In the table below, any reference to Sony shall mean Sony Corporation.

NYSE Standards
Board Independence. A majority of board directors must be independent.

Sony's Corporate Governance Practices
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

Director Independence. A director is not independent if such director is

(i) a person who the board determines has a material direct or indirect relationship with the company, its parent or a consolidated subsidiary;

(ii) a person who, within the last three years, has been an employee of the company or has an immediate family member of an executive officer of the company, its parent or a consolidated subsidiary;

(iii) a person who had received, or whose immediate family member had received, during any 12-month period within the last three years, more than 120,000 U.S. dollars per year in direct compensation from the company, its parent or a consolidated subsidiary, other than director and committee fees or deferred compensation for prior services (provided such compensation is not contingent in any way on continued service);

(iv) (A) a person who is, or whose immediate family member is, a current partner or employee of a firm that is the company's internal or external auditor; (B) a person whose immediate family member is a partner of such a firm; (C) a person who has an immediate family member who is a current employee of such a firm and who personally participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (D) a person who was, or has an immediate family member who was, within the last three years, a partner or employee of such a firm and personally worked on the listed company's audit within that time;

(v) a person who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee; or

(vi) an executive officer or employee of a company, or has an immediate family member of an executive officer of a company, that makes payments to, or receives payments from, the listed company, its parent or a consolidated subsidiary for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of 1 million U.S. dollars or 2 percent of such other company's consolidated gross revenues.

Sony's Corporate Governance Practices

each of three statutory committees (the Nominating Committee, the Audit Committee and the Compensation Committee).

Outside director is defined in the Companies Act as a person who satisfies all of the requirements (i) through (v) below:

(i) a person who is not a director of Sony Corporation or any of its subsidiaries engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a Corporate Executive Officer or general manager or other employee (Group Executive Director, etc.) of Sony Corporation or any of its subsidiaries and who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office; (ii) if a person who has been a director, accounting counselor (if the accounting counselor is a juridical person, a member who is in charge of the affairs), or corporate auditor of Sony Corporation or any of its subsidiaries (excluding a person who has been a Group Executive Director, etc.) at the time within ten years prior to assuming his/her office, a person who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office as a director, an accounting counselor, or a corporate auditor; (iii) a person who is not a director or a Corporate Executive Officer or general manager or other employee of a parent company or any entity which controls the management of Sony Corporation; (iv) a person who is not a Group Executive Director, etc. of a direct/indirect subsidiary of Sony Corporation or any entity the management of which is directly or indirectly controlled by Sony Corporation; and (v) a person who is not a spouse or relative within the second degree of kinship of a director or a Corporate Executive Officer or general manager or other employee of Sony Corporation.

Under the Companies Act, a director's status as an outside director is unaffected by the director's compensation, his or her affiliation with business partners, or the board's affirmative determination of independence. On the other hand, under the Companies Act, a director who has had a career as a management director, corporate executive officer, or other employee of the company, its subsidiaries or other group companies is by definition not an outside director.

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NYSE Standards

Sony's Corporate Governance Practices

Sony's Charter of the Board of Directors includes a provision requiring that each outside director:

(i) Shall not have received directly from Sony Group, during any consecutive 12-month period within the last three years, more than an amount equivalent to 120,000 U.S. dollars, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); and

(ii) Shall not be a director, a statutory auditor, a corporate executive officer, a general manager or other employee of any company whose aggregate amount of transactions with Sony Group, in any of the last three fiscal years, exceeds the greater of an amount equivalent to 1,000,000 U.S. dollars, or 2 percent of the annual consolidated sales of such company;

In addition, the Securities Listing Regulations of the Tokyo Stock Exchange require Sony to make efforts to have at least one

Independent Director on the Board of Directors. Independent Director is defined in the Securities Listing Regulations of the Tokyo Stock Exchange as an outside director who is unlikely to have conflicts of interest with shareholders. According to the guidelines of the Tokyo Stock Exchange, if a person falls in any of the categories listed below, such person, in principle, will be considered to have a conflict of interest with shareholders of the listed company.

(1) A person for which the listed company is a major client or a person who executes business of a person for which the listed company is a major client;

(2) A major client of the listed company or a person who executes business of a major client of the listed company;

(3) A consultant, accounting professional, or legal professional (or, if such consultant, accounting professional, or legal professional is a juridical person, a member of such juridical person) of the listed company who receives a large amount of money or other consideration other than remuneration for directorship/auditorship from such listed company;

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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 17, 2016, 8 of the 11 members of Sony's Board of Directors qualified as outside directors. In addition, all 8 outside directors are qualified and designated as Independent Directors under the Securities Listing Regulations of the Tokyo Stock Exchange.

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NYSE Standards

Executive Sessions. Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.

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.

Compensation Committee. A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. In addition, in accordance with the SEC rules adopted pursuant to Section 952 of the Dodd-Frank Act, NYSE listing standards expanded the factors relevant in determining whether a committee member has a relationship to the company that will materially affect that member's duties to the compensation committee and provided compensation committees the authority to engage compensation advisers. Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser's independence from management, unless the adviser's role is (i) limited to consulting on a generally applicable broad-based plan or (ii) is providing

Sony's Corporate Governance Practices

An outside director, as defined under the Companies Act, is equivalent to a non-management director under the NYSE rules because an outside director does not engage in the execution of business operations of the company.

The outside/non-management directors generally meet several times a year without management, though neither the Companies Act nor Sony's Charter of the Board of Directors requires non-management directors to meet regularly without management and there is no requirement for the outside directors to meet alone in an executive session at least once a year.

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.

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

information that is not customized for the issuer or is not customized by the adviser and about which the adviser does not provide advice.

Audit Committee. An audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act is required. The committee must have at least three members. All members must be independent. The committee must have a charter addressing the committee's purpose, an annual performance evaluation of the committee and the duties and responsibilities of the committee.

Equity Compensation Plans. Equity compensation plans require shareholder approval, subject to limited exemptions.

Sony's Audit Committee consists of at least three directors. Under the Companies Act, a majority of its members must be outside directors, as defined under the Companies Act. In addition, pursuant to the Companies Act, no member of the Committee shall be a director of the company or any of its subsidiaries who is engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer of the company or any of its subsidiaries, or an accounting counselor, general manager or other employee of any of such subsidiaries. Sony's Charter of the Board of Directors also requires each member of the Audit Committee to meet the independence requirements of the applicable U.S. securities laws and regulations, and requires at least one member to meet the audit committee financial expert requirements. Currently, all the members of Sony's Audit Committee are also independent as defined in the NYSE Corporate Governance Standards, and one member of the Committee is qualified as an audit committee financial expert. Sony's Charter of the Board of Directors discourages any Audit Committee member from concurrently being a member of other Committees.

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.

