

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

Form 20-F

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
or
☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2014
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from/to
or
☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission file number 1-6439

Sony Kabushiki Kaisha

(Exact Name of Registrant as specified in its charter)

SONY CORPORATION

(Translation of Registrant's name into English)

Japan

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

J. Justin Hill, Vice President, Investor Relations

Sony Corporation of America

550 Madison Avenue

New York, NY 10022

Telephone: 212-833-6722, Facsimile: 212-833-6849

(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

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

Title of Each Class

Name of Each Exchange on Which Registered

American Depositary Shares*
Common Stock**

New York Stock Exchange
New York Stock Exchange

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

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

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

None

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

None

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

Title of Class	Outstanding as of	
	March 31, 2014 (Tokyo Time)	March 31, 2014 (New York Time)
Common Stock	1,043,681,149	
American Depositary Shares		94,060,003

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

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

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

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

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

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

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

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

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

Item 17 ☐ Item 18 ☐

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

Yes ☐ No ☒

Cautionary Statement

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

- (i) the global economic environment in which Sony operates and the economic conditions in Sony's markets, particularly levels of consumer spending;
- (ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets and liabilities are denominated;
- (iii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including televisions, game platforms and smartphones, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing consumer preferences;
- (iv) Sony's ability and timing to recoup large-scale investments required for technology development and production capacity;
- (v) Sony's ability to implement successful business restructuring and transformation efforts under changing market conditions;
- (vi) Sony's ability to implement successful hardware, software, and content integration strategies for all segments excluding the Financial Services segment, and to develop and implement successful sales and distribution strategies in light of the Internet and other technological developments;
- (vii) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to prioritize investments correctly (particularly in the electronics businesses);
- (viii) Sony's ability to maintain product quality;
- (ix) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures and other strategic investments;
- (x) significant volatility and disruption in the global financial markets or a ratings downgrade;
- (xi) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xii) the outcome of pending and/or future legal and/or regulatory proceedings;
- (xiii) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
- (xiv) the impact of unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment; and

(xv) risks related to catastrophic disasters or similar events.

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

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

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

As of March 31, 2014, Sony Corporation had 1,317 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method with respect to its 107 affiliated companies.

TABLE OF CONTENTS

Item 1. <i>Identity of Directors, Senior Management and Advisers</i>	6
Item 2. <i>Offer Statistics and Expected Timetable</i>	6
Item 3. <i>Key Information</i>	6
A. Selected Financial Data	6
B. Capitalization and Indebtedness	7
C. Reasons for the Offer and Use of Proceeds	7
D. Risk Factors	7
Item 4. <i>Information on the Company</i>	24
A. History and Development of the Company	24
<i>Principal Capital Investments</i>	25
B. Business Overview	26
<i>Products and Services</i>	26
<i>Sales and Distribution</i>	30
<i>Sources of Supply</i>	33
<i>After-Sales Service</i>	33
<i>Patents and Licenses</i>	33
<i>Competition</i>	34
<i>Government Regulations</i>	36
C. Organizational Structure	38
D. Property, Plant and Equipment	38
Item 4A. <i>Unresolved Staff Comments</i>	41
Item 5. <i>Operating and Financial Review and Prospects</i>	41
A. Operating Results	41
<i>Operating Results for the Fiscal Year Ended March 31, 2014 compared with the Fiscal Year Ended</i>	
<i>March 31, 2013</i>	41
<i>Operating Results for the Fiscal Year Ended March 31, 2013 compared with the Fiscal Year Ended</i>	
<i>March 31, 2012</i>	55
B. Liquidity and Capital Resources	82
C. Research and Development	84
D. Trend Information	85
<i>Issues Facing Sony and Management's Response to those Issues</i>	85
E. Off-balance Sheet Arrangements	88
F. Contractual Obligations, Commitments, and Contingent Liabilities	89
Critical Accounting Policies	90
Recently Adopted Accounting Standards	98
Recent Accounting Pronouncements	98
Item 6. <i>Directors, Senior Management and Employees</i>	98
A. Directors and Senior Management	98
B. Compensation	103
C. Board Practices	106
D. Employees	108
E. Share Ownership	110
Item 7. <i>Major Shareholders and Related Party Transactions</i>	111
A. Major Shareholders	111
B. Related Party Transactions	112
C. Interests of Experts and Counsel	112
Item 8. <i>Financial Information</i>	112
A. Consolidated Statements and Other Financial Information	112
Legal Proceedings	112
Dividend Policy	113
B. Significant Changes	113

Item 9. <i>The Offer and Listing</i>	114
A. Offer and Listing Details	114
<i>Trading Markets</i>	114
<i>Trading on the TSE and the NYSE</i>	114
B. Plan of Distribution	115
C. Markets	115
D. Selling Shareholders	115
E. Dilution	115
F. Expenses of the Issue	115
Item 10. <i>Additional Information</i>	115
A. Share Capital	115
B. Memorandum and Articles of Association	115
C. Material Contracts	124
D. Exchange Controls	124
E. Taxation	125
F. Dividends and Paying Agent	128
G. Statement by Experts	128
H. Documents on Display	128
I. Subsidiary Information	128
Item 11. <i>Quantitative and Qualitative Disclosures about Market Risk</i>	128
Item 12. <i>Description of Securities Other Than Equity Securities</i>	129
A. Debt Securities	129
B. Warrants and Rights	130
C. Other Securities	130
D. American Depositary Shares	130
Item 13. <i>Defaults, Dividend Arrearages and Delinquencies</i>	130
Item 14. <i>Material Modifications to the Rights of Security Holders and Use of Proceeds</i>	130
Item 15. <i>Controls and Procedures</i>	131
Item 16. <i>[Reserved]</i>	132
Item 16A. <i>Audit Committee Financial Expert</i>	132
Item 16B. <i>Code of Ethics</i>	132
Item 16C. <i>Principal Accountant Fees and Services</i>	132
Audit and Non-Audit Fees	132
Audit Committee's Pre-Approval Policies and Procedures	132
Item 16D. <i>Exemptions from the Listing Standards for Audit Committees</i>	133
Item 16E. <i>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</i>	133
Item 16F. <i>Change in Registrant's Certifying Accountant</i>	134
Item 16G. <i>Disclosure About Differences in Corporate Governance</i>	134
Item 16H. <i>Mine Safety Disclosure</i>	139
Item 17. <i>Financial Statements</i>	139
Item 18. <i>Financial Statements</i>	139
Item 19. <i>Exhibits</i>	140
Signatures	141

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable

Item 2. Offer Statistics and Expected Timetable

Not Applicable

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

	Fiscal year ended March 31				
	2010	2011	2012	2013	2014
	(Yen in millions, yen per share amounts)				
Income statement data:					
Sales and operating revenue	7,209,849	7,177,589	6,493,083	6,795,504	7,767,266
Equity in net income (loss) of affiliated companies	(30,235)	14,062	(121,697)	(6,948)	(7,374)
Operating income (loss)	28,528	196,725	(65,663)	226,503	26,495
Income (loss) before income taxes	23,540	201,809	(80,911)	242,084	25,741
Income taxes	12,758	424,215	316,753	140,398	94,582
Net income (loss) attributable to Sony Corporation's stockholders	(42,359)	(261,261)	(455,038)	41,540	(128,369)
Data per share of Common Stock:					
Net income (loss) attributable to Sony Corporation's stockholders*					
— Basic	(42.21)	(260.33)	(453.42)	41.32	(124.99)
— Diluted	(42.21)	(260.33)	(453.42)	38.79	(124.99)
Cash dividends declared Interim	12.50	12.50	12.50	12.50	12.50
	(14.38 cents)	(14.84 cents)	(16.08 cents)	(15.18 cents)	(12.12 cents)
Cash dividends declared Fiscal year-end	12.50	12.50	12.50	12.50	12.50
	(13.55 cents)	(15.66 cents)	(15.70 cents)	(12.46 cents)	(12.19 cents)
Depreciation and amortization**	412,229	367,584	366,270	376,735	376,695
Capital expenditures (additions to fixed assets)	192,724	204,862	295,139	188,627	164,589
Research and development costs	432,001	426,814	433,477	473,610	466,030
Balance sheet data:					
Net working capital (deficit)	62,783	(294,166)	(775,019)	(668,556)	(578,728)
Long-term debt	924,207	812,235	762,226	938,428	916,648
Sony Corporation's stockholders' equity	2,960,060	2,540,586	2,023,822	2,192,262	2,258,137
Common stock	630,822	630,921	630,923	630,923	646,654
Total assets	12,865,563	12,914,573	13,299,691	14,211,033	15,333,720
Number of shares issued at fiscal year-end (thousands of shares of common stock)	1,004,571	1,004,637	1,004,638	1,011,950	1,044,708
Sony Corporation's stockholders' equity per share of common stock	2,949.64	2,531.51	2,016.61	2,168.62	2,163.63

* Refer to Note 22 of the consolidated financial statements.

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

Certain figures presented in the table above have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

	<u>Average*</u>	<u>High</u>	<u>Low</u>	<u>Period-end</u>
		(Yen)		
Yen exchange rates per U.S. dollar:				
Fiscal year ended March 31				
2010	92.93	100.71	86.12	93.40
2011	85.71	94.68	78.74	82.76
2012	79.00	85.26	75.72	82.41
2013	82.96	96.16	77.41	94.16
2014	100.15	105.25	92.96	102.98
2014				
January	—	104.87	102.20	102.28
February	—	102.71	101.11	102.08
March	—	103.38	101.36	102.98
April	—	103.94	101.43	102.14
May	—	102.34	101.26	101.77
June (through June 20)	—	102.69	101.82	102.14

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 20, 2014 was 102.14 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 consumer electronics businesses.

Sony produces consumer products that compete against products sold by competitors, including new entrants, on the basis of several factors such as price and function. In order to produce products that appeal to changing and increasingly diverse consumer preferences, and 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 products with competitive selling prices. 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 effectively anticipate and counter the ongoing price erosion that frequently affects its consumer products, if there is a change in existing business models, or if the average selling prices of its consumer products decrease faster than Sony is able to reduce its manufacturing costs, Sony's operating results and financial condition may be adversely impacted.

To remain competitive and stimulate customer demand, Sony must successfully manage frequent introductions and transitions of new products, semiconductors, components, and services.

Due to the highly volatile and competitive nature of the consumer electronics, network services and mobile communication industries, Sony must continually introduce, enhance and stimulate customer demand for

products, semiconductors (including image sensors), components, services and technologies in both mature and developing markets. The successful introductions and transitions of new products, semiconductors, components, and services depend on a number of factors, such as the timely and successful completion of development efforts, market acceptance, Sony's ability to plan and execute an effective marketing strategy, Sony's ability to manage the risks associated with new products and production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products, semiconductors, components, and services may have quality or other issues in the early stages of introduction. To remain competitive, it is also important for Sony to respond to technological innovation and changing consumer demand for its products and services that integrate and enhance functions of existing products and services. Accordingly, if Sony cannot properly manage frequent introductions and transitions of new products, semiconductors, components and services, Sony's operating results and financial condition may be adversely impacted.

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

Markets for products and services where Sony has a competitive strength might contract as a result of a shift in consumer demand toward a new generation of technologically innovative products and services. For example, improvements in component technologies, such as image sensors, processors and memory, and mobile operating systems, the development and expansion of broadband communication infrastructure and network and cloud-based services, and the evolution of downloadable applications and social media have led to a shift in demand to smartphones from products that consumers had previously purchased separately, such as portable music players, home-use video cameras, compact digital cameras and portable game hardware, and to tablets from PCs and portable game hardware. As a result of this shift in demand, as well as other factors, Sony decided to sell the PC business which it operates under the VAIO brand and entered into agreements regarding such sale in May 2014. Sony must respond to changing consumer demands with appealing products and services, including smartphones, tablets and other next generation products and services, as well as continue to improve the value of its existing products and services. If Sony is unable to offer such products and services, Sony's operating results and financial condition may be adversely impacted.

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

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

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

Sony's businesses operate in intensely competitive markets characterized by changing consumer preferences and rapid technological innovation. Due to advanced technological innovation and the relative ease of technology imitation, new products and services tend to become standardized more rapidly, leading to more intense competition and ongoing price erosion. In order to strengthen the competitiveness of its products in this environment, Sony continues to invest heavily in research and development ("R&D"). However, these investments may not yield the innovation or the results expected quickly enough, or competitors may lead Sony in technological innovation, hindering 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 continues to implement restructuring initiatives that focus on a review of the Sony group's business strategy investment plan, the realignment of its manufacturing sites, the reallocation of its workforce and headcount reductions. As a result of these restructuring initiatives, a total of 80.6 billion yen in restructuring charges was recorded in the fiscal year ended March 31, 2014. While Sony anticipates recording approximately 80 billion yen of restructuring charges in the fiscal year ending March 31, 2015, significant additional or future restructuring charges may be recorded due to reasons such as the impact of economic downturns or exiting from unprofitable businesses. Restructuring charges are recorded primarily in cost of sales, selling, general and administrative ("SGA") expenses and other operating (income) expense, net and thus adversely affect Sony's operating income (loss) and net income (loss) attributable to Sony's stockholders (Refer to Note 19 of the consolidated financial statements). Sony continues to rationalize its manufacturing operations, shift and consolidate manufacturing to lower-cost countries, and utilize outsourced manufacturing. In addition, Sony is focused on reducing SGA expenses across the group, including outsourcing its support functions and information processing operations to external partners and implementing business process optimization across functions including sales and marketing, manufacturing, logistics, procurement, quality and R&D.

Due to internal or external factors, efficiencies and cost savings from the above-mentioned and other restructuring and transformation initiatives may not be realized as scheduled and, even if those benefits are realized, Sony may not be able to achieve the level of profitability expected due to market conditions worsening beyond expectations. Such possible internal factors may include, for example, changes in restructuring and transformation plans, an inability to implement the initiatives effectively with available resources, an inability to coordinate effectively across different business groups, delays in implementing the new business processes or strategies, or an inability to effectively manage and monitor the post-transformation performance of the operation. Possible external factors may include, for example, increased burdens from regional labor regulations, labor union agreements and Japanese customary 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 within strategic business areas 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. Sony may sell its equity interest in a joint venture or buy out the joint venture partner's equity due to the achievement of its original objectives or other reasons. For example, in February 2012, Sony acquired Telefonaktiebolaget LM Ericsson's 50 percent equity interest in Sony Ericsson Mobile Communications AB, a joint venture that manufactures and sells mobile handsets, and made the company a wholly-owned subsidiary of Sony.

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

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

uses the Sony brand. Sony may also be required to provide additional funding or debt guarantees to a joint venture, or dissolve a joint venture, whether as a result of significant or persistent underperformance, or otherwise.

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

Sony continues to invest in production facilities and equipment in its electronics businesses, including image sensor fabrication facilities to meet the increasing demand for image sensors. 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 (“SCK”) Yamagata Technology Center (“Yamagata TEC”). Sony plans to invest a total of 27.5 billion yen of capital in SCK Yamagata TEC during the fiscal years ending March 31, 2015 and 2016 in order to increase image sensor production capacity. However, if unforeseen market changes and corresponding declines in demand result in a mismatch between sales volume and anticipated production volumes, or if unit sales prices decline due to market oversupply, Sony may not be able to recover its capital expenditures or investments, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected. As a result, the carrying value of the related assets may be subject to an impairment charge, which may adversely affect Sony’s profitability.