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NYSE Standards

Corporate Governance Guidelines. Corporate governance guidelines must be adopted and disclosed.

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.

Sony's Corporate Governance Practices

Sony is required to disclose the status of its corporate governance under the Companies Act, Financial Instruments and Exchange Act and its related regulations, and the Securities Listing Regulations of the Tokyo Stock Exchange; however, Sony does not have corporate governance guidelines that cover all the requirements described in the NYSE Corporate Governance Standards, as many of the provisions do not apply to Sony. Details of the status are posted on the following website:

http://www.sony.net/SonyInfo/csr_report/governance/

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) , incorporated by reference to Exhibit 1.1 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2015 (Commission file number 001-06439) filed on June 23, 2015
- 1.2 Share Handling Regulations (English Translation), incorporated by reference to Exhibit 1.2 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2010 (Commission file number 001-06439) filed on June 28, 2010
- 1.3 Charter of the Board of Directors, as amended (English Translation), incorporated by reference to Exhibit 1.3 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2015 (Commission file number 001-06439) filed on June 23, 2015
- 8.1 Significant subsidiaries (as defined in §210.1-02(w) of Regulation S-X) of Sony Corporation, including additional subsidiaries that management has deemed to be significant, as of March 31, 2015: Incorporated by reference to Business Overview and Organizational Structure in Item 4. Information on the Company
- 12.1 302 Certification
- 12.2 302 Certification
- 13.1 906 Certification
- 15.1 Consent of PricewaterhouseCoopers Aarata
- 101.1 XBRL INSTANCE DOCUMENT
- 101.1 XBRL TAXONOMY EXTENSION SCHEMA
- 101.1 XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION LABEL LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

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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 17, 2016

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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| 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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Aarata

Tokyo, Japan

May 20, 2016,

except for Note 29,

as to which the date is June 17, 2016

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Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Balance Sheets**

March 31

| | Yen in millions | |
|---|-------------------|-------------------|
| | 2015 | 2016 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 949,413 | 983,612 |
| Marketable securities | 936,731 | 946,397 |
| Notes and accounts receivable, trade | 986,500 | 926,375 |
| Allowance for doubtful accounts and sales returns | (86,598) | (72,783) |
| Inventories | 665,432 | 683,146 |
| Other receivables | 231,947 | 206,058 |
| Deferred income taxes | 47,788 | 40,940 |
| Prepaid expenses and other current assets | 466,688 | 482,982 |
| Total current assets | 4,197,901 | 4,196,727 |
| Film costs | 305,232 | 301,228 |
| Investments and advances: | | |
| Affiliated companies | 171,063 | 164,874 |
| Securities investments and other | 8,360,290 | 9,069,209 |
| | 8,531,353 | 9,234,083 |
| Property, plant and equipment: | | |
| Land | 123,629 | 121,707 |
| Buildings | 679,125 | 655,379 |
| Machinery and equipment | 1,764,241 | 1,795,991 |
| Construction in progress | 35,786 | 69,286 |
| | 2,602,781 | 2,642,363 |
| Less Accumulated depreciation | 1,863,496 | 1,821,545 |
| | 739,285 | 820,818 |
| Other assets: | | |
| Intangibles, net | 642,361 | 615,754 |
| Goodwill | 561,255 | 606,290 |
| Deferred insurance acquisition costs | 520,571 | 511,834 |
| Deferred income taxes | 89,637 | 97,639 |
| Other | 246,736 | 289,017 |
| | 2,060,560 | 2,120,534 |
| Total assets | 15,834,331 | 16,673,390 |

(Continued on following page.)

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Balance Sheets (Continued)**

| | Yen in millions | |
|---|-------------------|-------------------|
| | 2015 | 2016 |
| LIABILITIES | | |
| Current liabilities: | | |
| Short-term borrowings | 62,008 | 149,272 |
| Current portion of long-term debt | 159,517 | 187,668 |
| Notes and accounts payable, trade | 622,215 | 550,964 |
| Accounts payable, other and accrued expenses | 1,374,099 | 1,367,115 |
| Accrued income and other taxes | 98,414 | 88,865 |
| Deposits from customers in the banking business | 1,872,965 | 1,912,673 |
| Other | 556,372 | 574,193 |
| Total current liabilities | 4,745,590 | 4,830,750 |
| Long-term debt | 712,087 | 556,605 |
| Accrued pension and severance costs | 298,753 | 462,384 |
| Deferred income taxes | 445,876 | 450,926 |
| Future insurance policy benefits and other | 4,122,372 | 4,509,215 |
| Policyholders' account in the life insurance business | 2,259,514 | 2,401,320 |
| Other | 316,422 | 330,302 |
| Total liabilities | 12,900,614 | 13,541,502 |
| Redeemable noncontrolling interest | 5,248 | 7,478 |
| Commitments and contingent liabilities | | |
| EQUITY | | |
| Sony Corporation's stockholders' equity: | | |
| Common stock, no par value | | |
| 2015 Shares authorized: 3,600,000,000; shares issued: 1,169,773,260 | 707,038 | |
| 2016 Shares authorized: 3,600,000,000; shares issued: 1,262,493,760 | | 858,867 |
| Additional paid-in capital | 1,185,777 | 1,325,719 |
| Retained earnings | 813,765 | 936,331 |
| Accumulated other comprehensive income | | |
| Unrealized gains on securities, net | 154,153 | 140,736 |
| Unrealized losses on derivative instruments, net | | (1,198) |
| Pension liability adjustment | (201,131) | (371,739) |
| Foreign currency translation adjustments | (338,305) | (421,117) |
| | (385,283) | (653,318) |
| Treasury stock, at cost | | |
| Common stock | | |
| 2015 1,031,323 shares | (4,220) | |
| 2016 1,047,745 shares | | (4,259) |
| | 2,317,077 | 2,463,340 |
| Noncontrolling interests | 611,392 | 661,070 |
| Total equity | 2,928,469 | 3,124,410 |
| Total liabilities and equity | 15,834,331 | 16,673,390 |

The accompanying notes are an integral part of these statements.