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

Sony is dependent on wholesalers, retailers and other resellers to distribute its products, many of whom also distribute competitors’ products. For example, Sony Mobile Communications AB (“Sony Mobile”) 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. Additionally, Sony has less ability to position, promote and differentiate Sony’s products distributed through online retailers than it does through in-store retailers. 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 materially 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 and distribution of Sony’s products.

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

With the increasing necessity of pursuing quick business development and high operating efficiency with limited managerial resources, Sony increasingly relies on third-party suppliers and business partners for parts and components, software and network services. Sony also relies on other business partners to provide software

technologies, such as the Android OS for mobile products, and services. As a result of this reliance on third-party suppliers and business partners, Sony's products or services may be affected by quality issues caused by the failure of third-party parts and components, software, or network services. 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. Third-party business partners may also give priority to competitors' products and services over Sony's and discontinue support, or otherwise change business terms for Sony's products and services. 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 has also become more reliant upon 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 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 or bankruptcies.

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 product manufacturing sites.

Sony places orders for parts and components in line with production and inventory plans determined in advance based on its forecast of consumer demand, which is highly volatile and difficult to predict. Inaccurate forecasts of consumer demand or inadequate management can lead to a shortage or excess of inventory, which can disrupt production plans and result in lost sales opportunities or inventory adjustments. Sony writes down the value of its inventory when the underlying parts, components or products have become obsolete, when inventory levels exceed the amount expected to be used, or when the value of the inventory is otherwise recorded at a value higher than net realizable value. In the past, for example, Sony has experienced a shortage of certain chipsets, semiconductors and LCD panels, which resulted in Sony's inability to meet consumer demand for its products, as well as a surplus in certain semiconductors and LCD panels that resulted in inventory write-downs when the prices of these parts and components fell. Also, in the fiscal year ended March 31, 2014, Sony recorded a write-down of excess components in inventory as well as 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. Additionally, Sony may face shortages of certain parts and components as a result of the damage to its suppliers caused by natural disasters, such as the massive earthquake and tsunami that occurred in Japan in March 2011 ("the Great East Japan Earthquake") and the floods in Thailand that began in the second half of 2011 (the "Floods"). Such lost sales opportunities, inventory adjustments, or shortages of parts and components have had and may in the future have an adverse impact on Sony's operating results and financial condition.

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

Sony's sales and profitability are sensitive to economic, employment and other trends in each of the major markets in which Sony operates. These markets may be subject to significant economic downturns, having an

adverse impact on Sony's operating results and financial condition. In the fiscal year ended March 31, 2014, 28.3 percent, 22.6 percent and 16.8 percent of Sony's sales were attributable to Japan, Europe and the U.S., respectively. Additionally, Sony's operating results are increasingly impacted by Sony's ability to realize its growth goals in emerging markets such as Brazil, Russia, India and China.

Sony's operating results depend on the demand from consumers and commercial customers and the performance of retailers, wholesalers and distributors. 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 may have an adverse impact on Sony's operating results, especially when the yen weakens significantly against the U.S. dollar (as under current circumstances), or when the yen strengthens significantly against the euro. Sony's operating results may also be adversely impacted by foreign exchange rate fluctuations since Sony's consolidated statements of income are prepared by translating the local currency denominated operating results of its subsidiaries around the world into yen. Furthermore, as Sony's businesses have expanded in China and other areas, including emerging markets, the impact of fluctuations of foreign currency exchange rates in these areas against the yen has increased. Mid- to long-term changes in exchange rate levels may interfere with Sony's global allocation of resources and hinder Sony's ability to engage in research and development, procurement, production, logistics, and sales activities in a manner that is profitable after the effect of such exchange rate changes.

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

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

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

As a result, Sony may seek other sources of financing to fund operations, such as the draw-down of funds from contractually committed lines of credit from financial institutions or the sale of assets, in order to repay commercial paper and mid- to long-term debt as they become due, and to meet other operational and liquidity needs. However, such funding sources may also not be available at acceptable terms or be sufficient to meet Sony's requirements. This, in turn, could have a material 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 returns from foreign investments in major markets and regions may affect Sony's operating results. For example, a labor dispute or a change of 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, as emerging markets are becoming increasingly important to its operations, Sony becomes more susceptible to the above-mentioned risks, which may have an adverse impact on its operating results and financial condition.

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

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

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

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

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

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

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

Sony's Game segment offers a relatively small range of hardware, including PSP® (PlayStation®Portable), PlayStation®3, PlayStation®Vita and PlayStation®4 and a significant portion of overall demand for these and new products is weighted towards the year-end holiday season. Sony's other consumer products are also dependent upon demand during the year-end holiday season. As a result, changes in the competitive environment, changes in market conditions, delays in the release of consumer products, including highly anticipated game software titles and insufficient supply of hardware during the year-end holiday season can adversely impact Sony's operating results.

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

In Sony's Game segment, the penetration of gaming platforms is a significant factor driving sales and profitability, which is affected by the ability to provide customers with sufficient 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 Game segments, and other businesses, are subject to digital theft and illegal downloading.

The development and declining prices of digital technology, the increased penetration and speed of Internet connections and the availability of content in digital formats have created risks with respect to Sony's ability to protect the copyrighted content of the Pictures, Music and Game segments and other businesses from digital theft and counterfeiting. In particular, advances in software and technology 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 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 with other entertainment companies to identify, sign and retain such talent is intense as is the competition to sell their music. In the Pictures segment, high demand for top talent continues to contribute to increases in the cost of producing motion pictures and television programming. Competition with other entertainment companies to acquire motion pictures and television programming is intense and could result in increased acquisition-related spending. Overall increases in production and acquisition costs of the Pictures segment's products, as well as increases in the costs to market these products, may adversely impact the segment's operating results.

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

Industry-wide trends such as the general maturation of physical media formats, including CD, DVD and Blu-ray Disc™ formats, the shift to digital distribution of audio and video content, and increased competition for retailer shelf space have contributed to and may continue to contribute to an industry-wide decline in the worldwide sales of physical media formats. In addition, rapid changes in technology and the adoption of new technology by consumers have impacted the timing and manner in which consumers acquire and view entertainment products. While alternative models for selling entertainment content have emerged, such as kiosk and mail order rentals, digital downloads and subscription streaming services, and other legal digital distribution to mobile and other Internet connected devices, these revenue streams may not be sufficient to offset the decline in physical media sales that has affected and may continue to affect the operating results of Sony's Music and Pictures segments and disc manufacturing business. Furthermore, the music industry has very recently seen a year-over-year decline in digital download sales, the largest digital revenue stream. Should this decline accelerate, 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 image-based software, including its motion picture and television content, to U.S. and international television network customers. A decline in the advertising market may also adversely affect third-party television networks' ability to generate advertising and subscription revenues, which may result in lower license fees paid by these networks for Sony's image-based software 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 programs and thereby may adversely affect operating results and cash flows in the Pictures segment. An inability to reach agreement on one or more of these union contracts or renewal on less favorable terms may also increase costs within Sony's Pictures segment and have an adverse effect on operating results.

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

Sony's Financial Services segment operates in industries subject to comprehensive regulation and supervision, including the Japanese insurance and banking industries. Future developments or changes in laws,

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

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

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

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

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

Sony's Financial Services segment engages in asset liability management ("ALM") in an effort to manage its investment assets in a manner appropriate to its liabilities, which arise from the insurance policies that Sony's Financial Services segment underwrites in both its life insurance and non-life insurance businesses and the deposits, borrowings and other liabilities in its banking business. ALM considers the long-term balance between assets and liabilities in an effort to ensure stable returns. Any failure to appropriately conduct its ALM activities, or any significant changes in market conditions beyond what its ALM may reasonably address, may have an adverse effect on the financial condition and operating results of the Financial Services segment. In particular, because Sony Life's liabilities to policyholders generally have longer durations than its investment assets, which are concentrated in long-term Japanese national government bonds, lower interest rates tend to reduce yields on Sony Life's investment portfolio while guaranteed yields (assumptions used for calculation of policy reserve provisions) remain generally unchanged on outstanding policies. As a result, Sony Life's profitability and long-term ability to meet policy commitments may be adversely affected.

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

In the Financial Services segment, generating stable investment income is important to its operations, and the Financial Services segment's investments are concentrated in long-term Japanese national government bonds, although it also has investments in a variety of asset classes, including shorter-term Japanese national government bonds, Japanese local government and corporate bonds, foreign government and corporate bonds, Japanese stocks, loans and real estate. In addition to risks related to changes in interest rates and the value of equity securities, the Financial Services segment's investment portfolio exposes itself 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 89.8 percent of the total loan balance, or 45.9 percent of the total assets of Sony Bank Inc. ("Sony Bank"), as of March 31, 2014. An increase in non-performing loans or a decline in the prices of real estate, the collateral for these mortgage loans provided by Sony Bank, may have an adverse effect on the creditworthiness of Sony Bank's loan portfolio and increase credit-related costs for Sony Bank.

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

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

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

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

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

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

Sony's headquarters and many of Sony's most advanced device manufacturing facilities, including those for semiconductors, are located in Japan, where the risk of earthquakes is relatively high compared to other parts of the world. A major earthquake in Japan, especially in Tokyo where Sony headquarters are located, the Tokai area where certain product manufacturing sites are located, or the Kyushu area, where Sony's semiconductor manufacturing sites are located, could cause greater damage to Sony's business operations than the Great East Japan Earthquake, including damage to buildings, machinery, equipment and inventories and interruption to production at manufacturing facilities. In addition, offices and facilities used by Sony, its service providers and business partners, including those used for network, telecommunications and information systems infrastructure, research and development, material procurement, manufacturing, motion picture and television program production, logistics, sales and 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, 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 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 network and information systems have become increasingly important to Sony's operating activities, the impact that network and information system 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 or cyber-attacks by groups or individuals.

Similar events in the future may result in the disruption of Sony's major business operations, delays in production, shipments and recognition of sales, and large expenditures necessary to enhance, repair or replace such facilities and network and information systems. Furthermore, Sony may not be able to obtain sufficient insurance in the future to cover the resulting expenditures and losses, and 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 claims if there is loss, disclosure, misappropriation or alteration of or unauthorized access to its customers' or its business partners' or its own information, or other breaches of its information security.

Sony makes extensive use of information technology, online services and centralized data processing, including through third-party service providers. The secure maintenance and transmission of customer information is a critical element of Sony's operations. Sony's information technology and other systems that maintain and transmit such information, or those of service providers or business partners, and the security of such information possessed by Sony or its business partners 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, or those of a third-party service provider or business partner. As a result, customer information may be lost, disclosed, misappropriated, altered or accessed without consent. For example, Sony's network services, online game business and websites of certain subsidiaries have been subject to cyber-attacks by groups and individuals with a wide range of motives and expertise, resulting, in some instances, in unauthorized access to and the potential or actual theft of customer information.

In addition, Sony, third-party service providers and other business partners process and maintain proprietary Sony business information and data related to Sony's business, commercial customers, suppliers and other business partners. Sony's information technology and other systems that maintain and transmit this information, or those of service providers or business partners, and the security of such information possessed by Sony, third-party service providers or other business partners may also 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, or those of a third-party service provider or business partner. As a result, Sony's business information and customer, supplier, and other business partner data may be lost, disclosed, misappropriated, altered, or accessed without consent.

Further, the confidentiality, integrity and availability of products and 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 websites have been subjected to denial-of-service and other attacks.

Any such loss, disclosure, misappropriation or alteration of or access to customers', business partners' or other information, or other breach of Sony's information security including that of its products and services can

result in legal claims or legal proceedings, including regulatory investigations and actions, and may have a serious impact on Sony's brand image and reputation and adversely affect Sony's businesses, operating results and financial condition. Furthermore, the loss, disclosure, misappropriation or alteration of or access to Sony's business information, or adverse effects on the confidentiality, integrity, or availability of its products or services, may adversely affect Sony's businesses, operating results and financial condition.

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

Sony faces the risk of litigation and regulatory proceedings in different countries in connection with its operations. Legal proceedings, including regulatory actions, may seek to recover very large indeterminate amounts or to limit Sony's operations, and the possibility that they may arise and their magnitude may remain unknown for substantial periods of time. For example, legal proceedings, including regulatory actions, may result from antitrust scrutiny of market practices for anti-competitive conduct. A substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings may have an adverse effect on Sony's business, operating results, financial condition, cash flows and reputation.

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

Sony's products and services, such as consumer products, non-consumer products, parts and components, semiconductors, software and network services are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur and as demand increases for mobile products and online services. Sony's efforts to manage the rapid advancements in technologies and increased demand for mobile products and online services, while also maintaining product quality, may not be successful and may increase exposure to liability. As a result, Sony may incur both reputational damage and expenses in connection with, for example, product recalls and after-sales services. In addition, allegations of safety issues related to Sony products, or lawsuits related to product quality or product safety, regardless of merit, may adversely impact Sony's operating results and financial condition, either directly or as a result of the impact on Sony's brand image and reputation as a producer of high-quality products and services. These issues are relevant to Sony products sold directly to customers, whether manufactured by Sony or a third party, and also to products of other companies that are equipped with Sony's components, such as semiconductors.

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

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

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

Further, Sony's operating results and financial condition could be adversely affected by future pension funding requirements pursuant to the Japanese Defined Benefit Corporate Pension Plan Act ("Act"). Under the Act, Sony is required to meet certain financial criteria including periodic actuarial revaluation and annual settlement of gains or losses of the plan. In the event that the actuarial reserve required by law exceeds the fair

value of pension plan assets and that the fair value of pension assets may not be recovered within a certain moratorium period permitted by laws and/or special legislative decree, Sony may be required to make an additional contribution to the plan, which may reduce cash flows. Similarly, if Sony is required to make an additional contribution to a foreign plan to meet any funding requirements in accordance with local laws and regulations in each country, Sony's cash flows might be adversely affected. If Sony is required to increase cash contributions to its pension plans when actuarial assumptions, such as an expected long-term rate of return of the pension plan assets, are updated for purposes of determining statutory contributions, it may have an adverse impact on Sony's cash flows.

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

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

Deferred tax assets are evaluated on a jurisdiction by jurisdiction basis. In certain jurisdictions, Sony has established valuation allowances against deferred tax assets, including net operating loss carryforwards, where it has concluded that the deferred tax assets are not more likely than not to be realized. As of March 31, 2014, 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 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 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. A decline in financial performance, market capitalization or changes in estimates and assumptions used in the impairment analysis, which in many cases requires significant judgment, could result in impairment charges. Sony tests goodwill and intangible assets that are determined to have an indefinite life for impairment during the fourth quarter of each fiscal year and assesses whether factors or indicators, such as unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, have become apparent that would require an interim test. In addition, the recoverability of the carrying value of long-lived assets held and used and long-lived assets to be disposed of is reviewed whenever events or changes in circumstances indicate that the carrying value of the assets or asset groups may not be recoverable. 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 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.