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Income**

Fiscal year ended March 31

| | Yen in millions | | |
|--|-----------------|-----------|-----------|
| | 2014 | 2015 | 2016 |
| Sales and operating revenue: | | | |
| Net sales | 6,682,274 | 7,035,537 | 6,949,357 |
| Financial services revenue | 988,944 | 1,077,604 | 1,066,319 |
| Other operating revenue | 96,048 | 102,739 | 90,036 |
| | 7,767,266 | 8,215,880 | 8,105,712 |
| Costs and expenses: | | | |
| Cost of sales | 5,140,053 | 5,275,144 | 5,166,894 |
| Selling, general and administrative | 1,728,520 | 1,811,461 | 1,691,930 |
| Financial services expenses | 816,158 | 882,990 | 907,758 |
| Other operating expense, net | 48,666 | 181,658 | 47,171 |
| | 7,733,397 | 8,151,253 | 7,813,753 |
| Equity in net income (loss) of affiliated companies | (7,374) | 3,921 | 2,238 |
| Operating income | 26,495 | 68,548 | 294,197 |
| Other income: | | | |
| Interest and dividends | 16,652 | 12,887 | 12,455 |
| Gain on sale of securities investments, net | 12,049 | 8,714 | 52,068 |
| Other | 13,752 | 3,475 | 2,326 |
| | 42,453 | 25,076 | 66,849 |
| Other expenses: | | | |
| Interest | 23,460 | 23,600 | 25,286 |
| Loss on devaluation of securities investments | 1,648 | 852 | 3,309 |
| Foreign exchange loss, net | 9,224 | 20,533 | 20,565 |
| Other | 8,875 | 8,910 | 7,382 |
| | 43,207 | 53,895 | 56,542 |
| Income before income taxes | 25,741 | 39,729 | 304,504 |
| Income taxes: | | | |
| Current | 101,243 | 80,751 | 94,578 |
| Deferred | (6,661) | 7,982 | 211 |
| | 94,582 | 88,733 | 94,789 |
| Net income (loss) | (68,841) | (49,004) | 209,715 |
| Less Net income attributable to noncontrolling interests | 59,528 | 76,976 | 61,924 |
| Net income (loss) attributable to Sony Corporation's stockholders | (128,369) | (125,980) | 147,791 |

(Continued on following page.)

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Income (Continued)**

| | 2014 | Yen 2015 | 2016 |
|---|----------|-------------|--------|
| Per share data: | | | |
| Common stock | | | |
| Net income (loss) attributable to Sony Corporation's stockholders | | | |
| Basic | (124.99) | (113.04) | 119.40 |
| Diluted | (124.99) | (113.04) | 117.49 |
| Cash dividends | 25.00 | | 20.00 |

The accompanying notes are an integral part of these statements.

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

Fiscal year ended March 31

| | Yen in millions | | |
|--|-----------------|----------|-----------|
| | 2014 | 2015 | 2016 |
| Net income (loss) | (68,841) | (49,004) | 209,715 |
| Other comprehensive income, net of tax | | | |
| Unrealized gains on securities | 19,310 | 38,718 | 2,220 |
| Unrealized gains (losses) on derivative instruments | 742 | | (1,198) |
| Pension liability adjustment | 11,883 | (21,187) | (171,753) |
| Foreign currency translation adjustments | 158,884 | 65,790 | (83,899) |
| Total comprehensive income (loss) | 121,978 | 34,317 | (44,915) |
| Less Comprehensive income attributable to noncontrolling interests | 62,437 | 93,995 | 75,329 |
| Comprehensive income (loss) attributable to Sony Corporation's stockholders | 59,541 | (59,678) | (120,244) |

The accompanying notes are an integral part of these statements.

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Cash Flows**

Fiscal year ended March 31

| | Yen in millions | | |
|---|-----------------|-----------|-----------|
| | 2014 | 2015 | 2016 |
| Cash flows from operating activities: | | | |
| Net income (loss) | (68,841) | (49,004) | 209,715 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | |
| Depreciation and amortization, including amortization of deferred insurance acquisition costs | 376,695 | 354,624 | 397,091 |
| Amortization of film costs | 285,673 | 272,941 | 299,587 |
| Accrual for pension and severance costs, less payments | (38,131) | 9,638 | (6,383) |
| Other operating expense, net | 48,666 | 181,658 | 47,171 |
| Gain on sale or devaluation of securities investments, net | (10,401) | (7,916) | (48,857) |
| (Gain) loss on revaluation of marketable securities held in the financial services business for trading purposes, net | (58,608) | (100,729) | 44,821 |
| (Gain) loss on revaluation or impairment of securities investments held in the financial services business, net | (3,688) | (1,397) | 2,653 |
| Deferred income taxes | (6,661) | 7,982 | 211 |
| Equity in net income of affiliated companies, net of dividends | 10,022 | 2,269 | 5,045 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in notes and accounts receivable, trade | (29,027) | 33,843 | (5,828) |
| (Increase) decrease in inventories | 20,248 | 113,485 | (57,804) |
| Increase in film costs | (266,870) | (252,403) | (318,391) |
| Increase (decrease) in notes and accounts payable, trade | 103,379 | (118,577) | (49,525) |
| Decrease in accrued income and other taxes | (3,110) | (11,033) | (23,607) |
| Increase in future insurance policy benefits and other | 391,541 | 460,336 | 403,392 |
| Increase in deferred insurance acquisition costs | (77,656) | (79,861) | (83,774) |
| Increase in marketable securities held in the financial services business for trading purposes | (33,803) | (51,565) | (107,433) |
| (Increase) decrease in other current assets | (48,115) | 16,276 | 21,299 |
| Increase (decrease) in other current liabilities | 58,656 | 86,718 | (25,751) |
| Other | 14,147 | (112,645) | 45,457 |
| Net cash provided by operating activities | 664,116 | 754,640 | 749,089 |

(Continued on following page.)

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Cash Flows (Continued)**

| | Yen in millions | | |
|---|-----------------|-----------|-------------|
| | 2014 | 2015 | 2016 |
| Cash flows from investing activities: | | | |
| Payments for purchases of fixed assets | (283,457) | (215,916) | (375,411) |
| Proceeds from sales of fixed assets | 99,694 | 36,777 | 26,472 |
| Payments for investments and advances by financial services business | (1,032,594) | (960,045) | (1,221,093) |
| Payments for investments and advances (other than financial services business) | (14,892) | (20,029) | (20,830) |
| Proceeds from sales or return of investments and collections of advances by financial services business | 426,621 | 482,537 | 534,072 |
| Proceeds from sales or return of investments and collections of advances (other than financial services business) | 75,417 | 49,479 | 81,535 |
| Proceeds from sales of businesses | 15,016 | 93 | 17,790 |
| Other | 3,693 | (12,532) | (72,938) |
| Net cash used in investing activities | (710,502) | (639,636) | (1,030,403) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of long-term debt | 178,935 | 18,507 | 19,076 |
| Payments of long-term debt | (164,540) | (258,102) | (270,669) |
| Increase (decrease) in short-term borrowings, net | 25,183 | (51,013) | 98,153 |
| Increase in deposits from customers in the financial services business, net | 238,828 | 57,464 | 165,169 |
| Proceeds from issuance of convertible bonds | | | 120,000 |
| Proceeds from issuance of new shares of common stock | | | 301,708 |
| Dividends paid | (25,643) | (13,160) | (12,751) |
| Other | (44,886) | (16,891) | (40,564) |
| Net cash provided by (used in) financing activities | 207,877 | (263,195) | 380,122 |
| Effect of exchange rate changes on cash and cash equivalents | 58,614 | 51,138 | (64,609) |
| Net increase (decrease) in cash and cash equivalents | 220,105 | (97,053) | 34,199 |
| Cash and cash equivalents at beginning of the fiscal year | 826,361 | 1,046,466 | 949,413 |
| Cash and cash equivalents at end of the fiscal year | 1,046,466 | 949,413 | 983,612 |
| Supplemental data: | | | |
| Cash paid during the fiscal year for | | | |
| Income taxes | 101,091 | 97,775 | 138,770 |
| Interest | 23,819 | 21,982 | 26,166 |
| Non-cash investing and financing activities | | | |
| Conversion of convertible bonds | 31,220 | 118,780 | |
| Obtaining assets by entering into capital leases | 82,260 | 10,714 | 14,759 |
| Collections of deferred proceeds from sales of receivables | 35,196 | 22,512 | 2,298 |

The accompanying notes are an integral part of these statements.

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Changes in Stockholders' Equity**

| | Yen in millions | | | | | | | |
|--|-----------------|----------------------------------|----------------------|---|----------------------------------|--|-----------------------------|--------------|
| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Treasury stock, at cost | Sony Corporation's stockholders' equity | Noncontrolling interests | Total equity |
| Balance at March 31, 2013 | 630,923 | 1,110,531 | 1,094,775 | (639,495) | (4,472) | 2,192,262 | 479,742 | 2,672,004 |
| Exercise of stock acquisition rights | 121 | 121 | | | | 242 | | 242 |
| Conversion of zero coupon convertible bonds | 15,610 | 15,610 | | | | 31,220 | | 31,220 |
| Stock-based compensation | | 906 | | | | 906 | | 906 |
| Comprehensive income: | | | | | | | | |
| Net income (loss) | | | (128,369) | | | (128,369) | 59,528 | (68,841) |
| Other comprehensive income, net of tax | | | | | | | | |
| Unrealized gains on securities | | | | 18,430 | | 18,430 | 880 | 19,310 |
| Unrealized gains on derivative instruments | | | | 742 | | 742 | | 742 |
| Pension liability adjustment | | | | 11,777 | | 11,777 | 106 | 11,883 |
| Foreign currency translation adjustments | | | | 156,961 | | 156,961 | 1,923 | 158,884 |
| Total comprehensive income | | | | | | 59,541 | 62,437 | 121,978 |
| Stock issue costs, net of tax | | | (127) | | | (127) | | (127) |
| Dividends declared | | | (26,017) | | | (26,017) | (15,430) | (41,447) |
| Purchase of treasury stock | | | | | (76) | (76) | | (76) |
| Reissuance of treasury stock | | (140) | | | 264 | 124 | | 124 |
| Transactions with noncontrolling interests shareholders and other | | 62 | | | | 62 | (1,745) | (1,683) |
| Balance at March 31, 2014 | 646,654 | 1,127,090 | 940,262 | (451,585) | (4,284) | 2,258,137 | 525,004 | 2,783,141 |

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(Continued on following page.)

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Changes in Stockholders' Equity (Continued)**

| | Yen in millions | | | | | | | |
|--|-----------------|------------|-----------|---------------|----------|---------------|----------------|-----------|
| | Common | Additional | Retained | Accumulated | Treasury | Sony | Noncontrolling | Total |
| | stock | paid-in | earnings | other | stock, | Corporation's | interests | equity |
| | | capital | | comprehensive | at | stockholders' | | |
| | | | | income | cost | 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 |

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(Continued on following page.)

Table of Contents**SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES****Consolidated Statements of Changes in Stockholders' Equity (Continued)**

| | Yen in millions | | | | | | | |
|--|-----------------|------------|----------|---------------|----------|---------------|----------------|--------------|
| | Common | Additional | Retained | Accumulated | Treasury | Sony | Noncontrolling | Total equity |
| | stock | paid-in | earnings | other | stock, | Corporation's | interests | |
| | | capital | | comprehensive | at | stockholders' | | |
| | | | | income | cost | equity | | |
| Balance at March 31, 2015 | 707,038 | 1,185,777 | 813,765 | (385,283) | (4,220) | 2,317,077 | 611,392 | 2,928,469 |
| Issuance of new shares | 150,854 | 150,854 | | | | 301,708 | | 301,708 |
| Exercise of stock acquisition rights | 975 | 975 | | | | 1,950 | | 1,950 |
| Stock-based compensation | | 1,516 | | | | 1,516 | | 1,516 |
| Comprehensive income: | | | | | | | | |
| Net income | | | 147,791 | | | 147,791 | 61,924 | 209,715 |
| Other comprehensive income, net of tax | | | | | | | | |
| Unrealized gains (losses) on securities | | | | (13,417) | | (13,417) | 15,637 | 2,220 |
| Unrealized losses on derivative instruments | | | | (1,198) | | (1,198) | | (1,198) |
| Pension liability adjustment | | | | (170,608) | | (170,608) | (1,145) | (171,753) |
| Foreign currency translation adjustments | | | | (82,812) | | (82,812) | (1,087) | (83,899) |
| Total comprehensive income (loss) | | | | | | (120,244) | 75,329 | (44,915) |
| Stock issue costs, net of tax | | (1,478) | | | | (1,478) | | (1,478) |
| Dividends declared | | | (25,225) | | | (25,225) | (20,868) | (46,093) |
| Purchase of treasury stock | | | | | (110) | (110) | | (110) |
| Reissuance of treasury stock | | (12) | | | 71 | 59 | | 59 |
| Transactions with noncontrolling interests shareholders and other | | (11,913) | | | | (11,913) | (4,783) | (16,696) |
| Balance at March 31, 2016 | 858,867 | 1,325,719 | 936,331 | (653,318) | (4,259) | 2,463,340 | 661,070 | 3,124,410 |

The accompanying notes are an integral part of these statements.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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Sony Corporation and Consolidated Subsidiaries

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Table of Contents**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.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Gains or losses that result from a loss of a controlling financial interest in a subsidiary are recorded in earnings along with fair value remeasurement gains or losses on any retained investment in the entity, while a change in interest of a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

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

Use of estimates -

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining the valuation of investment securities, valuation of inventories, fair values of long-lived assets, fair values of goodwill, intangible assets and assets and liabilities assumed in business combinations, product warranty liability, pension and severance plans, valuation of deferred tax assets, uncertain tax positions, film costs, and insurance related liabilities. Actual results could significantly differ from those estimates.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate fiscal year end exchange rates and all income and expense accounts are translated at exchange rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income. Upon remeasurement of a previously held equity interest in accordance with the accounting guidance for business combinations achieved in stages, accumulated translation adjustments, if any, are included in earnings.