When determining whether an impairment has occurred or calculating such impairment for goodwill, an intangible asset or other long-lived asset, fair value is determined using the present value of estimated 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, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Changes in estimates and/or revised assumptions impacting the present value of estimated future cash flows may result in a decrease in the fair value of a reporting unit, where goodwill is tested for impairment, or a decrease in fair value of intangible assets, long-lived assets or asset groups. The decrease in fair value could result in a non-cash impairment charge. During 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 the Mobile Products & Communications segment. Any such charge may adversely affect Sony's operating results and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 4. Information on the Company

A. History and Development of the Company

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

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

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

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

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

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

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

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

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

In November 1993, Sony established Sony Computer Entertainment Inc. ("SCEI") in Japan.

In January 2000, acquisition transactions by way of a share exchange were completed such that three subsidiaries which had been listed on the TSE — SMEJ, Sony Chemicals Corporation (currently Sony Chemical & Information Device 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 to Development Bank of Japan Inc.

In June 2001, Sony Corporation issued shares of subsidiary tracking stock in Japan, the economic value of which was intended to be linked to the economic value of Sony Communication Network Corporation. All shares

of the subsidiary tracking stock were terminated and converted to shares of common stock of Sony Corporation in December 2005. The subsidiary was listed on the Mother's market of the TSE in December 2005 (and has been traded on the First Section of the TSE since January 2008) and 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 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 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 2009, Sharp Display Products Corporation ("SDP"), a joint venture between Sony Corporation and Sharp Corporation for the production and sale of large-sized LCD panels and modules, was established. Sony's ownership in SDP was 7 percent. In June 2012, Sony sold all of its shares in SDP to SDP.

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.

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

The agent in the U.S. for purposes of this Item 4 is Sony Corporation of America ("SCA"), 550 Madison Avenue, New York, NY 10022 (Attn: Office of the General Counsel).

Principal Capital Investments

In the fiscal years ended March 31, 2012, 2013 and 2014, Sony's capital expenditures (additions to "Property, plant and equipment" on the balance sheets) were 295.1 billion yen, 188.6 billion yen and 164.6 billion yen, respectively. Sony's capital expenditures are expected to be approximately 180.0 billion yen during the fiscal year ending March 31, 2015. For a breakdown of principal capital expenditures and divestitures (including interests in other companies), refer to "Item 5. Operating and Financial Review and Prospects." The funding requirements of such various capital expenditures are expected to be financed by cash provided principally by operating and financing activities or the existing balance of cash and cash equivalents.

Sony invested approximately 35 billion yen in the semiconductor business during the fiscal year ended March 31, 2014. In January 2014, Sony announced its investment plan of approximately 35 billion yen in Sony Semiconductor Corporation's Yamagata Technology Center ("SCK Yamagata TEC"), including 7.5 billion yen in asset acquisitions, and a total of 27.5 billion yen in capital investments to be made during the fiscal years ending March 31, 2015 and 2016, to increase production capacity for complementary metal-oxide semiconductor ("CMOS") image sensors. SCK Yamagata TEC was established on March 31, 2014, and is expected to start commercial production in April 2015. As a result of this investment plan, Sony's mid-term goal is to increase total production capacity for charged coupled devices and CMOS image sensors to approximately 75,000 wafers per month.

B. Business Overview

Sony Corporation and its consolidated subsidiaries ("Sony") are engaged in the development, design, manufacture, and sale of various kinds of electronic equipment, instruments, and devices for consumer, professional and industrial markets as well as game consoles and software. Sony's primary manufacturing facilities are located in Asia including Japan. Sony also utilizes third-party contract manufacturers for certain products. Sony's products are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales via the Internet. Sony is engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. Sony is also engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs. Further, Sony is also engaged in various financial services businesses, including life and non-life insurance operations through its Japanese insurance subsidiaries and banking operations through a Japanese Internet-based banking subsidiary. In addition to the above, Sony is engaged in a network services business and an advertising agency business in Japan.

Products and Services

Mobile Products & Communications ("MP&C")

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

	Fiscal year ended March 31					
	2012		2013		2014	
			(Yen in millions)			
<i>Mobile Communications</i>	77,732	(12.5)	733,622	(60.1)	1,191,787	(73.1)
<i>Personal and Mobile Products</i>	538,816	(86.6)	480,132	(39.4)	431,378	(26.5)
<i>Other</i>	5,867	(0.9)	6,259	(0.5)	6,360	(0.4)
MP&C Total	<u>622,415</u>	<u>(100.0)</u>	<u>1,220,013</u>	<u>(100.0)</u>	<u>1,629,525</u>	<u>(100.0)</u>

Mobile Communications:

"Mobile Communications" includes mobile phones.

Personal and Mobile Products:

"Personal and Mobile Products" includes personal computers.

On February 15, 2012, Sony acquired Ericsson's 50 percent equity interest in Sony Ericsson and Sony Ericsson became a wholly-owned subsidiary of Sony and changed its corporate name to Sony Mobile Communications AB ("Sony Mobile"). The financial results above include the sales to outside customers of Sony Mobile from February 16, 2012 through March 31, 2013. Sony Mobile undertakes product research, development, design, marketing, sales, production, distribution and customer services for mobile phones, tablets, accessories and applications.

Game

SCEI develops, produces, markets and distributes PlayStation®4 (PS4™), PlayStation®3 (“PS3”), PlayStation®Vita (“PS Vita”), PSP® (PlayStation®Portable) (“PSP”) and PlayStation®2 (“PS2”) hardware, and related package software. Sony Computer Entertainment America LLC (“SCEA”) and Sony Computer Entertainment Europe Ltd. (“SCEE”) market and distribute PS4, PS3, PS Vita, PSP and PS2 hardware, and develop, produce, market and distribute related package software locally in the U.S. and Europe. SCEI, SCEA and SCEE enter into licenses with third-party software developers and publishers.

Imaging Products & Solutions (“IP&S”)

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

	Fiscal year ended March 31					
	2012		2013		2014	
			(Yen in millions)			
<i>Digital Imaging Products</i>	489,526	(62.7)	449,724	(59.7)	413,255	(56.0)
<i>Professional Solutions</i>	280,645	(36.0)	285,698	(38.0)	306,885	(41.6)
<i>Other</i>	10,251	(1.3)	17,181	(2.3)	17,334	(2.4)
IP&S Total	<u>780,422</u>	<u>(100.0)</u>	<u>752,603</u>	<u>(100.0)</u>	<u>737,474</u>	<u>(100.0)</u>

Digital Imaging Products:

“Digital Imaging Products” includes compact digital cameras, video cameras and interchangeable single-lens 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 outside customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2012		2013		2014	
			(Yen in millions)			
<i>Televisions</i>	843,464	(65.6)	581,475	(58.5)	754,308	(64.7)
<i>Audio and Video</i>	433,800	(33.7)	405,024	(40.8)	400,828	(34.4)
<i>Other</i>	8,569	(0.7)	7,323	(0.7)	10,871	(0.9)
HE&S Total	<u>1,285,833</u>	<u>(100.0)</u>	<u>993,822</u>	<u>(100.0)</u>	<u>1,166,007</u>	<u>(100.0)</u>

Televisions:

“Televisions” includes LCD televisions.

Audio and Video:

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

Devices

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

	Fiscal year ended March 31					
	2012		2013		2014	
	(Yen in millions)					
Semiconductors	377,177	(55.7)	301,915	(51.7)	336,845	(57.2)
Components	295,822	(43.7)	271,654	(46.5)	249,856	(42.4)
Other	4,209	(0.6)	10,399	(1.8)	2,493	(0.4)
Devices Total	677,208	(100.0)	583,968	(100.0)	589,194	(100.0)

Semiconductors:

"Semiconductors" includes CMOS image sensors, CCDs, system LSIs, small- and medium-sized LCD panels and other semiconductors. Sony transferred small- and medium-sized LCD display businesses to Japan Display Inc. on March 30, 2012.

Components:

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

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

Pictures

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

	Fiscal year ended March 31					
	2012		2013		2014	
	(Yen in millions)					
Motion Pictures	393,602	(60.0)	446,254	(61.0)	422,255	(50.9)
Television Productions	145,817	(22.2)	159,794	(21.8)	247,568	(29.9)
Media Networks	116,678	(17.8)	126,079	(17.2)	158,845	(19.2)
Pictures Total	656,097	(100.0)	732,127	(100.0)	828,668	(100.0)

Motion Pictures:

"Motion Pictures" includes the production, acquisition and distribution of live-action and animated motion pictures and direct-to-video content. SPE's motion picture production organizations include Columbia Pictures, TriStar Pictures, Screen Gems, Sony Pictures Animation and Sony Pictures Classics. 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. SPE owns or has investments in television and digital networks with 126 channel feeds, which are available in more than 168 countries worldwide. SPE’s 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 outside customers by product categories. Figures in parentheses indicate the percentage contribution of each product category to the segment total.

	Fiscal year ended March 31					
	2012		2013		2014	
	(Yen in millions)					
<i>Recorded Music</i>	311,979	(72.4)	307,788	(71.3)	347,684	(70.7)
<i>Music Publishing</i>	48,095	(11.2)	52,764	(12.2)	66,869	(13.6)
<i>Visual Media and Platform</i>	70,677	(16.4)	71,167	(16.5)	77,505	(15.7)
Music Total	430,751	(100.0)	431,719	(100.0)	492,058	(100.0)

Recorded Music:

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

Music Publishing:

“Music Publishing” includes the management and licensing of the words and music of songs. Sony/ATV 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. In November 2010, Sony divested and transferred its leasing business to a newly established joint venture, the majority of which is held by a third-party leasing company, and has been accounted for under the equity method.

All Other

All Other consists of various operating activities, including Sony Entertainment Network (“SEN”) service, a Blu-ray Disc, DVD and CD manufacturing business, and So-net (a subsidiary operating an Internet service provider business mainly in Japan). Sony’s products and services are generally unique to a single operating segment.

Sales and Distribution

Electronics*

* The term “Electronics” refers to the sum of the MP&C, Game, IP&S, HE&S and Devices segments.

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

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

Sales of electronics products and services are particularly seasonal and also vary significantly with the timing of new product introductions and 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 and Sony Taiwan Limited.

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 de Mexico S.A.de C.V., Sony Electronics Vietnam and Sony of Canada Limited.

PS4, PS3, PS Vita, PSP and PS2 hardware and related software are marketed and distributed by SCEI, SCEA, SCEE and subsidiaries in Asia.

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 China, London, Sweden and the United States. Sony Mobile brings its products to market through direct and indirect distribution channels, such as third-party cellular network carriers and retailers, as well as through its website.

Pictures

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

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

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

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

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

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

Music

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

Sony owns and acquires rights to musical compositions, exploits and markets these compositions, receives royalties or fees for their use and conducts its music publishing business through a joint venture with a third-party investor in countries other than Japan primarily under the Sony/ATV name.

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

Financial Services

Sony Life conducts its life insurance business primarily in Japan. Sony Life's core business is providing death protection and other insurance products to individuals, primarily through a consulting-based sales approach utilizing its experienced team of Lifeplanner® sales employees as well as partner independent sales agents. Sony Life provides tailor-made life insurance products that are optimized for each customer. As of March 31, 2014, Sony Life employed 4,216 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 of Under the independent agent channel most agents are corporate and non-exclusive agents, centering on shop-style agents. Shop-style agents are a sub-channel of the independent agent channel, who offer insurance in local stores and provide customers with opportunities to compare various insurers' products. To enhance Sony Life's relationship with independent agents, Sony Life's agent support staff provides independent agents with various support services, including recruiting, training and sales promotion activities. Sony Life also has representative offices in Beijing and Taipei, which opened in October 2008 and July 2009, respectively, for the purpose of researching the financial and life insurance market in China and Taiwan, respectively. 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, mortgages and other individual loans. 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 June 1, 2011, Sony Bank acquired Sony's 57 percent equity interest in SmartLink Network, Inc. ("SLN"), resulting in SLN becoming a consolidated subsidiary of Sony Bank. SLN is an industry-leading provider of credit card settlement services to members of its Internet network.

All Other

Sony Network Entertainment Inc. ("SNEI") primarily operates the SEN service. Sony DADC Corporation ("Sony DADC") offers Blu-ray Disc, DVD and CD media replication services as well as digital and physical supply chain solutions to business customers in the entertainment, education, and information industries. So-net provides Internet broadband network services to subscribers as well as creates and distributes content through its portal services to various electronics product platforms (e.g., PCs, mobile phones).

Sales to Outside Customers by Geographic Area

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

	Fiscal year ended March 31					
	2012		2013		2014	
			(Yen in millions)			
Japan	2,104,435	(32.4)	2,197,881	(32.3)	2,199,099	(28.3)
United States	1,211,849	(18.7)	1,064,765	(15.7)	1,302,052	(16.8)
Europe	1,268,258	(19.5)	1,362,488	(20.1)	1,753,526	(22.6)
China	495,101	(7.6)	464,784	(6.8)	520,539	(6.7)
Asia-Pacific	636,489	(9.8)	806,205	(11.9)	1,013,635	(13.0)
Other Areas	779,951	(12.0)	899,381	(13.2)	978,415	(12.6)
Total	<u>6,493,083</u>	<u>(100.0)</u>	<u>6,795,504</u>	<u>(100.0)</u>	<u>7,767,266</u>	<u>(100.0)</u>

Sources of Supply

Sony pursues procurement of raw materials, parts and components to be used in the production of its products on a global basis on the most favorable terms that it can achieve. These items are purchased from various suppliers around the world. Sony has a general policy of maintaining multiple suppliers for important parts and components and, in the fiscal year ended March 31, 2014, Sony continued activities to optimize the number of its suppliers by category to achieve efficiencies and to minimize procurement risk when possible.

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

After-Sales Service

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

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

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

Patents and Licenses

Sony has a number of Japanese and foreign patents relating to its products. Sony is licensed to use a number of patents owned by others, covering a wide range of products. Certain of these licenses are important to Sony's business, such as those for optical disc-related and smartphone products. Sony products that employ DVD player functions, including PS4 and PS3 hardware, are substantially dependent upon patents that relate to technologies

specified in the DVD specifications and are licensed from MPEG LA LLC and Dolby Laboratories Licensing Corporation. Sony products that employ Blu-ray Disc player functions that also employ DVD player functions, including PS4 and PS3 hardware, are substantially dependent upon patents that relate to technologies specified in Blu-ray Disc specifications and are licensed by MPEG LA LLC, AT&T Inc. and One-Blue, LLC, in addition to the patents that relate to technologies specified in DVD specifications, as described above. Sony's smartphone products are substantially dependent upon patents that relate to technologies specified in certain codec standards and are licensed by MPEG LA LLC, AT&T Inc. and Via Licensing Corporation, as well as patents that relate to CDMA technologies specified by the standard-setting bodies within the telecommunications industry and are licensed by Qualcomm Incorporated. Sony considers its overall license position beneficial to its operations.

Competition

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

Electronics

Sony believes that its product planning and product design expertise, the high quality of its products, its record of innovative product introductions and product improvements, its price competitiveness derived from reductions in manufacturing and indirect costs and its extensive marketing and servicing efforts are important factors in maintaining its competitive position. Sony believes that the success of the game business is determined by the availability of attractive software titles and related content, downloadable content 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.