Receivables and payables denominated in foreign currencies are translated at appropriate fiscal year end exchange rates and the resulting translation gains or losses are recognized into income.

Cash and cash equivalents -

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

Marketable debt and equity securities -

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

Sony regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Sony in determining whether an other-than-temporary decline in value has occurred include: the length of time and extent to which the market value of the security has been less than

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its original cost, the financial condition, operating results, business plans and estimated future cash flows of the issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuer, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

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

Equity securities in non-public companies -

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

Allowance for doubtful accounts -

Sony maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Sony reviews accounts receivable by amounts due from customers which are past due to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, Sony makes judgments about the creditworthiness of customers based on past collection experience and ongoing credit risk evaluations.

Inventories -

Inventories in the Mobile Communications (MC), Game & Network Services (G&NS), Imaging Products & Solutions (IP&S), Home Entertainment & Sound (HE&S), Devices and Music segments as well as non-film inventories for the Pictures segment are valued at cost, not in excess of market, cost being

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determined on the average cost basis except for the cost of finished products carried by certain subsidiary companies which is determined on the first-in, first-out basis. The market value of inventory is determined as the net realizable value i.e., estimated selling price in the ordinary course of business less predictable costs of completion and disposal. Sony does not consider a normal profit margin when calculating the net realizable value.

Other receivables -

Other receivables include receivables which relate to arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. No revenue or profit is recognized on these transfers. Sony will repurchase the inventory at a later date from the component manufacturers as either finished goods inventory or as partially assembled product.

Film costs -

Film costs include direct production costs, production overhead and acquisition costs for both motion picture and television productions and are stated at the lower of unamortized cost or estimated fair value and classified as noncurrent assets. Film costs are amortized and the estimated liabilities for residuals and participations are accrued using an individual-film-forecast method based on the ratio of current period actual revenues to the estimated remaining total revenues. Film costs also include broadcasting rights, which are recognized when the license period begins and the program is available for use, and consist of acquired programming to be aired on Sony's worldwide channel network. Broadcasting rights are stated at the lower of unamortized cost or net realizable value, classified as either current or noncurrent assets based on timing of expected use, and amortized based on estimated usage or on a straight-line basis over the useful life, as appropriate. Estimates used in calculating the fair value of the film costs and the net realizable value of the broadcasting rights are based upon assumptions about future demand and market conditions and are reviewed on a periodic basis.

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method. Useful lives for depreciation range from two to 50 years for buildings and from two to 10 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

Goodwill and other intangible assets -

Goodwill and indefinite lived intangible assets are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Such an event or change in circumstances would include unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, which are periodically reviewed by Sony's management.

In the fiscal year ended March 31, 2016, Sony elected not to perform an optional qualitative assessment of goodwill and instead proceeded directly to a two-step quantitative impairment process which involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. Reporting units are Sony's operating segments or one level below the operating segments. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's

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goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value and if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The fair value of a reporting unit or indefinite lived intangible asset is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions, including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, earnings multiples, the determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Consideration is also given to Sony's market capitalization in relation to the sum of the calculated fair values of the reporting units, including reporting units with no goodwill, and taking into account corporate level assets and liabilities not assigned to individual reporting units as well as a reasonable control premium.

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

When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, customer relationships, trademarks, software to be sold, leased or otherwise marketed, internal-use software, music catalogs, artist contracts, and television carriage contracts (broadcasting agreements). Patent rights, know-how, license agreements, trademarks, software to be sold, leased or otherwise marketed, and internal-use software are generally amortized on a straight-line basis over three to 10 years. Customer relationships, music catalogs, artist contracts and television carriage contracts (broadcasting agreements) are amortized on a straight-line basis, generally, over 10 to 40 years.

Capitalized software -

The costs related to establishing the technological feasibility of software to be sold, leased, or otherwise marketed are expensed as incurred as a part of research and development in cost of sales. Costs that are incurred to produce the finished product after technological feasibility is established are capitalized and amortized to cost of sales over the estimated economic life, which is generally three years. The technological feasibility of game software is established when the product master is completed. Consideration to capitalize game software development costs before this point is limited to the development costs of games for which technological feasibility can be proven at an earlier stage. At each balance sheet date, Sony performs reviews to ensure that unamortized capitalized software costs remain recoverable from future profits of the related software products.

The costs incurred for internal-use software during the application development stage are capitalized and amortized, mainly to selling, general and administrative expenses, on a straight-line basis over the estimated useful life. Costs related to the preliminary project stage and post implementation activities are expensed as incurred.

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Deferred insurance acquisition costs -

Costs that vary with and are directly related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure that the capitalized amounts do not exceed the present value of anticipated gross profits or premiums less benefits and maintenance expenses, as applicable. The deferred insurance acquisition costs for traditional life insurance contracts are amortized over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing policy reserves. The deferred insurance acquisition costs for non-traditional life insurance contracts are amortized over the expected life in proportion to the estimated gross profits.

Product warranty -

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

Certain subsidiaries in the MC, G&NS, IP&S and HE&S segments offer extended warranty programs. The consideration received for extended warranty service is deferred and recognized as revenue on a straight-line basis over the term of the extended warranty.

Future insurance policy benefits -

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

Policyholders' account in the life insurance business -

Liabilities for policyholders' account in the life insurance business represent the contract value that has accrued to the benefit of the policyholders as of the balance sheet date. This liability is generally equal to the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balances.

Impairment of long-lived assets -

Sony reviews the recoverability of the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicate that the individual carrying amount of an asset or asset group may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the asset or asset group with their estimated undiscounted future cash flows. If the cash flows are determined to be less than the carrying value of the asset or asset group, an impairment loss would be recognized during the period for the amount by which the carrying value of the asset or asset group exceeds estimated fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less cost to sell and are not depreciated. Fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates applied to determine terminal values, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

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Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The accounting guidance for fair value measurements specifies a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Sony's assumptions about the assumptions that market participants would use in pricing the asset or liability. Observable market data is used if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.
- Level 2 Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3 One or more significant inputs are unobservable.

When available, Sony uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. For certain financial assets and liabilities, Sony determines fair value using third-party information such as indicative quotes from dealers and quantitative input from investment advisors following Sony's established valuation procedures including validation against internally developed prices. Additionally, Sony considers both counterparty credit risk and Sony's own creditworthiness in determining fair value. Sony attempts to mitigate credit risk to third parties by entering into netting agreements and actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

Transfers between levels are deemed to have occurred at the beginning of the interim period in which the transfers occur.

Derivative financial instruments -

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

The accounting guidance for hybrid financial instruments permits an entity to elect fair value remeasurement for any hybrid financial instrument if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under accounting guidance for derivative instruments and hedging activities. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. Certain subsidiaries in the Financial Services segment had hybrid financial instruments, disclosed in Note 7 as debt securities, that contain embedded derivatives where the entire instrument was carried at fair value.