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 from other entertainment companies to acquire motion pictures and television programming from third parties. Competition in television production and distribution is also intense because available broadcast time is limited and the audience is increasingly fragmented among broadcast and cable networks, direct broadcast satellite ("DBS") providers, the Internet and other outlets both within and outside of the U.S. Furthermore, broadcast networks in the U.S. continue to produce their own shows internally. This competitive environment may result in fewer opportunities to produce shows for U.S. networks and a shorter lifespan for ordered shows that do not immediately achieve favorable ratings. SPE's worldwide television networks compete for viewers with broadcast and cable networks, DBS providers, the Internet and other forms of entertainment. The growth in the number of networks around the world has increased the competition for advertising and subscription revenues, acquisition of programming, and distribution of SPE's television networks by cable, satellite and other distribution systems.

Music

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

Financial Services

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

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

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

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

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

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

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

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

All Other

In network services, Sony believes that the success of the business is determined by the computational power and reliability of secured systems, and the ability to create new experiences via network services, such as the availability of attractive game software titles and a variety of video and music content. Sony DADC is facing intense price competition as well as contraction of worldwide physical media markets, as storage of digital content shifts from physical media to online servers. In such an environment, Sony DADC is facing the challenges of expanding its digital media services to meet customers' preferences by taking advantage of digital media innovations as well as the development of digital telecommunication networks and the expansion of Internet services. So-net faces competition in the Internet service provider business from other service providers in Japan, including telecommunications companies that possess their own telecommunication lines. Rapid

technological advancement has created many new opportunities but it has also increased the rate at which new and more efficient services must be brought to market to earn customer approval. Customer price elasticity is high, and users are able to change Internet service providers with increasing ease.

Government Regulations

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

In Japan, Sony's insurance businesses are subject to the Insurance Business Act and approvals and oversight from the Financial Services Agency ("FSA"). The primary purpose of the Insurance Business Act and related regulations is to protect policyholders, not shareholders. The Insurance Business Act specifies the types of businesses insurance companies may engage in, imposes limits on the types and amounts of investments that can be made and requires insurance companies to maintain specified reserves and a minimum solvency margin ratio. In particular, life insurance companies must maintain a premium reserve (for the portion of their portfolio other than unearned premiums), an unearned premium reserve, a reserve for refunds with respect to certain insurance contracts of life insurance companies specified in the Insurance Business Act's regulations, and a contingency reserve in amounts no lower than the amount of the "standard policy reserve" as set forth by the regulatory guidelines. The FSA maintains a solvency standard which is used by Japanese regulators to monitor the financial strength of insurance companies. From the fiscal year ended March 31, 2012, the mandatory methods for calculating total solvency margin and total risk were revised. The methods increased the stringency of margin inclusion and made risk measurement stricter and more sensitive. Non-life insurance companies are also required to provide a policy reserve. Sony Bank is also subject to regulation by the FSA under the Banking Act of Japan, including the requirement that it maintain a minimum capital adequacy ratio in accordance with capital adequacy guidelines adopted by the FSA based on the Basel III agreement, which have been applied incrementally since March 31, 2014. The FSA has broad regulatory powers over insurance and banking businesses in Japan, including the authority to grant or revoke operating licenses and to request information and conduct onsite inspections of books and records. Sony's subsidiaries in the Financial Services segment are subject to the Japanese Insurance Business Act and Banking Act that require insurance and business companies to maintain their financial credibility and to secure protection for policy holders and depositors in view of the public importance of insurance and banking services. As such, lending and borrowing between subsidiaries in the Financial Service segment and the other companies within Sony Group is strictly limited.

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

Social Responsibility Regulations Such as Environmental and Human Rights Regulations

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

For example, Sony has taken steps to comply with Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”), which requires the disclosure of information regarding certain conflict minerals, as defined by the Act, and has provided such disclosure to the U.S. Securities and Exchange Commission in 2014 for calendar year 2013.

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, 2014, as described below, may be disclosable pursuant to Section 13(r) of the Exchange Act.

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

- Before the beginning of the fiscal year ended March 31, 2014, Sony ceased its sales of professional equipment for use in television broadcasting to a third-party-owned dealer in Dubai, except for selling after-sales service parts and providing after-sales service training for such equipment, which were also ceased by the end of May 2013. The third-party-owned dealer in Dubai, to the best of Sony’s knowledge, may have resold such after-sales service parts and provided relevant after-sales services to the Islamic Republic of Iran Broadcasting, which we believe is a parent company of such dealer. During the fiscal year ended March 31, 2014, Sony’s gross revenue from these sales and training was approximately 14,000 U.S. dollars, and Sony has estimated that its net profit from such sales and training was approximately 11,000 U.S. dollars.
- During the fiscal year ended March 31, 2014, a non-U.S. subsidiary of Sony sold medical instruments, including medical printers, paper and monitors to a third-party-owned dealer in Dubai, which, to the best of Sony’s knowledge, planned to resell those products to the Iranian Ministry of Health. Sony’s gross revenue from these sales was approximately 2.5 million U.S. dollars, and Sony has estimated that its net profit from such sales was less than 0.5 million U.S. dollars.
- During the fiscal year ended March 31, 2014, a non-U.S. subsidiary of Sony closed a dormant bank account at Future Bank B.S.C. in Bahrain. Sony’s non-U.S. subsidiary closed the account in March 2014 and withdrew the remaining balance of the equivalent of 26,000 U.S. dollars, less de minimis fees.
- Sony’s representative office in Tehran, Iran, has been under liquidation processes and no longer engaged in any operation or activities other than the matters necessary for liquidation during the fiscal year ended March 31, 2014. In the course of liquidation, the office may engage in certain incidental transactions (for example, permits, taxes, and other similar matters incidental to the wind-down of the office in Iran) with Iranian government-owned entities. No material revenues or profits are associated with these transactions with the Iranian government.

Sony is not aware of any other activity, transaction or dealing by Sony Corporation or any of its affiliates during the fiscal year ended March 31, 2014 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 transactions that may be disclosable, as discussed above, will continue during the fiscal year ending March 31, 2015, 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 the Iranian Ministry of Health. Nevertheless, in the future, Sony may conduct additional sales activities in Iran through third-party-owned dealers/distributors, which may require disclosure pursuant to Section 13(r) of the Exchange Act. Sony intends to conduct any such sales in accordance with applicable law.

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

C. Organizational Structure

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

Name of company	Country of incorporation	(As of March 31, 2013) Percentage owned
Sony EMCS Corporation	Japan	100.0
Sony Semiconductor Corporation	Japan	100.0
Sony Marketing (Japan) Inc.	Japan	100.0
Sony Computer Entertainment Inc.	Japan	100.0
Sony Music Entertainment (Japan) Inc.	Japan	100.0
Sony Financial Holdings Inc.	Japan	60.0
Sony Life Insurance Co., Ltd.	Japan	100.0
Sony Americas Holding Inc.	U.S.A.	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 Ltd.	U.K.	100.0
Sony Global Treasury Services Plc	U.K.	100.0
Sony Overseas Holding B.V.	Netherland	100.0
Sony Mobile Communications AB	Sweden	100.0
Sony Electronics Asia Pacific Pte. Ltd.	Singapore	100.0
Sony (China) Limited	China	100.0

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, 2014 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
Motomiya, Fukushima (Sony Energy Devices Corporation — Motomiya Plant)	961,000	Batteries
Kohda, Aichi (Sony EMCS Corporation — Tokai TEC — Kohda Site)	878,000	Home-use video cameras, compact digital cameras and interchangeable single-lens cameras
Inazawa, Aichi (Sony EMCS Corporation — Tokai TEC — Inazawa Site)	842,000	LCD televisions
Shimotsuke, Tochigi (Sony Energy Devices Corporation — Tochigi Plant)	803,000	Batteries
Tsuruoka, Yamagata (Sony Semiconductor Corporation — Yamagata TEC)	703,000	CMOS image sensors and other semiconductors
Koriyama, Fukushima (Sony Energy Devices Corporation — Koriyama Plant)	592,000	Batteries
Kosai, Shizuoka (Sony EMCS Corporation — Tokai TEC — Kosai Site)	546,000	Broadcast-and professional-use video equipment
Kisarazu, Chiba (Sony EMCS Corporation — Kisarazu TEC)	541,000	Blu-ray Disc players/recorders, audio equipment and video conference systems

Location	Approximate floor space (square feet)	Principal products produced
<i>Outside of Japan:</i>		
Terre Haute, Indiana, U.S.A. (Sony DADC US Inc.)	2,428,000	Blu-ray Disc-ROMs, CDs, DVDs and UMDs (Universal Media Disc)
Huizhou, China (Sony Precision Devices (Huizhou) Co., Ltd.)	1,665,000	Optical pickups and LCDs
Wuxi, China (Sony Electronics (Wuxi) Co., Ltd., Sony Digital Products (Wuxi) Co., Ltd. and Sony (China) Ltd.)	1,882,000	Batteries and compact digital cameras
Penang, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. — PG TEC)	1,163,000	Audio equipment
Tuas, Singapore (Sony Electronics (Singapore) Pte. Ltd.)	811,000	Batteries
Bangi, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. — KL TEC)	872,000	LCD televisions, TV components, Blu-ray Disc players/recorders and DVD-players/recorders
Guangzhou, China (Sony Electronics Huanan Co., Ltd.)	707,000	Optical pickups
Beijing, China (Sony Mobile Communications Co., Ltd.)	688,000	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 employee housing and recreation facilities, as well as Sony Corporation's headquarters main building, with a total floor space of approximately 1,753,000 square feet, in Tokyo, Japan, where administrative functions and product development activities are carried out. In February 2013, Sony sold its Sony City Osaki office building and premises ("Sony City Osaki") in Tokyo. In connection with the sale, Sony entered into an agreement to lease the building for a period of five years after the sale. SCEI has its corporate headquarters in Sony Corporation's headquarters main building and leases its corporate buildings located in Tokyo, where administrative functions, product development, and software development are carried out. SCEA and SCEE lease their offices in the U.S. and Europe, respectively.

SPE's corporate offices and motion picture and television production facilities are headquartered in Culver City, California, where it owns and operates a studio facility, Sony Pictures Studios, with aggregate floor space of approximately 1,608,000 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.

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

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

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

Item 4A. *Unresolved Staff Comments*

Not applicable

Item 5. *Operating and Financial Review and Prospects*

A. *Operating Results*

Operating Results for the Fiscal Year Ended March 31, 2014 compared with the Fiscal Year Ended March 31, 2013

Certain figures for the fiscal year ended March 31, 2013 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

Operating Performance

	Fiscal year ended March 31		Percent change
	2013	2014	
	(Yen in billions)		
Sales and operating revenue	6,795.5	7,767.3	+14.3%
Equity in net loss of affiliated companies	(6.9)	(7.4)	—
Operating income	226.5	26.5	-88.3%
Income before income taxes	242.1	25.7	-89.4%
Net income (loss) attributable to Sony Corporation’s stockholders	41.5	(128.4)	—

Sales

Sales and operating income (“sales”) were 7,767.3 billion yen, an increase of 14.3 percent compared to the fiscal year ended March 31, 2013 (“year-on-year”). This increase was primarily due to the favorable impact of foreign exchange rates, the launch of the PlayStation®4 (PS4™), as well as a significant increase in sales of smartphones. A further breakdown of sales figures is presented under “*Operating Performance by Business Segment*” below.

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

“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.

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

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

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

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

Other operating (income) expense, net resulted in an expense of 48.7 billion yen, compared with income of 235.2 billion yen in the fiscal year ended March 31, 2013. This decline was mainly due to a 122.2 billion yen gain from the sale of certain shares of M3, Inc. ("M3") and the subsequent remeasurement of Sony's remaining interest in M3, formerly a consolidated subsidiary, a 691 million U.S. dollar (65.5 billion yen) gain on the sale of Sony's U.S. headquarters building, a 42.3 billion yen gain on the sale of Sony City Osaki in Tokyo and a 9.1 billion yen gain on the sale of the chemical products related business in the fiscal year ended March 31, 2013, while total impairment charges of 86.0 billion yen in the fiscal year ended March 31, 2014 included 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 the Mobile Products & Communications ("MP&C") segment, partially offset by a gain of 12.8 billion yen from the sale of certain shares of M3. Refer to Notes 5, 8 and 20 of the consolidated financial statements.

Equity in Net Loss of Affiliated Companies

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

Operating Income (Loss)

For the fiscal year ended March 31, 2014, operating income decreased 200.0 billion yen year-on-year to 26.5 billion yen. This significant decrease was primarily due to a year-on-year decrease in gains on the sale of assets and remeasurement gains (see above), a recording of 91.7 billion yen in losses related to the PC business, including restructuring charges, compared to 38.6 billion yen in PC business-related losses recorded in the fiscal year ended March 31, 2013, and a recording of impairment charges in the battery business and in the disc manufacturing business. This decrease was partially offset by the favorable impact of foreign exchange rates, a significant improvement in operating results in the mobile phone business and a significant decrease in loss in Televisions.

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

	MP&C	Corporate and elimination	Consolidated total
		(Billions of yen)	
i. Impairment of long-lived assets	¥ 12.8	¥ —	¥ 12.8
ii. Expenses to compensate suppliers for unused components	8.0	—	8.0
iii. Early retirement costs etc.	7.3	12.8	20.1
(I) Restructuring charges (i + ii + iii)	28.1	12.8	40.9
(II) Write-down of excess components in inventory etc.	17.4	—	17.4
PC exit costs (I+II)	45.5	12.8	58.3
Operating loss excluding exit cost	(33.3)	—	(33.3)
Total PC Operating Loss	¥(78.8)	¥(12.8)	¥(91.7)

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

Other Income and Expenses

For the fiscal year ended March 31, 2014, other income decreased by 26.2 billion yen, or 38.2 percent year-on-year, to 42.5 billion yen, while other expenses decreased by 9.9 billion yen, or 18.6 percent year-on-year, to 43.2 billion yen. The net amount of other income and other expenses was an expense of 0.8 billion yen, compared to income of 15.6 billion yen in the fiscal year ended March 31, 2013. This change was primarily due to a decrease in gain on sale of securities investments, partially offset by a decrease in interest recorded on borrowings. The sale of securities investments in the fiscal year ended March 31, 2014 included 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, while a 40.9 billion yen gain on the sale of Sony's shares in DeNA Co., Ltd. ("DeNA") was recorded in the fiscal year ended March 31, 2013.

A net foreign exchange loss of 9.2 billion yen was recorded in the fiscal year ended March 31, 2014, compared to a loss of 10.4 billion yen for the fiscal year ended March 31, 2013. This loss was mainly due to losses related to routine derivative contracts entered into to reduce risk caused by foreign exchange rate fluctuations.

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

Income (Loss) before Income Taxes

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

Income Taxes

During the fiscal year ended March 31, 2014, Sony recorded 94.6 billion yen of income tax expense, and Sony's effective tax rate exceeded the Japanese statutory tax rate. During the fiscal year ended March 31, 2014,

Sony Corporation and certain of its subsidiaries which had established valuation allowances incurred losses and, as such, Sony continued to not recognize the associated tax benefits, although this was partially offset by the recording of certain tax benefits associated with the impact of gains in other comprehensive income. Sony also recorded additional tax reserves during the fiscal year ended March 31, 2014.

Net Income (Loss) Attributable to Sony Corporation's Stockholders

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

Net income attributable to noncontrolling interests of 59.5 billion yen was recorded, a decrease of 0.6 billion yen year-on-year. This decrease was mainly due to the deconsolidation of M3 in the fiscal year ended March 31, 2013, partially offset by increased income at Sony Financial Holdings, Inc. ("SFH"), for which there is a noncontrolling interest of 40 percent.