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In accordance with accounting guidance for derivative instruments and hedging activities, various derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

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

Cash flow hedges

Changes in the fair value of derivatives designated and effective as cash flow hedges for forecasted transactions or exposures associated with recognized assets or liabilities are initially recorded in other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. Changes in the fair value of the ineffective portion are recognized immediately in earnings.

Derivatives not designated as hedges

Changes in the fair value of derivatives that are not designated as hedges are recognized immediately in earnings.

Assessment of hedges

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

Stock-based compensation -

Sony accounts for stock-based compensation using the fair value based method, measured on the date of grant using the Black-Scholes option-pricing model. The expense is mainly included in selling, general and administrative expenses. Stock-based compensation is recognized, net of an estimated forfeiture rate, over the requisite service period using the accelerated method of amortization for grants with graded vesting. The estimated forfeiture rate is based on Sony's historical experience in the stock acquisition rights plans where the majority of the vesting terms have been satisfied.

Revenue recognition -

Revenues from sales in the MC, G&NS, IP&S, HE&S, Devices and Music segments are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when the customer has taken title to the product and the risks and rewards of ownership have been substantively transferred. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapse. Revenues are recognized net of anticipated returns and sales incentives. Revenues from prepaid subscription fees, such as within the G&NS segment, are recognized ratably over the subscription term.

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Revenue arrangements with customers may include multiple elements, including any combination of products, services and software. An example includes sales of electronics products with rights to receive promotional goods. For Sony's multiple element arrangements where at least one of the elements is not subject to existing software or film revenue recognition guidance, elements are separated into more than one unit of accounting when the delivered element(s) have value to the customer on a standalone basis, and delivery of the undelivered element(s) is probable and substantially in the control of Sony. Revenue is then allocated to each unit of accounting based on the relative selling price of each unit of accounting based first on vendor-specific objective evidence of selling price (VSOE) if it exists, based next on third-party evidence of selling price (TPE) if VSOE does not exist, and, finally, if both VSOE and TPE do not exist, based on estimated selling prices (ESP). VSOE is limited to either the price charged for an element when it is sold separately or, for an element not yet being sold separately, the price established by management having the relevant authority; it must be probable that the price, once established, will not change before the separate introduction of the element into the market place. TPE is the price of Sony's or any competitor's largely interchangeable products or services in standalone sales to similarly situated customers. ESP is the price at which Sony would transact if the element were sold by Sony regularly on a standalone basis. When determining ESP, Sony considers all relevant inputs, including sales, cost and margin analysis of the product, targeted rate of return of the product, competitors' and Sony's pricing practices and customer perspectives.

Certain software products published by Sony provide limited on-line features at no additional cost to the customer. Generally, such features are considered to be incidental to the overall software product and an inconsequential deliverable. Accordingly, revenue related to software products containing these limited on-line features is not deferred.

Revenues from sales in the Pictures segment are recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured. Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of motion picture and television product for pay and free television exhibition and other markets are recognized when the product is available for exploitation by the licensee and when any restrictions regarding the use of the product lapse. For home entertainment distribution, revenues from the sale of DVDs and Blu-ray Disc, net of anticipated returns and sales incentives, are recognized when the product is available for sale to the public, and revenues from electronic sell-through and video-on-demand are recognized when the product is made available for viewing via digital distribution platforms. Certain motion picture and television product licensing arrangements involve an allocation to multiple elements, for example a fee for multiple territories and availability dates, that is based on relative fair value using management's best estimate. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired. Revenues from subscription fees received by television networks are recognized when the service is provided.

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

Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, individual annuity contracts and other contracts without life contingencies are recognized in policyholders' account in the life insurance business. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial services revenue.

Property and casualty insurance policies that the non-life insurance subsidiary underwrites are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

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Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Consideration given to a customer or a reseller -

Sales incentives or other cash consideration given to a customer or a reseller, including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2014, 2015 and 2016, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses, totaled 12,112 million yen, 10,503 million yen and 13,178 million yen, respectively.

Cost of sales -

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

Research and development costs -

Research and development costs, included in cost of sales, include items such as salaries, personnel expenses and other direct and indirect expenses associated with research and product development. Research and development costs are expensed as incurred.

Selling, general and administrative -

Costs classified as selling expense relate to promoting and selling products and include items such as advertising, promotion, shipping, and warranty expenses. General and administrative expenses include operating items such as officers' salaries, personnel expenses, depreciation of fixed assets, office rental for sales, marketing and administrative divisions, a provision for doubtful accounts and amortization of intangible assets.

Financial services expenses -

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

Advertising costs -

Advertising costs are expensed when the advertisement or commercial appears in the selected media.

Shipping and handling costs -

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

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The provision for income taxes is computed based on the pretax income included in the consolidated statements of income, and the tax liability attributed to undistributed earnings of subsidiaries and affiliated companies accounted for by the equity method expected to be remitted in the foreseeable future. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

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

Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to income taxes, including unrecognized tax benefits, as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony's estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, Sony records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. If Sony does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, Sony's future results may include favorable or unfavorable adjustments to Sony's estimated tax liabilities due to closure of income tax examinations, the outcome of negotiations between taxing authorities in different jurisdictions, new regulatory or judicial pronouncements or other relevant events. As a result, the amount of unrecognized tax benefits, and the effective tax rate, may fluctuate significantly.

Net income (loss) attributable to Sony Corporation's stockholders per share (EPS) -

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted EPS reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to Sony Corporation's stockholders.

(2) Recently adopted accounting pronouncements***Reporting discontinued operations and disclosures of disposals of components of an entity -***

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08 that changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the ASU, only disposals representing a strategic shift in

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operations that has, or will have, a major effect on the entity's operations and financial results should be presented as discontinued operations. Additionally, the ASU requires additional disclosures for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. This ASU is effective for Sony as of April 1, 2015. The effect of this ASU did not have a material impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted***Revenue from contracts with customers -***

In May 2014, the FASB issued ASU 2014-09 addressing revenue recognition which will supersede the current revenue recognition requirements, including most industry-specific guidance. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for one year and permits early adoption as of the original effective date of ASU 2014-09. This guidance will be effective for the first quarter of Sony's fiscal year beginning April 1, 2018 (with early adoption permitted for the first quarter of the fiscal year beginning April 1, 2017). The guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. Sony is currently evaluating the transition method, the timing of its adoption and the impact this ASU will have on Sony's results of operations and financial position.

Amendments to the consolidation analysis -

In February 2015, the FASB issued ASU 2015-02 that changes how companies evaluate entities for consolidation. The changes primarily relate to (i) the identification of variable interests related to fees paid to decision makers or service providers, (ii) how entities determine whether limited partnerships or similar entities are variable interest entities, (iii) how related parties and de facto agents are considered in the primary beneficiary determination, and (iv) the elimination of the presumption that a general partner controls a limited partnership. This ASU is effective for Sony as of April 1, 2016. The adoption of this ASU is not expected to have a material impact on Sony's results of operations and financial position.

Customer's accounting for fees paid in a cloud computing arrangement -

In April 2015, the FASB issued ASU 2015-05 for fees paid in a cloud computing arrangement. The ASU requires entities to account for a cloud computing arrangement that includes a software license element in a manner consistent with the acquisition of other software licenses. A cloud computing arrangement without a software license element is to be accounted for as a service contract. This ASU does not affect the accounting for service contracts by a customer. This ASU is effective for Sony as of April 1, 2016. The adoption of this ASU is not expected to have a material impact on Sony's results of operations and financial position.

Disclosures for short-duration insurance contracts -

In May 2015, the FASB issued ASU 2015-09 for disclosures relating to short-duration insurance contracts. This ASU requires additional information to be disclosed related to the liability for unpaid claims and claim adjustment expenses and significant changes in methodologies and assumptions used for annual reporting periods. This ASU is effective for Sony as of April 1, 2016. Since this ASU will only impact disclosures, the adoption will have no impact on Sony's results of operations and financial position.

Balance sheet classification of deferred taxes -

In November 2015, the FASB issued ASU 2015-17 amending the presentation of deferred income taxes and requiring that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet. This ASU

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will be effective for Sony as of April 1, 2017 and early adoption is permitted as of the beginning of an interim or annual reporting period. The ASU may be adopted either prospectively or retrospectively. Sony is currently assessing the method of adoption and the impact that this ASU may have on Sony's financial position and disclosures.

Recognition and measurement of financial assets and financial liabilities -

In January 2016, the FASB issued ASU 2016-01 amending the existing requirements for the recognition and measurement of financial assets and financial liabilities. The changes primarily relate to (i) the requirement to measure equity investments in unconsolidated subsidiaries, other than those accounted for under the equity method of accounting, at fair value with changes in fair value recognized in earnings, (ii) an alternative approach for the measurement of equity investments that do not have a readily determinable fair value, (iii) the elimination of the other-than-temporary impairment model for equity investments and its replacement with a requirement to perform a qualitative assessment to identify impairment, and a requirement to recognize impairment losses in earnings based on the difference between fair value and the carrying value of the equity investment, (iv) the elimination of the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost, (v) the addition of a requirement to use the exit price concept when measuring the fair value of financial instruments for disclosure purposes, and (vi) the addition of a requirement to present financial assets and financial liabilities to be presented separately in the notes to the financial statements, grouped by measurement category (e.g., fair value, amortized cost, lower of cost or market) and form of financial asset (e.g., loans, securities). This ASU will be effective for Sony as of April 1, 2018. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

Leases -

In February 2016, the FASB issued ASU 2016-02, which amends current leasing guidance. The ASU requires substantially all leases to be recognized on the balance sheet. The guidance is to be applied using a modified retrospective approach from the earliest period presented and includes optional practical expedients. This ASU will be effective for Sony as of the fiscal year beginning April 1, 2019, and early adoption is permitted. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

(4) Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2014 and 2015 have been made to conform to the presentation for the fiscal year ended March 31, 2016.

(5) Out-of-period adjustments

For the fiscal year ended March 31, 2015, Sony recorded an out-of-period adjustment to correct an error in the amounts of revenue and certain capitalizable assets being recorded at a subsidiary. The error began in the fiscal year ended March 31, 2012 and continued until it was identified by Sony during the fiscal year ended March 31, 2015. The adjustment, which related entirely to All Other, impacted net sales, cost of sales, and selling, general and administrative expenses, and decreased income before income taxes in the consolidated statements of income by 5,104 million yen in the aggregate for the fiscal year ended March 31, 2015. Sony determined that the adjustment was not material to the consolidated financial statements for the year ended March 31, 2015 or any prior periods.

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For the fiscal year ended March 31, 2016, Sony recorded an out-of-period adjustment to correct an error in the amount of accruals for certain sales incentives being recorded at a subsidiary. The error began in the fiscal year ended March 31, 2009 and continued until it was identified by Sony during the fiscal year ended March 31, 2016. The adjustment, which related to the HE&S segment, impacted net sales and increased income before income taxes in the consolidated statements of income by 8,447 million yen for the fiscal year ended March 31, 2016. Sony determined that the adjustment was not material to the consolidated financial statements for the fiscal year ended March 31, 2016 or any prior periods.

3. Inventories

Inventories are comprised of the following:

| | Yen in millions March 31 | |
|--|-----------------------------|---------|
| | 2015 | 2016 |
| Finished products | 468,408 | 448,273 |
| Work in process | 96,700 | 130,383 |
| Raw materials, purchased components and supplies | 100,324 | 104,490 |
| Inventories | 665,432 | 683,146 |

4. Film costs

Film costs are comprised of the following:

| | Yen in millions March 31 | |
|--|-----------------------------|----------|
| | 2015 | 2016 |
| Motion picture productions: | | |
| Released | 89,993 | 75,218 |
| Completed and not released | 4,498 | 2,304 |
| In production and development | 106,240 | 95,268 |
| Television productions: | | |
| Released | 78,510 | 88,538 |
| In production and development | 2,952 | 14,410 |
| Broadcasting rights | 69,223 | 62,589 |
| Less: current portion of broadcasting rights included in inventories | (46,184) | (37,099) |
| Film costs | 305,232 | 301,228 |

Sony estimates that approximately 92% of the unamortized film costs of released motion picture and television productions at March 31, 2016 will be amortized within the next three years. Approximately 117 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 145 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

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The summarized combined financial information that is based on information provided by the equity investees including information for significant equity affiliates and the reconciliation of such information to the consolidated financial statements is shown below:

Balance Sheets

| | Yen in millions | |
|---|-----------------|---------|
| | March 31 | |
| | 2015 | 2016 |
| Current assets | 280,485 | 367,465 |
| Noncurrent assets | 770,847 | 773,126 |
| Current liabilities | 208,271 | 245,731 |
| Noncurrent liabilities and noncontrolling interests | 657,865 | 709,134 |
| Percentage of ownership in equity investees | 20%-50% | 20%-50% |

Statements of Income

| | Yen in millions | | |
|---|----------------------------|---------|---------|
| | Fiscal year ended March 31 | | |
| | 2014 | 2015 | 2016 |
| Net revenues | 306,383 | 308,399 | 358,256 |
| Operating income (loss) | (1,064) | 34,962 | 32,884 |
| Net income (loss) attributable to controlling interests | (15,195) | (5,461) | 8,388 |
| Percentage of ownership in equity investees | 20%-50% | 20%-50% | 20%-50% |

On June 29, 2012, an investor group which included a wholly-owned subsidiary of Sony Corporation completed its acquisition of EMI Music Publishing. To effect the acquisition, the investor group formed DH Publishing, L.P. (DHP), which acquired EMI Music Publishing for total consideration of 2.2 billion U.S. dollars. Sony invested 320 million U.S. dollars in DHP, through Nile Acquisition LLC, for a 39.8% equity interest. Nile Acquisition LLC is a joint venture with the third-party investor of Sony's U.S.-based music publishing subsidiary in which Sony holds a 74.9% ownership interest. Sony accounts for its interest in DHP under the equity method. In addition, DHP entered into an agreement with Sony's U.S.-based music publishing subsidiary in which the subsidiary provides administration services to DHP. DHP was determined to be a variable interest entity (VIE) as described in Note 23.