Basic net loss per share attributable to Sony's stockholders for the fiscal year ended March 31, 2014 was 124.99 yen, compared with the net income per share attributable to Sony's stockholders of 41.32 yen in the fiscal year ended March 31, 2013, and diluted net loss per share attributable to Sony Corporation's stockholders was 124.99 yen, compared with diluted net income per share of 38.79 yen in the fiscal year ended March 31, 2013. Refer to Note 22 of the consolidated financial statements.

Operating Performance by Business Segment

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

Business Segment Information

	Fiscal year ended March 31		Percent change
	2013	2014	
	(Yen in billions)		
Sales and operating revenue			
Mobile Products & Communications	1,257.6	1,630.1	+29.6%
Game	707.1	979.2	+38.5
Imaging Products & Solutions	756.2	741.2	-2.0
Home Entertainment & Sound	994.8	1,168.6	+17.5
Devices	848.6	794.2	-6.4
Pictures	732.7	829.6	+13.2
Music	441.7	503.3	+13.9
Financial Services	1,002.4	993.8	-0.9
All Other	563.0	594.6	+5.6
Corporate and elimination	(508.6)	(467.3)	—
Consolidated	<u>6,795.5</u>	<u>7,767.3</u>	+14.3

	Fiscal year ended March 31		Percent change
	2013	2014	
	(Yen in billions)		
Operating income (loss)			
Mobile Products & Communications	(97.2)	(75.0)	—%
Game	1.7	(8.1)	—
Imaging Products & Solutions	1.4	26.3	+1,725.7
Home Entertainment & Sound	(84.3)	(25.5)	—
Devices	43.9	(13.0)	—
Pictures	47.8	51.6	+8.0
Music	37.2	50.2	+34.9
Financial Services	142.2	170.3	+19.7
All Other	101.5	(58.6)	—
Sub-Total	194.3	118.2	–39.1
Corporate and elimination*	32.2	(91.7)	—
Consolidated	226.5	26.5	–88.3

* Corporate and elimination includes headquarters restructuring costs 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 acquisition, which are not allocated to segments.

Mobile Products & Communications

For the fiscal year ended March 31, 2014, sales increased 29.6 percent year-on-year to 1,630.1 billion yen. This significant increase was primarily due to a significant increase in unit sales of smartphones and an increase in the average selling price of smartphones as well as the favorable impact of foreign exchange rates, partially offset by a significant decrease in unit sales of PCs.

Operating loss decreased 22.1 billion yen year-on-year to 75.0 billion yen. This significant decrease in loss year-on-year was primarily due to a significant improvement in the operating results of the mobile phone business, resulting in the recording of a profit, partially offset by an increase in restructuring charges and increased operating losses in the PC business.

PC operating losses, including restructuring charges, in the MP&C segment were 78.8 billion yen, compared to a loss of 38.6 billion yen in the fiscal year ended March 31, 2013. Of the 78.8 billion yen in operating losses, 45.5 billion yen was for costs related to Sony's decision to exit the PC business. Of the 45.5 billion yen, 28.1 billion yen was recognized as restructuring charges and the remaining 17.4 billion yen was an expense primarily for the write-down of excess components in inventory.

During the fiscal year ended March 31, 2014, restructuring charges, net, for the MP&C segment increased 26.6 billion yen year-on-year to 32.5 billion yen. Of the 32.5 billion yen, 28.1 billion yen was related to the PC business. This 28.1 billion yen includes a 12.8 billion yen impairment for long-lived assets, an 8.0 billion yen expense to compensate suppliers for unused components reflecting the termination of future manufacturing and 7.3 billion yen primarily in early retirement costs.

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

Sales to outside customers by product category

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

	Fiscal year ended March 31				Percent change
	2013		2014		
	(Yen in millions)				
<i>Mobile Communications</i>	733,622	(60.1)	1,191,787	(73.1)	+62.5%
<i>Personal and Mobile Products</i>	480,132	(39.4)	431,378	(26.5)	-10.2
<i>Other</i>	6,259	(0.5)	6,360	(0.4)	+1.6
MP&C Total	1,220,013	(100.0)	1,629,525	(100.0)	+33.6

Unit sales of major products

	Fiscal year ended March 31			
	2013	2014	Unit change	Percent change
	(Units in millions)			
Smartphones within <i>Mobile Communications</i>	33.0	39.1	+6.1	+18.5%
PCs within <i>Personal and Mobile Products</i>	7.6	5.6	-2.0	-26.3

Game

For the fiscal year ended March 31, 2014, sales increased 38.5 percent year-on-year to 979.2 billion yen. This significant increase was primarily due to the launch of the PS4 as well as the favorable impact of foreign exchange rates. PlayStation®3 (“PS3”) hardware unit sales decreased, although PS3 software sales increased.

An operating loss of 8.1 billion yen was recorded, compared to operating income of 1.7 billion yen in the fiscal year ended March 31, 2013. This year-on-year deterioration was primarily due to an increase in costs related to the launch of the PS4 as well as the recording of a 6.2 billion yen write-off of certain PC game software titles sold by Sony Online Entertainment LLC, partially offset by the above-mentioned increase in sales.

Unit sales of each platform within the segment

	Fiscal year ended March 31			
	2013	2014	Unit change	Percent change
	(Units in millions, Yen in billions)			
Hardware				
Computer Entertainment System (PS4 / PS3 / PS2)*	16.5	14.6	-1.9	-11.5%
Portable Entertainment System (PS Vita / PSP)	7.0	4.1	-2.9	-41.4
Software (Sales)**	266	374	—	+40.6

*PS2 is not included in the fiscal year ended March 31, 2014.

**Software (Sales) includes sales of packaged software, networked software, and networked services in the Game segment.

Imaging Products & Solutions

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

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

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

Sales to outside customers by product category

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

	Fiscal year ended March 31				Percent change
	2013		2014		
	(Yen in millions)				
Digital Imaging Products	449,724	(59.7)	413,255	(56.0)	-8.1%
Professional Solutions	285,698	(38.0)	306,885	(41.6)	+7.4
Other	17,181	(2.3)	17,334	(2.4)	+0.9
IP&S Total	752,603	(100.0)	737,474	(100.0)	-2.0

Unit sales of major products

	Fiscal year ended March 31			
	2013	2014	Unit change	Percent change
	(Units in millions)			
Home-use video cameras within Digital Imaging Products	3.7	2.3	-1.4	-37.8%
Digital cameras within Digital Imaging Products*	17.0	11.5	-5.5	-32.4

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

Home Entertainment & Sound

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

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

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

* The operating 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 outside customers by product category and unit sales of major products:

Sales to outside customers by product category

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

	Fiscal year ended March 31				Percent change
	2013		2014		
	(Yen in millions)				
Televisions	581,475	(58.5)	754,308	(64.7)	+29.7%
Audio and Video	405,024	(40.8)	400,828	(34.4)	-1.0
Other	7,323	(0.7)	10,871	(0.9)	+48.5
HE&S Total	993,822	(100.0)	1,166,007	(100.0)	+17.3

Unit sales of major products

	Fiscal year ended March 31		Unit change	Percent change
	2013	2014		
	(Units in millions)			
LCD televisions within <i>Televisions</i>	13.5	13.5	+0	—%

Devices

For the fiscal year ended March 31, 2014, sales decreased 6.4 percent year-on-year to 794.2 billion yen. This decrease was primarily due to a decrease in sales of system LSIs primarily used for PS3s and the absence of sales from the chemical products related business in the fiscal year ended March 31, 2014, partially offset by the favorable impact of foreign exchange rates and a significant increase in sales of image sensors, reflecting higher demand for mobile products. Sales to external customers increased 0.9 percent year-on-year.

An operating loss of 13.0 billion yen was recorded, compared to operating income of 43.9 billion yen in the fiscal year ended March 31, 2013. This significant deterioration in operating results was primarily due to the recording of a 32.1 billion yen impairment charge related to long-lived assets in the battery business as well as a lower net benefit in the fiscal year ended March 31, 2014 from insurance recoveries related to damages and losses incurred from the Floods. Restructuring charges, net, decreased 10.2 billion yen year-on-year to 8.9 billion yen.

Below are the sales to outside customers by product category:

Sales to outside customers by product category

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

	Fiscal year ended March 31		Percent change
	2013	2014	
	(Yen in millions)		
<i>Semiconductors</i>	301,915 (51.7)	336,845 (57.2)	+11.6
<i>Components</i>	271,654 (46.5)	249,856 (42.4)	−8.0
<i>Other</i>	10,399 (1.8)	2,493 (0.4)	−76.0
Devices Total	<u>583,968 (100.0)</u>	<u>589,194 (100.0)</u>	+0.9

Electronics*

* The term “Electronics” refers to the sum of the MP&C, Game, IP&S, HE&S and Devices segments.

Inventory

Total inventory of the Electronics segments above as of March 31, 2014 was 642.9 billion yen, an increase of 16.4 billion yen, or 2.6 percent compared with the level as of March 31, 2013.

Sales to Outside Customers by Geographic Area

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

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

Manufacturing by Geographic Area

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

Approximately 30 percent of the annual in-house production took place in Japan, including the production of compact digital cameras, home-use video cameras, LCD televisions, PCs, 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 45 percent of the annual in-house production, approximately 70 percent of which was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 20 percent of the annual in-house production, with approximately 50 percent destined for the Americas, Japan, Europe and China. Production in the Americas and Europe together accounted for approximately 5 percent of the annual in-house production, most of which was destined for local distribution and sale.

Pictures

The disclosure for sales to external customers for the Pictures segment has been expanded into the following three categories: Motion Pictures, Television Productions, and Media Networks. Motion Pictures includes the production, acquisition and distribution of motion pictures; Television Productions includes the production, acquisition and distribution of television programming; Media Networks includes the operation of television and digital networks.

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."

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

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

As of March 31, 2014, unrecognized license fee revenue at SPE was approximately 1.3 billion U.S. dollars. SPE expects to record this amount over the next ten years, having entered into contracts with television broadcasters to provide those broadcasters with completed motion pictures and television programming. 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 outside customers by product category:

Sales to outside customers by product category

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

	Fiscal year ended March 31		Percent change
	2013	2014	
	(Yen in millions)		
<i>Motion Pictures</i>	446,254 (61.0)	422,255 (50.9)	-5.4%
<i>Television Productions</i>	159,794 (21.8)	247,568 (29.9)	+54.9
<i>Media Networks</i>	126,079 (17.2)	158,845 (19.2)	+26.0
Pictures Total	<u>732,127 (100.0)</u>	<u>828,668 (100.0)</u>	+13.2

Music

The disclosure for sales to external customers for the Music segment has been expanded into the following three categories: Recorded Music, Music Publishing and Visual Media and Platform. Recorded Music includes the distribution of physical and digital recorded music and revenue derived from artists' live performances; Music Publishing includes the management and licensing of the words and music of songs; Visual Media and Platform includes various service offerings for music and visual products and the production and distribution of animation titles.

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

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

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

Below are the sales to outside customers by product category:

Sales to outside customers by product category

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

	Fiscal year ended March 31		Percent change
	2013	2014	
	(Yen in millions)		
<i>Recorded Music</i>	307,788 (71.3)	347,684 (70.7)	+13.0%
<i>Music Publishing</i>	52,764 (12.2)	66,869 (13.6)	+26.7
<i>Visual Media & Platform</i>	71,167 (16.5)	77,505 (15.7)	+8.9
Music Total	<u>431,719 (100.0)</u>	<u>492,058 (100.0)</u>	+14.0

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.

Certain figures for the fiscal year ended March 31, 2013 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

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

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

Information on Operations Separating Out the Financial Services Segment

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

Certain figures for the fiscal year ended March 31, 2013 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

	Fiscal year ended March 31	
	2013	2014
Financial Services segment		
	(Yen in millions)	
Financial services revenue	1,002,389	993,846
Financial services expenses	857,877	821,218
Equity in net loss of affiliated companies	(2,303)	(2,336)
Operating income	142,209	170,292
Other income (expenses), net	100	2
Income before income taxes	142,309	170,294
Income taxes and other	43,328	54,161
Net income of Financial Services	98,981	116,133

	Fiscal year ended March 31	
	2013	2014
	(Yen in millions)	
Sony without the Financial Services segment		
Net sales and operating revenue	5,799,582	6,780,504
Costs and expenses	5,713,090	6,921,294
Equity in net loss of affiliated companies	(4,645)	(5,038)
Operating income (loss)	81,847	(145,828)
Other income (expenses), net	23,147	7,800
Income (loss) before income taxes	104,994	(138,028)
Income taxes and other	117,013	53,290
Net loss of Sony without Financial Services	(12,019)	(191,318)
	Fiscal year ended March 31	
	2013	2014
	(Yen in millions)	
Consolidated		
Financial services revenue	999,276	988,944
Net sales and operating revenue	5,796,228	6,778,322
	6,795,504	7,767,266
Costs and expenses	6,562,053	7,733,397
Equity in net loss of affiliated companies	(6,948)	(7,374)
Operating income	226,503	26,495
Other income (expenses), net	15,581	(754)
Income before income taxes	242,084	25,741
Income taxes and other	200,544	154,110
Net income (loss) attributable to Sony Corporation's Stockholders	41,540	(128,369)

All Other

Sales for the fiscal year ended March 31, 2014 increased 5.6 percent year-on-year, to 594.6 billion yen. The increase in sales is mainly due to significantly higher sales in the network business and favorable foreign exchange rates.

An operating loss of 58.6 billion yen was recorded for the fiscal year ended March 31, 2014, compared to an operating income of 101.5 billion yen in the fiscal year ended March 31, 2013. This deterioration was mainly due to the recording of a 122.2 billion yen gain from the sale of certain shares of M3 and the subsequent remeasurement of Sony's remaining interest in M3, which was formerly a consolidated subsidiary of Sony in the fiscal year ended March 31, 2013, and the recording of 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, partially offset by the recording of a 12.8 billion yen gain from the sale of certain shares of M3, and the recording of a 54 million U.S. dollar (5.6 billion yen) gain from the sale of all of the shares of Gracenote, Inc., a wholly-owned subsidiary of Sony Corporation of America in the fiscal year ended March 31, 2014.

Restructuring

In a highly competitive business environment, Sony has been undertaking a series of measures to revitalize and grow its electronics business. In February 2014, Sony announced significant steps to address reform of the PC and TV businesses, and reduce headcount in manufacturing, sales and headquarters / indirect functions. These headcount reduction initiatives are anticipated to result in annual fixed cost reductions of more than 100 billion yen starting in the fiscal year ending March 31, 2016, compared to the fiscal year ended March 31, 2014.

In the fiscal year ended March 31, 2014, Sony recorded restructuring charges of 80.6 billion yen, which includes 5.0 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 77.5 billion yen of restructuring charges recorded in the fiscal year ended March 31, 2013. There were 3.1 billion yen of non-cash charges related to depreciation associated with restructured assets in the fiscal year ended March 31, 2013. Restructuring charges increased by 3.1 billion yen or 4.0 percent year-on-year. Of the total 80.6 billion yen incurred in the fiscal year ended March 31, 2014, 41.8 billion yen were personnel related costs, primarily included in SGA expenses in the consolidated statements of income. These personnel-related costs decreased 33.4 percent year-on-year.

Restructuring charges for the fiscal year ended March 31, 2014 were related to restructuring initiatives primarily associated with the electronics businesses and Sony's headquarters, as mentioned above.

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

During the fiscal year ended March 31, 2014, the average rates of the yen were 100.2 yen against the U.S. dollar and 134.4 yen against the euro, which were 17.1 percent and 20.3 percent lower, respectively, than the fiscal year ended March 31, 2013. For the latest yen exchange rates per U.S. dollar, refer to "Selected Financial Data" in "Item 3. Key Information."

For the fiscal year ended March 31, 2014, consolidated sales were 7,767.3 billion yen, an increase of 14.3 percent year-on-year, while on a constant currency basis, sales decreased approximately 2 percent year-on-year. For references to information on a constant currency basis, see Note at the bottom of this section.

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

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

		Fiscal year ended March 31		Change in yen	Change on constant currency basis*	Impact of changes in foreign exchange rates
		2013	2014			
(Yen in billions)						
MP&C	Sales	1,257.6	1,630.1	+29.6%	+6%	+293.5
	Operating loss	(97.2)	(75.0)	+22.1	+29.3	-7.2
Game	Sales	707.1	979.2	+38.5%	+16%	+156.4
	Operating income (loss)	1.7	(8.1)	-9.8	-19.8	+10.0
IP&S	Sales	756.2	741.2	-2.0%	-16%	+108.0
	Operating income	1.4	26.3	+24.9	-13.3	+38.2
HE&S	Sales	994.8	1,168.6	+17.5%	-2%	+198.3
	Operating loss	(84.3)	(25.5)	+58.8	+53.7	+5.1
Devices	Sales	848.6	794.2	-6.4%	-19%	+106.9
	Operating income (loss)	43.9	(13.0)	-56.9	-99.5	+42.6

During the fiscal year ended March 31, 2014, Sony estimated that a one yen appreciation against the U.S. dollar would have decreased consolidated sales by approximately 50 billion yen, with an increase in operating income of approximately 3 billion yen. A one yen appreciation against the euro was estimated to

decrease consolidated sales by approximately 10 billion yen, with a corresponding decrease in operating income of approximately 7 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."

In addition, sales for the Pictures segment increased 13.2 percent year-on-year to 829.6 billion yen, while sales decreased approximately 6 percent on a constant currency (U.S. dollar) basis. In the Music segment, sales increased 13.9 percent year-on-year to 503.3 billion yen, while sales were essentially flat year-on-year on a constant currency basis. For a detailed analysis of segment performance, please refer to the Pictures and Music segments under "*Operating Performance by Business Segment.*" Sony's Financial Services segment consolidates the yen-based results of SFH. As most of the operations in this segment are based in Japan, Sony management analyzes the performance of the Financial Services segment on a yen basis only.

Sony's consolidated results are subject to foreign currency rate fluctuations largely because the currency used in the countries where manufacturing and material and parts procurement takes place may be different from those where Sony's products are sold. In order to reduce the risk caused by foreign exchange rate fluctuations, Sony employs derivatives, including foreign exchange forward contracts and foreign currency option contracts, in accordance with a consistent risk management strategy. Such derivatives are used primarily to mitigate the effect of foreign currency exchange rate fluctuations on cash flows generated or anticipated by Sony Corporation and by its subsidiaries' transactions and accounts receivable and payable denominated in foreign currencies.

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

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

* Note: In this section, the descriptions of sales on a constant currency basis reflects sales obtained by applying the yen's monthly average exchange rates from the fiscal year ended March 31, 2013 to local currency-denominated monthly sales in the fiscal year ended March 31, 2014. The impact of foreign exchange rate fluctuations on operating income (loss) described herein is estimated by deducting costs of sales, and SGA expenses on a constant currency basis from sales on a constant currency basis. Cost of sales and SGA expenses on a constant currency basis are obtained by applying the yen's monthly average exchange rates in the fiscal year ended March 31, 2013 to the corresponding local currency-denominated monthly cost of sales and SGA expenses in the fiscal year ended March 31, 2014. In certain cases, most significantly in the Pictures segment and SME and Sony/ATV in the Music segment, the constant currency amounts are after aggregation on a U.S. dollar

basis. Sales and operating income (loss) on a constant currency basis are not reflected in Sony's consolidated financial statements and are not measured in accordance with U.S. GAAP. Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that disclosing sales and operating income (loss) information on a constant currency basis provides additional useful analytical information to investors regarding the operating performance of Sony.

Operating Results for the Fiscal Year Ended March 31, 2013 compared with the Fiscal Year Ended March 31, 2012

Certain figures for the fiscal year ended March 31, 2013 and for the fiscal year ended March 31, 2012 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

For the fiscal year ended March 31, 2013, consolidated sales increased year-on-year primarily due to the impact of consolidating Sony Mobile Communications AB ("Sony Mobile", formerly known as Sony Ericsson Mobile Communication AB ("Sony Ericsson")) as a wholly-owned subsidiary, the favorable impact of foreign exchange rates and an increase in financial services revenue in the Financial Services segment. Consolidated operating income was recorded, compared to a loss in the fiscal year ended March 31, 2012 primarily due to the recording of sale and remeasurement gains associated with the sale of assets. Net income attributable to Sony Corporation's stockholders was recorded, compared to a net loss in the fiscal year ended March 31, 2012.

Operating Performance

	Fiscal year ended March 31		Percent change
	2012	2013	
	(Yen in billions)		
Sales and operating revenue	6,493.1	6,795.5	+4.7%
Equity in net loss of affiliated companies	(121.7)	(6.9)	—
Operating income (loss)	(65.7)	226.5	—
Income (loss) before income taxes	(80.9)	242.1	—
Net income (loss) attributable to Sony Corporation's stockholders	(455.0)	41.5	—

Sales

Sales were 6,795.5 billion yen, an increase of 4.7 percent compared to the fiscal year ended March 31, 2012 ("year-on-year"). This increase was primarily due to the impact of consolidating Sony Mobile as a wholly-owned subsidiary, the favorable impact of foreign exchange rates and an increase in financial services revenue in the Financial Services segment. Partially offsetting the increase in sales was a decrease in unit sales of key electronics products and the negative impact resulting from the sales of the small- and medium-sized display business and the chemical products related business. A further breakdown of sales figures is presented under "*Operating Performance by Business Segment*" below.

During the fiscal year ended March 31, 2013, the average rates of the yen were 83.1 yen against the U.S. dollar and 107.2 yen against the euro, which were 6.1 percent lower and 0.3 percent higher, respectively, than the fiscal year ended March 31, 2012.

"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.

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

Cost of sales for the fiscal year ended March 31, 2013 increased by 99.0 billion yen, or 2.3 percent year-on-year, to 4,485.4 billion yen, and the ratio of cost of sales to sales improved year-on-year from 77.9 percent to 77.4 percent.

Research and development costs (all research and development costs are included within cost of sales) increased by 40.1 billion yen, or 9.3 percent year-on-year, to 473.6 billion yen, mainly due to the consolidation of Sony Mobile from February 16, 2012. The ratio of research and development costs to sales was 8.2 percent compared to 7.7 percent in the fiscal year ended March 31, 2012.

SGA expenses increased by 82.4 billion yen, or 6.0 percent year-on-year, to 1,457.6 billion yen, mainly due to the impact of the depreciation of the yen and an increase in restructuring charges related mainly to employee termination benefits. The ratio of SGA expenses to sales deteriorated year-on-year from 24.4 percent to 25.1 percent.

Other operating (income) expense, net resulted in income of 235.2 billion yen, compared with income of 59.6 billion yen in the fiscal year ended March 31, 2012. This increase was mainly due to a 122.2 billion yen gain from the sale of certain shares of M3, Inc. ("M3") and the subsequent remeasurement of Sony's remaining interest in M3, formerly a consolidated subsidiary, a 691 million U.S. dollar (65.5 billion yen) gain on the sale of Sony's U.S. headquarters building, a 42.3 billion yen gain on the sale of Sony City Osaki in Tokyo and a 9.1 billion yen gain on the sale of the chemical products related business. Refer to Notes 5, 8 and 20 of the consolidated financial statements.

Equity in Net Income (Loss) of Affiliated Companies

For the fiscal year ended March 31, 2013, equity in net loss of affiliated companies, decreased 114.7 billion yen year-on-year to 6.9 billion yen. This improvement was primarily due to the absence of equity in net loss for S-LCD Corporation ("S-LCD") of 64.1 billion yen and equity in net loss for Sony Ericsson of 57.7 billion yen, which were both accounted for under the equity method in the fiscal year ended March 31, 2012.

Operating Income (Loss)

For the fiscal year ended March 31, 2013, operating income of 226.5 billion yen was recorded, compared to an operating loss of 65.7 billion yen in the fiscal year ended March 31, 2012. This significant improvement was primarily due to the recording of sale and remeasurement gains associated with the sale of assets undertaken as a part of Sony's efforts to transform its business portfolio and strengthen its financial structure, a decrease in losses from Televisions in accordance with the Television Profitability Improvement Plan, and an improvement in the operating results of the Devices segment, the Financial Services segment and the Pictures segment. Operating results of the MP&C segment, the Game segment and the IP&S segment deteriorated. A 102.3 billion yen remeasurement gain associated with obtaining control of Sony Mobile was recorded in the MP&C segment in the fiscal year ended March 31, 2012. For further details, see the "Operating Performance by Business Segment".

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

Other Income and Expenses

For the fiscal year ended March 31, 2013, other income increased by 45.2 billion yen, or 192.4 percent year-on-year, to 68.7 billion yen, while other expenses increased by 14.3 billion yen, or 37.1 percent year-on-year, to 53.1 billion yen. The net amount of other income and other expenses was income of 15.6 billion yen, compared to an expense of 15.2 billion yen in the fiscal year ended March 31, 2012. The change from other expense, net to other income, net was primarily due to an increase in gain on sale of securities investments partially offset by an increase in net foreign exchange loss. The sale of securities investments in the fiscal year ended March 31, 2013 included a 40.9 billion yen gain on the sale of Sony's shares in DeNA, which were sold in March 2013.

A net foreign exchange loss of 10.4 billion yen was recorded, compared to a loss of 5.1 billion yen for the fiscal year ended March 31, 2012. This loss was mainly due to losses related to routine derivative contracts entered into to reduce risk caused by foreign exchange rate fluctuations.

Interest and dividends in other income of 22.0 billion yen was recorded in the fiscal year ended March 31, 2013, an increase of 6.9 billion yen, or 45.6 percent year-on-year. Interest recorded in other expenses totaled 26.7 billion yen, an increase of 3.9 billion yen, or 17.1 percent year-on-year.

Income (Loss) before Income Taxes

For the fiscal year ended March 31, 2013, income before income taxes was 242.1 billion yen, compared to a loss of 80.9 billion yen in the fiscal year ended March 31, 2012.

Income Taxes

During the fiscal year ended March 31, 2013, Sony recorded 140.4 billion yen of income tax expense. As of March 31, 2012, Sony had established a valuation allowance against certain deferred tax assets for Sony Corporation and its national tax filing group in Japan, the consolidated tax filing group in the U.S., and certain other subsidiaries. During the fiscal year ended March 31, 2013, certain of these tax filing groups and subsidiaries incurred losses, and as such Sony continued to not recognize the associated tax benefits. As a result, Sony's effective tax rate for the fiscal year ended March 31, 2013 exceeded the Japanese statutory tax rate. Income tax expense decreased 176.4 billion yen as compared to the fiscal year ended March 31, 2012, which was primarily due to a non-cash charge recorded in the fiscal year ended March 31, 2012 to establish a valuation allowance of 260.3 billion yen against certain deferred tax assets held by subsidiaries in the U.S., Japan and the U.K. Refer to Note 21 of the consolidated financial statements.

Net Income (Loss) Attributable to Sony Corporation's Stockholders

For the fiscal year ended March 31, 2013, net income attributable to Sony Corporation's stockholders, which excludes net income attributable to noncontrolling interests, was 41.5 billion yen, compared to a net loss of 455.0 billion yen in the fiscal year ended March 31, 2012.

Net income attributable to noncontrolling interests of 60.1 billion yen was recorded, an increase of 2.8 billion yen year-on-year. This increase was mainly due to the increased income at Sony Financial Holdings, Inc. ("SFH"), for which there is a noncontrolling interest of 40 percent. For details of operating results in the Financial Services segment, refer to "Operating Performance by Business Segment" below.

Basic net income per share attributable to Sony's stockholders was 41.32 yen and diluted net income per share attributable to Sony Corporation's stockholders was 38.79 yen compared with basic and diluted net losses per share of 453.42 yen, respectively, in the fiscal year ended March 31, 2012. 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
	2012	2013	
	(Yen in billions)		
Sales and operating revenue			
Mobile Products & Communications*	622.7	1,257.6	+102.0%
Game	805.0	707.1	-12.2
Imaging Products & Solutions	785.1	756.2	-3.7
Home Entertainment & Sound	1,286.3	994.8	-22.7
Devices	1,026.6	848.6	-17.3
Pictures	657.7	732.7	+11.4
Music	442.8	441.7	-0.2
Financial Services	868.7	1,002.4	+15.4
All Other	506.5	563.0	+11.1
Corporate and elimination	(508.2)	(508.6)	—
Consolidated	<u>6,493.1</u>	<u>6,795.5</u>	+4.7
	Fiscal year ended March 31		Percent change
	2012	2013	
	(Yen in billions)		
Operating income (loss)			
Mobile Products & Communications**	7.2	(97.2)	—%
Game	29.3	1.7	-94.1
Imaging Products & Solutions	19.6	1.4	-92.7
Home Entertainment & Sound	(199.5)	(84.3)	—
Devices	(22.1)	43.9	—
Pictures	34.1	47.8	+40.1
Music	36.9	37.2	+0.9
Financial Services	129.3	142.2	+10.0
All Other	(34.0)	101.5	—
Sub-Total	(0.9)	194.3	—
Corporate and elimination***	(66.6)	32.2	—
Consolidated	<u>(65.7)</u>	<u>226.5</u>	—

* The Mobile Products & Communications segment sales do not include sales of Sony Ericsson from April 1, 2011 through February 15, 2012.

** The Mobile Products & Communications segment's operating income for the fiscal year ended March 31, 2012 includes Sony's equity results for Sony Ericsson through February 15, 2012 and the operating income (loss) from February 16, 2012 through March 31, 2012 for Sony Mobile, as well as the remeasurement gain associated with obtaining control of Sony Mobile.

*** Corporate and elimination includes headquarters restructuring costs 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 acquisition, which are not allocated to segments.

Mobile Products & Communications

For the fiscal year ended March 31, 2013, sales increased 102.0 percent year-on-year to 1,257.6 billion yen. This significant increase was primarily due to the impact of consolidating Sony Mobile as a wholly-owned subsidiary, partially offset by lower sales of PCs resulting from a decline in unit sales.

On a pro forma basis, had Sony Mobile been fully consolidated for the entire fiscal year ended March 31, 2012, segment sales would have increased approximately 18 percent. This significant increase was due to an increase in sales of mobile phones primarily resulting from higher average selling prices, reflecting a product portfolio shift to smartphones from feature phones, and higher unit sales of smartphones, partially offset by lower sales of PCs.