On February 25, 2013, Sony sold 95,000 shares of its 886,908 shares in its consolidated subsidiary M3, Inc. (M3) to a third party for cash consideration of 14,236 million yen. In connection with the sale, Sony deconsolidated M3 as its share ownership fell to 49.8% of the issued and outstanding shares of M3. On September 17, 2013, Sony sold an additional 155,000 shares of M3 (9.75% of the issued and outstanding shares of M3) to a third party for cash consideration of 37,799 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony recorded a gain of 12,793 million yen in other operating expense, net in the consolidated statements of income for the fiscal year ended March 31, 2014. Although Sony's ownership has decreased to 39.36% due to the above-mentioned sales and M3's subsequent issuance of additional common stock, Sony remains a major shareholder of M3 and will continue to pursue opportunities to collaborate with M3 in certain business areas, including medical. Sony accounts for its remaining interest in M3 under the equity method.

The carrying value of Sony's investment in M3 exceeded its proportionate share in the underlying net assets of M3 by 85,519 million yen at March 31, 2016. The excess is substantially attributable to the remeasurement to

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fair value of the remaining shares of M3, and allocated to identifiable tangible and intangible assets. The intangible assets relate primarily to M3's medical web-portal. The unassigned residual value of the excess is recognized as goodwill as a component of the investment balance. The amounts allocated to intangible assets are amortized net of the related tax effects to equity in net income (loss) of affiliated companies over their respective estimated useful lives, principally 10 years, using the straight-line method.

With the exception of M3 as described above, there was no significant difference between Sony's proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2015 and 2016.

Several affiliated companies are quoted on the Tokyo Stock Exchange and Sony's investments in these companies have an aggregate carrying value and fair value of 108,421 million yen and 365,160 million yen, respectively, as of March 31, 2016.

The number of affiliated companies accounted for under the equity method as of March 31, 2015 and 2016 were 98 and 102, respectively.

Account balances and transactions with affiliated companies accounted for under the equity method are presented below. There are no other material transactions or account balances with any other related parties.

| | Yen in millions | |
|----------------------------|-----------------|--------|
| | March 31 | |
| | 2015 | 2016 |
| Accounts receivable, trade | 8,350 | 9,740 |
| Accounts payable, trade | 1,887 | 2,044 |
| Capital lease obligations | 50,001 | 21,025 |

| | Yen in millions | | |
|----------------|----------------------------|--------|--------|
| | Fiscal year ended March 31 | | |
| | 2014 | 2015 | 2016 |
| Sales | 23,647 | 29,393 | 33,569 |
| Purchases | 1,533 | 1,498 | 2,259 |
| Lease payments | 38,919 | 36,642 | 32,291 |

Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFI Leasing Company, Limited (SFIL), a leasing company in Japan, in the fiscal years ended March 31, 2014, 2015 and 2016. SFIL is accounted for under the equity method and is 34% owned by Sony. Refer to Note 8.

Sony Supply Chain Solutions, Inc. is accounted for under the equity method and is 34% owned by Sony as a result of the sale of the logistics business on April 1, 2015. After the sale, Sony Supply Chain Solutions, Inc. changed the company name to MITSUI-SOKO Supply Chain Solutions, Inc. As of and for the fiscal year ended March 31, 2016, account balances and transactions with MITSUI-SOKO Supply Chain Solutions, Inc. and its subsidiaries were 4,741 million yen and 22,576 million yen, which are mainly included in accrued expenses and general and administrative expenses, respectively.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2014, 2015 and 2016 were 2,840 million yen, 6,149 million yen and 7,282 million yen, respectively.

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Sony has established several accounts receivable sales programs mainly within the Electronics business. Through these programs, Sony can sell receivables to a commercial bank or a special purpose entity associated with a sponsor bank. Total receivables sold during the fiscal years ended March 31, 2014, 2015 and 2016 were 763,947 million yen, 633,190 million yen and 53,267 million yen, respectively. These transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. Gains and losses from these transactions, other than as described below, were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. Other than the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, for the fiscal years ended March 31, 2014, 2015 and 2016 were insignificant.

Certain programs require that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. The portion of the sales proceeds held back and deferred are initially recorded at estimated fair value using a discounted cash flow model and are included in other current assets and other long-term assets. The significant assumptions used in valuing the deferred proceeds are the discount rate, the timing and amount of the cash flows. Sony includes collections on deferred proceeds as cash flows within operating activities in the consolidated statements of cash flows when the receivables are the result of operating activities and the associated interest rate risk is insignificant due to their short-term nature. When the interest rate risk associated with the deferred proceeds is greater than insignificant or the receivables are long-term in nature, as is the case for the program in the Pictures segment, Sony includes collections on deferred proceeds as cash flows within investing activities in the consolidated statements of cash flows.

In August 2014, Sony terminated an accounts receivable sales program within the Electronics business in the United States. The program required that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. As of March 31, 2014, deferred proceeds totaled 6,405 million yen. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

| | Yen in millions | | |
|----------------------------------|----------------------------|--------|------|
| | Fiscal year ended March 31 | | |
| | 2014 | 2015 | 2016 |
| Total trade receivables sold | 247,863 | 50,400 | |
| Deferred proceeds | 36,678 | 16,150 | |
| Collections of deferred proceeds | 35,196 | 22,512 | |

During the fiscal year ended March 31, 2014, Sony established an accounts receivable sales program within the Pictures segment in the United States. Sony recognized a gain within other income from sales of accounts receivable under this program for the fiscal year ended March 31, 2014 of 1,394 million yen. The program requires that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser, and the deferred proceeds totaled 22,188 million yen, 30,893 million yen and 30,291 million yen as of March 31, 2014, 2015 and 2016, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

| | Yen in millions | | |
|----------------------------------|----------------------------|-------|-------|
| | Fiscal year ended March 31 | | |
| | 2014 | 2015 | 2016 |
| Total trade receivables sold | 53,720 | 4,237 | 2,918 |
| Deferred proceeds | 22,188 | 4,237 | 2,918 |
| Collections of deferred proceeds | | | 2,298 |