An operating loss of 97.2 billion yen was recorded, compared to operating income of 7.2 billion yen in the fiscal year ended March 31, 2012. This significant deterioration was primarily due to the inclusion of a 102.3 billion yen remeasurement gain associated with obtaining control of Sony Mobile in the fiscal year ended March 31, 2012, the above-mentioned decrease in sales of PCs and the unfavorable impact of foreign exchange rates. The depreciation of the yen unfavorably impacted operating results, primarily because the proportion of U.S. dollar-based costs to total costs was higher than the proportion of U.S. dollar-based revenue to total revenue in the MP&C segment. Restructuring charges, net, increased 3.9 billion yen year-on-year to 5.9 billion yen.

On a pro forma basis, had Sony Mobile been fully consolidated for the entire fiscal year ended March 31, 2012, operating loss would have been approximately 102.0 billion yen. This loss does not include the above-mentioned 102.3 billion yen remeasurement gain. The decrease in operating loss compared to the fiscal year ended March 31, 2012 on a pro forma basis was primarily due to the impact of the above-mentioned increase in sales of mobile phones, partially offset by the impact of the lower sales of PCs.

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

Sales to outside customers by product category

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

	Fiscal year ended March 31		Percent change
	2012	2013	
	(Yen in millions)		
<i>Mobile Communications*</i>	77,732 (12.5)	733,622 (60.1)	+843.8%
<i>Personal and Mobile Products</i>	538,816 (86.6)	480,132 (39.4)	-10.9
<i>Other</i>	5,867 (0.9)	6,259 (0.5)	+6.7
MP&C Total	622,415 (100.0)	1,220,013 (100.0)	+96.0

* Sales for Mobile Communications during the fiscal year ended March 31, 2012 were sales after the consolidation of Sony Mobile from February 16, 2012 through March 31, 2012.

Unit sales of major products

	Fiscal year ended March 31		Unit change	Percent change
	2012	2013		
	(Units in millions)			
Smartphones within <i>Mobile Communications</i>	22.5*	33.0	+10.5	+46.7%
PCs within <i>Personal and Mobile Products</i>	8.4	7.6	-0.8	-9.5

* Unit sales of smartphones during the fiscal year ended March 31, 2012 includes the sales of Sony Ericsson for the full year.

Game

For the fiscal year ended March 31, 2013, sales decreased 12.2 percent year-on-year to 707.1 billion yen. Sales to external customers decreased 22.5 percent year-on-year. This significant decrease was primarily due to a

decrease in unit sales of PlayStation®3 (“PS3”) hardware and PSP® (PlayStation Portable) (“PSP”) hardware and software, as well as PlayStation®Vita (“PS Vita”) hardware, partially offset by the favorable impact of foreign exchange rates.

Operating income decreased 27.6 billion yen year-on-year to 1.7 billion yen. This significant decrease was primarily due to the above-mentioned decrease in sales of PSP hardware and software as well as the impact of a strategic price reduction for the PS Vita, enacted in Japan in February 2013. Below are the unit sales of each platform within the segment:

Unit sales of each platform within the segment

	Fiscal year ended March 31		Unit change	Percent change
	2012	2013		
	(Units in millions)			
Hardware				
Computer Entertainment System (PS3 /PS2)	18.0	16.5	-1.5	-8.3%
Portable Entertainment System (PS Vita / PSP)	6.8	7.0	+0.2	+2.9
Software*				
Computer Entertainment System (PS3 /PS2)	164.5	153.9	-10.6	-6.4
Portable Entertainment System (PS Vita / PSP)	32.2	28.8	-3.4	-10.6

* Network downloaded software is not included within unit software sales in the table above. PS Vita hardware and software are not included in the sales for the fiscal year ended March, 31, 2012 in the table above.

Imaging Products & Solutions

For the fiscal year ended March 31, 2013, sales decreased 3.7 percent year-on-year to 756.2 billion yen. This decrease was primarily due to a significant decrease in unit sales of compact digital cameras, reflecting a contraction of the low-end of the market, as well as a significant decrease in unit sales of video cameras reflecting a contraction of the market, partially offset by significantly higher sales of interchangeable single-lens cameras and the favorable impact of foreign exchange rates.

Operating income decreased 18.2 billion yen year-on-year to 1.4 billion yen. This significant decrease was mainly due to the impact of the above-mentioned decrease in sales and an increase in restructuring charges. Restructuring charges, net, increased 11.4 billion yen year-on-year to 12.9 billion yen.

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

Sales to outside customers by product category

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

	Fiscal year ended March 31		Percent change
	2012	2013	
	(Yen in millions)		
Digital Imaging Products	489,526	(62.7) 449,724	(59.7) -8.1%
Professional Solutions	280,645	(36.0) 285,698	(38.0) +1.8
Other	10,251	(1.3) 17,181	(2.3) +67.6
IP&S Total	780,422	(100.0) 752,603	(100.0) -3.6

Unit sales of major products

	Fiscal year ended March 31		Unit change	Percent change
	2012	2013		
	(Units in millions)			
Home-use video cameras within <i>Digital Imaging Products</i>	4.4	3.7	-0.7	-15.9%
Compact digital cameras within <i>Digital Imaging Products</i>	21.0	15.0	-6.0	-28.6

Home Entertainment & Sound

For the fiscal year ended March 31, 2013, sales decreased 22.7 percent year-on-year to 994.8 billion yen. This significant decrease was primarily due to a significant decrease in LCD television unit sales.

Operating loss decreased 115.1 billion yen year-on-year to 84.3 billion yen. This significant improvement in operating results was primarily due to the absence of 64.1 billion yen of equity in net loss for S-LCD recorded in the fiscal year ended March 31, 2012 and reductions in LCD panel related expenses and operating expenses. Included in the reduction of LCD panel related expenses was the impact of not having incurred any expenses for the low capacity utilization of S-LCD in the fiscal year ended March 31, 2013. The above initiatives were conducted in accordance with the Television Profitability Improvement Plan announced in November 2011. Restructuring charges, net, increased 7.0 billion yen year-on-year to 12.4 billion yen.

In Televisions, sales decreased 31.1 percent year-on-year to 581.5 billion yen and operating loss* decreased 134.1 billion yen year-on-year to 69.6 billion yen.

* The operating 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 outside customers by product category and unit sales of major products:

Sales to outside customers by product category

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

	Fiscal year ended March 31		Percent change
	2012	2013	
	(Yen in millions)		
<i>Televisions</i>	843,464 (65.6)	581,475 (58.5)	-31.1%
<i>Audio and Video</i>	433,800 (33.7)	405,024 (40.8)	-6.6
<i>Other</i>	8,569 (0.7)	7,323 (0.7)	-14.5
HE&S Total	1,285,833 (100.0)	993,822 (100.0)	-22.7

Unit sales of major products

	Fiscal year ended March 31		Unit change	Percent change
	2012	2013		
	(Units in millions)			
LCD televisions within <i>Televisions</i>	19.6	13.5	-6.1	-31.1%
Blu-ray Disc players / recorders within <i>Audio and Video</i>	7.0	6.3	-0.7	-10.0

Devices

For the fiscal year ended March 31, 2013, sales decreased 17.3 percent year-on-year to 848.6 billion yen. This significant decrease was primarily due to the sales of the small- and medium-sized display business and the chemical products related business, partially offset by the favorable impact of foreign exchange rates and a significant increase in sales of image sensors reflecting higher demand for mobile products.

Excluding the impact of the sales of the small- and medium-sized display business and the chemical products related business, overall segment sales were essentially flat year-on-year.

Operating income of 43.9 billion yen was recorded, compared to an operating loss of 22.1 billion yen in the fiscal year ended March 31, 2012. This significant improvement was primarily due to the recording of a 19.2 billion yen expense associated with the sale of the small- and medium-sized display business in the fiscal year ended March 31, 2012, the above-mentioned increase in sales of image sensors, and the recording of a 9.1 billion yen gain on the sale of the chemical products related business. The net benefit from insurance recoveries related to damages and losses incurred from the Floods increased year-on-year. Restructuring charges, net, decreased 8.2 billion yen year-on-year to 19.1 billion yen.

Below are the sales to outside customers by product category:

Sales to outside customers by product category

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

	Fiscal year ended March 31				Percent change
	2012		2013		
	(Yen in millions)				
<i>Semiconductors</i>	377,177	(55.7)	301,915	(51.7)	−20.0%
<i>Components</i>	295,822	(43.7)	271,654	(46.5)	−8.2
<i>Other</i>	4,209	(0.6)	10,399	(1.8)	+147.1
Devices Total	<u>677,208</u>	<u>(100.0)</u>	<u>583,968</u>	<u>(100.0)</u>	−13.8

Electronics*

* The term “Electronics” refers to the sum of the MP&C, Game, IP&S, HE&S and Devices segments.

Inventory

Total inventory of the Electronics segments above as of March 31, 2013 was 622.9 billion yen, a decrease of 4.3 billion yen, or 0.7 percent compared with the level as of March 31, 2012.

Sales to Outside Customers by Geographic Area

Combined sales to outside customers by geographic area for the Electronics segments for the fiscal year ended March 31, 2013 decreased year-on-year by 26 percent in the U.S., and by 6 percent in China. Sales increased year-on-year by 22 percent in Asia-Pacific areas other than Japan and China (the “Asia-Pacific Area”) and by 14 percent in other geographic area (“Other Areas”). Sales in Europe and in Japan were essentially flat year-on-year. Total combined sales in all areas were essentially flat year-on-year.

In the U.S., sales of products such as LCD televisions and sales in the game business decreased. In Europe, sales of products such as LCD televisions decreased while sales of products such as mobile phones increased. In Japan, sales of products such as mobile phones increased while sales of products such as LCD televisions and sales in the game business decreased. In China, sales of products such as small- and medium-sized LCD panels, PCs and LCD televisions decreased while sales of products such as mobile phones increased. In the Asia-Pacific Area, sales of products such as image sensors and mobile phones increased. In Other Areas, sales of products such as mobile phones increased while sales of products such as LCD televisions decreased. The increase in sales of mobile phones in all areas was mainly due to the impact of consolidating Sony Mobile as a wholly-owned subsidiary.

Manufacturing by Geographic Area

Approximately 60 percent of the Electronics segments’ total annual production during the fiscal year ended March 31, 2013 was in-house production, and approximately 40 percent was outsourced production.

Approximately 40 percent of the annual in-house production took place in Japan, including the production of compact digital cameras, home-use video cameras, LCD televisions, PCs, semiconductors and components such as batteries and storage media. Approximately 65 percent of the annual in-house production in Japan was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 20 percent of the annual in-house production, with approximately 50 percent destined for the Americas, Japan, Europe and China. Production in China accounted for approximately 35 percent of the annual in-house production, approximately 75 percent of which was destined for other countries. Production in the Americas and Europe together accounted for approximately 5 percent of the annual in-house production, most of which was destined for local distribution and sale.

Pictures

The disclosure for sales to external customers for the Pictures segment has been expanded into the following three categories: Motion Pictures, Television Productions, and Media Networks. Motion Pictures includes the production, acquisition and distribution of motion pictures; Television Productions includes the production, acquisition and distribution of television programming; Media Networks includes the operation of television and digital networks. The information below has been revised to reflect the expansion of disclosure mentioned above.

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.”

For the fiscal year ended March 31, 2013, sales increased 11.4 percent year-on-year to 732.7 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, sales for the fiscal year ended March 31, 2013 increased approximately 4 percent year-on-year. On a U.S. dollar basis, Motion Pictures revenues increased year-on-year due to significantly higher theatrical revenues from the fiscal year ended March 31, 2013 film slate, partially offset by the sale of a participation interest in *Spider-Man* merchandising rights in the fiscal year ended March 31, 2012. Films that significantly contributed to the higher theatrical revenues included *Skyfall* and *The Amazing Spider-Man*. On a U.S. dollar basis, Television Productions revenues increased year-on-year primarily due to higher home entertainment revenues from U.S. made-for-cable television programming. On a U.S. dollar basis, Media Networks revenues increased year-on-year primarily due to higher subscription revenues from SPE’s television networks.

Operating income increased by 13.7 billion yen year-on-year to 47.8 billion yen. On a U.S. dollar basis, operating income increased by approximately 27 percent. This significant increase was primarily due to the stronger performance of the fiscal year ended March 31, 2013 film slate and lower theatrical marketing expenses, partially offset by 21.4 billion yen of operating income generated from the above-noted sale of a participation interest in *Spider-Man* merchandising rights during the fiscal year ended March 31, 2012. The performance of the fiscal year ended March 31, 2013 film slate reflects the strong theatrical performance of the two films mentioned above, partially offset by the underperformance of *Total Recall*. The segment results also benefitted from higher home entertainment revenues from U.S. made-for-cable programming.

As of March 31, 2013, unrecognized license fee revenue at SPE was approximately 1.5 billion U.S. dollars. SPE expects to record this amount over the next ten years, having entered into contracts with television broadcasters to provide those broadcasters with completed motion pictures and television programming. 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 outside customers by product category:

Sales to outside customers by product category

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

	Fiscal year ended March 31				Percent change
	2012		2013		
	(Yen in millions)				
<i>Motion Pictures</i>	393,602	(60.0)	446,254	(61.0)	+13.4%
<i>Television Productions</i>	145,817	(22.2)	159,794	(21.8)	+9.6
<i>Media Networks</i>	116,678	(17.8)	126,079	(17.2)	+8.1
Pictures Total	656,097	(100.0)	732,127	(100.0)	+11.6

Music

The disclosure for sales to external customers for the Music segment has been expanded into the following three categories: Recorded Music, Music Publishing and Visual Media and Platform. Recorded Music includes the distribution of physical and digital recorded music and revenue derived from artists' live performances; Music Publishing includes the management and licensing of the words and music of songs; Visual Media and Platform includes various service offerings for music and visual products and the production and distribution of animation titles. The information below has been revised to reflect the expansion of disclosure mentioned above.

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

For the fiscal year ended March 31, 2013, sales were essentially flat at 441.7 billion yen as a decrease in Recorded Music revenues was offset by an increase in Music Publishing Revenues. The decrease in Recorded Music revenues was due to the continued worldwide contraction of the physical music market and the impact of a larger number of successful releases in Japan in the fiscal year ended March 31, 2012, offset by the favorable impact of the depreciation of the yen against the U.S. dollar, and growth in digital revenue. The increase in revenues for Music Publishing was primarily due to the fees earned on the administration of the EMI Music Publishing catalog. Visual Media and Platform sales were essentially flat year-on-year. Best-selling titles included One Direction's *Take Me Home* and *Up All Night*, P!nk's *The Truth about Love*, and Justin Timberlake's *The 20/20 Experience*.

Operating income increased 0.3 billion yen year-on-year to 37.2 billion yen. Operating income was essentially flat primarily due to the growth in digital revenue, lower restructuring charges and the favorable impact of the depreciation of the yen against the U.S. dollar, offset by the above-mentioned lower sales in Japan, and the recognition in the fiscal year ended March 31, 2012 of a benefit related to digital license revenues and a favorable U.S. legal settlement concerning copyright infringement.

Below are the sales to outside customers by product category:

Sales to outside customers by product category

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

	Fiscal year ended March 31		Percent change
	2012	2013	
	(Yen in millions)		
<i>Recorded Music</i>	311,979	(72.4) 307,788	(71.3) -1.3%
<i>Music Publishing</i>	48,095	(11.2) 52,764	(12.2) +9.7
<i>Visual Media & Platform</i>	70,677	(16.4) 71,167	(16.5) +0.7
Music Total	430,751	(100.0) 431,719	(100.0) +0.2

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.

Certain figures for the fiscal year ended March 31, 2013 and for the fiscal year ended March 31, 2012 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

Financial services revenue for the fiscal year ended March 31, 2013 increased 15.4 percent year-on-year to 1,002.4 billion yen primarily due to a significant increase in revenue at Sony Life. Revenue at Sony Life increased 18.3 percent year-on-year to 916.5 billion yen. This increase was primarily due to a significant increase in insurance premium revenue reflecting a steady increase in policy amount in force and significantly improved investment performance in the separate account resulting primarily from a significant rise in the Japanese stock market compared to the fiscal year ended March 31, 2012.

Operating income increased 12.9 billion yen year-on-year to 142.2 billion yen. This increase was mainly due to an increase in operating income at Sony Life, partially offset by an increase in foreign exchange losses on foreign-currency-denominated customer deposits at Sony Bank. Operating income at Sony Life increased 24.6 billion yen year-on-year to 157.3 billion yen. This increase was primarily due to a decrease in the provision of policy reserves pertaining to minimum guarantees for variable insurance and an improvement in investment performance in the general account, driven primarily by the above-mentioned improvement in the Japanese stock market.

Information on Operations Separating Out the Financial Services Segment

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

Certain figures for the fiscal years ended March 31, 2013 and 2012 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

	Fiscal year ended March 31	
	2012	2013
	(Yen in millions)	
Financial Services segment		
Financial services revenue	868,661	1,002,389
Financial services expenses	738,126	857,877
Equity in net loss of affiliated companies	(1,252)	(2,303)
Operating income	129,283	142,209
Other income (expenses), net	1,069	100
Income before income taxes	130,352	142,309
Income taxes and other	18,394	43,328
Net income of Financial Services	111,958	98,981
	Fiscal year ended March 31	
	2012	2013
	(Yen in millions)	
Sony without the Financial Services segment		
Net sales and operating revenue	5,630,998	5,799,582
Costs and expenses	5,707,962	5,713,090
Equity in net loss of affiliated companies	(120,445)	(4,645)
Operating income (loss)	(197,409)	81,847
Other income (expenses), net	(8,518)	23,147
Income (loss) before income taxes	(205,927)	104,994
Income taxes and other	310,986	117,013
Net loss of Sony without Financial Services	(516,913)	(12,019)
	Fiscal year ended March 31	
	2012	2013
	(Yen in millions)	
Consolidated		
Financial services revenue	865,737	999,276
Net sales and operating revenue	5,627,346	5,796,228
Costs and expenses	6,493,083	6,795,504
Equity in net loss of affiliated companies	6,437,049	6,562,053
	(121,697)	(6,948)
Operating income (loss)	(65,663)	226,503
Other income (expenses), net	(15,248)	15,581
Income (loss) before income taxes	(80,911)	242,084
Income taxes and other	374,127	200,544
Net income (loss) attributable to Sony Corporation's Stockholders	(455,038)	41,540

All Other

Sales for the fiscal year ended March 31, 2013 increased 11.1 percent year-on-year, to 563.0 billion yen. The increase in sales is mainly due to significantly higher sales in the network business and favorable foreign exchange rates.

Operating income of 101.5 billion yen was recorded for the fiscal year ended March 31, 2013, compared to an operating loss of 34.0 billion yen in the fiscal year ended March 31, 2012. This improvement was mainly due to a 122.2 billion yen gain from the sale of certain shares of M3 and the subsequent remeasurement of Sony's remaining interest in M3, which was formerly a consolidated subsidiary of Sony, higher sales and a decrease in impairment losses in the network business.

Restructuring

In a highly competitive business environment, Sony has been undertaking a series of measures to revitalize and grow its electronics business. In October 2012, Sony announced additional steps to accelerate structural reforms of its headquarters and electronics business operations in Japan, including consolidating certain manufacturing operations and expediting measures to reduce headcount.

In the fiscal year ended March 31, 2013, Sony recorded restructuring charges of 77.5 billion yen, which includes 3.1 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 54.8 billion yen of restructuring charges recorded in the fiscal year ended March 31, 2012. There were 2.1 billion yen of non-cash charges related to depreciation associated with restructured assets in the fiscal year ended March 31, 2012. Restructuring charges increased by 22.7 billion yen or 41.5 percent year-on-year. Of the total 77.5 billion yen incurred in the fiscal year ended March 31, 2013, 62.8 billion yen were personnel related costs, primarily included in SGA expenses in the consolidated statements of income. These personnel-related costs increased 146.5 percent compared to the fiscal year ended March 31, 2012. This increase was primarily due to the implementation of early retirement programs, including headcount reductions at Sony Corporation and major consolidated electronics subsidiaries in Japan and the closure of a production facility in Japan to streamline organization of the electronics business and increase operational efficiency in accordance with the restructuring of the electronics business announced in October 2012.

Restructuring charges for the fiscal year ended March 31, 2013 were related to restructuring initiatives related to both the electronics businesses and Sony's headquarters mentioned above.

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

During the fiscal year ended March 31, 2013, the average rates of the yen were 83.1 yen against the U.S. dollar and 107.2 yen against the euro, which was 6.1 percent lower and 0.3 percent higher, respectively, than the fiscal year ended March 31, 2012. For the latest yen exchange rates per U.S. dollar, refer to "Selected Financial Data" in "Item 3. Key Information."

During the fiscal year ended March 31, 2013, monetary easing policies were adopted in several industrialized nations around the world. In particular, in September 2012, the U.S. Federal Reserve Board introduced QE3 (Quantitative Easing program 3) and in April 2013 the Bank of Japan introduced "Quantitative and Qualitative Monetary Easing".

For the fiscal year ended March 31, 2013, consolidated sales were 6,800.9 billion yen, an increase of 4.7 percent year-on-year, while on a constant currency basis, sales increased approximately 2 percent year-on-year. For references to information on a constant currency basis, see Note at the bottom of this section.

Consolidated operating income of 230.1 billion yen was recorded in the fiscal year ended March 31, 2013, compared to operating loss of 67.3 billion yen in the fiscal year ended March 31, 2012. Operating results

improved by 297.4 billion yen year-on-year, while it would have improved by approximately 316.6 billion yen compared to the fiscal year ended March 31, 2012, on a constant currency basis. The foreign exchange fluctuations had an adverse impact on the consolidated operating results mainly in Electronics.

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

		Fiscal year ended March 31		Change in yen	Change on constant currency basis*	Impact of changes in foreign exchange rates
		2012	2013			
(Yen in billions)						
MP&C	Sales	622.7	1,257.6	+102.0%	+102%	+1.8
	Operating income (loss)	7.2	(97.2)	-104.4	-87.3	-17.1
Game	Sales	805.0	707.1	-12.2%	-15%	+21.1
	Operating income	29.3	1.7	-27.6	-32.3	+4.7
IP&S	Sales	785.1	756.2	-3.7%	-7%	+24.3
	Operating income	19.6	1.4	-18.2	-16.9	-1.3
HE&S	Sales	1,286.3	994.8	-22.7%	-25%	+29.8
	Operating loss	(199.5)	(84.3)	+115.2	+121.0	-5.8
Devices	Sales	1,026.6	848.6	-17.3%	-20%	+23.4
	Operating income (loss)	(22.1)	43.9	+66.0	+65.1	+0.9

During the fiscal year ended March 31, 2013, Sony estimated that a one yen appreciation against the U.S. dollar would have decreased consolidated sales by approximately 50 billion yen, with approximately no impact on operating income. Sony’s exposure to the U.S. dollar is limited due to Sony’s ability to manage its U.S. dollar-based sales with U.S. dollar-based costs, creating a natural currency hedge. Sony’s results are more sensitive to movements between the yen and the euro. A one yen appreciation against the euro was estimated to decrease consolidated sales by approximately 10 billion yen, with a corresponding decrease in operating income of approximately 6 billion yen.

In addition, sales for the Pictures segment increased 11.4 percent year-on-year to 732.7 billion yen, while sales increased approximately 4 percent on a constant currency (U.S. dollar) basis. In the Music segment, sales decreased 0.2 percent year-on-year to 441.7 billion yen, while sales decreased approximately 4 percent 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.

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 and the net fair value of all the foreign exchange derivative contracts as of March 31, 2013 were 1,647.4 billion yen and an asset of 2.7 billion yen, respectively. Refer to Note 14 of the consolidated financial statements.

* Note: In this section, the descriptions of sales on a constant currency basis reflects sales obtained by applying the yen’s monthly average exchange rates from the fiscal year ended March 31, 2012 to local currency-denominated monthly sales in the fiscal year ended March 31, 2013. The impact of foreign exchange rate fluctuations on operating income (loss) described herein is estimated by deducting costs of sales, and SGA expenses on a constant currency basis from sales on a constant currency basis. Cost of sales and SGA expenses on a constant currency basis are obtained by applying the yen’s monthly average exchange rates in the fiscal year ended March 31, 2012 to the corresponding local currency-denominated monthly cost of sales and SGA expenses in the fiscal year ended March 31, 2013. In certain cases, most significantly in the Pictures segment and SME and Sony/ATV in the Music segment, the constant currency amounts are after aggregation on a U.S. dollar basis. Sales and operating income (loss) on a constant currency basis are not reflected in Sony’s consolidated

financial statements and are not measured in accordance with U.S. GAAP. Sony does not believe that these measures are a substitute for U.S. GAAP measures. However, Sony believes that disclosing sales and operating income (loss) information on a constant currency basis provides additional useful analytical information to investors regarding the operating performance of Sony.

Assets, Liabilities and Stockholders' Equity

Assets

Total assets as of March 31, 2014 increased by 1,122.7 billion yen, or 7.9 percent year-on-year, to 15,333.7 billion yen. Total assets as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 340.6 billion yen, or 5.9 percent year-on-year, to 6,132.3 billion yen. Total assets as of March 31, 2014 in the Financial Services segment increased by 777.8 billion yen, or 9.1 percent year-on-year, to 9,347.9 billion yen mainly as a result of the expansion of business at Sony Life.

Current Assets

Current assets as of March 31, 2014 increased by 558.4 billion yen, or 15.3 percent year-on-year, to 4,204.9 billion yen. Current assets as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 391.4 billion yen, or 15.1 percent, year-on-year to 2,990.6 billion yen.

Cash and cash equivalents as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 181.3 billion yen, or 29.0 percent year-on-year, to 806.1 billion yen. This increase was primarily due to the increase in net cash inflow from operating activities. Refer to "Cash Flows" below.

Notes and accounts receivable, trade (net of allowances for doubtful accounts and sales returns) as of March 31, 2014, excluding the Financial Services segment, increased by 90.4 billion yen, or 11.7 percent year-on-year, to 864.2 billion yen. This increase was primarily due to the launch of the PS4.

Other current assets as of March 31, 2014 in all segments, excluding the Financial Services segment, increased 119.5 billion yen, or 10.0 percent year-on-year, to 1,316.7 billion yen, mainly due to an increase in other receivables from certain component manufacturers.

Inventories as of March 31, 2014 increased by 23.9 billion yen, or 3.4 percent year-on-year, to 733.9 billion yen. Excluding the effect of foreign exchange rate fluctuations, inventories decreased 20.1 billion yen, or 2.8 percent year-on-year, to 690.0 billion yen. This decrease was primarily due to the overall decrease in inventory of the Game segment, resulting from the strong performance of the PS4.

The inventory to cost of sales turnover ratio (based on the average of inventories at the end of each fiscal year and the previous fiscal year) at March 31, 2014 was 1.69 months compared to 1.90 months at the end of the previous fiscal year.

Current assets as of March 31, 2014 in the Financial Services segment increased by 164.5 billion yen, or 15.6 percent year-on-year, to 1,216.5 billion yen primarily due to the increase of marketable securities as a result of the expansion of business in Sony Life.

Investments and Advances

Investments and advances as of March 31, 2014 increased by 601.9 billion yen, or 8.2 percent year-on-year, to 7,919.0 billion yen.

Investments and advances as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 18.9 billion yen, or 5.2 percent year-on-year, to 381.1 billion yen primarily due to the increase in securities available for sale as a result of the increase in stock prices.

Investments and advances as of March 31, 2014 in the Financial Services segment increased by 581.3 billion yen, or 8.3 percent year-on-year, to 7,567.2 billion yen. This increase was primarily due to business

growth at both Sony Life and Sony Bank, resulting in increases in investments made by Sony Life mainly in Japanese fixed income securities, and increases in mortgage loans provided by Sony Bank. Refer to “Investments” below.

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

Property, plant and equipment as of March 31, 2014 decreased by 111.5 billion yen, or 12.9 percent year-on-year, to 750.0 billion yen.

Property, plant and equipment as of March 31, 2014 in all segments, excluding the Financial Services segment, decreased by 113.7 billion yen, or 13.4 percent year-on-year, to 733.0 billion yen. The decrease in property, plant and equipment was primarily due to the impairment charges related to long-lived assets in the battery business, the PC business, and the disc manufacturing business outside of Japan and the U.S.

Capital expenditures (additions to property, plant and equipment) for the fiscal year ended March 31, 2014 decreased by 24.0 billion yen, or 12.7 percent year-on-year, to 164.6 billion yen mainly due to lower investments in the semiconductor business in the fiscal year ended March 31, 2014.

Property, plant and equipment as of March 31, 2014 in the Financial Services segment increased by 2.2 billion yen, or 14.6 percent year-on-year, to 17.1 billion yen.

Other Assets

Other assets as of March 31, 2014 increased by 68.3 billion yen, or 3.2 percent year-on-year, to 2,184.0 billion yen primarily due to an increase in goodwill resulting from the depreciation of the yen against the U.S dollar and the euro, and the increase of deferred insurance acquisition costs as a result of the increase in revenue from insurance premiums at Sony Life, partially offset by impairment in goodwill across the entire disc manufacturing business. Refer to Notes 9 and 10 of the consolidated financial statements.

Liabilities

Total current and long-term liabilities as of March 31, 2014 increased by 1,010.4 billion yen, or 8.8 percent year-on-year, to 12,546.5 billion yen. Total current and long-term liabilities as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 336.6 billion yen, or 8.5 percent year-on-year, to 4,314.5 billion yen. Total current and long-term liabilities in the Financial Services segment as of March 31, 2014 increased by 669.6 billion yen, or 8.8 percent year-on-year, to 8,266.9 billion yen.

Current Liabilities

Current liabilities as of March 31, 2014 increased by 468.5 billion yen, or 10.9 percent year-on-year, to 4,783.6 billion yen.

Current liabilities as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 435.2 billion yen, or 19.1 percent year-on-year, to 2,714.2 billion yen.

Short-term borrowings and the current portion of long-term debt as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 137.7 billion yen, or 58.9 percent year-on-year, to 371.6 billion yen, primarily due to the transfer of long-term debt that will mature during the fiscal year ending March 31, 2015, including the twenty-fifth series of unsecured bonds (110.0 billion yen).

Notes and accounts payable, trade as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 140.7 billion yen, or 24.6 percent year-on-year, to 712.8 billion yen primarily due to the production and launch of the PS4.

Current liabilities as of March 31, 2014 in the Financial Services segment increased by 30.9 billion yen, or 1.5 percent year-on-year, to 2,071.7 billion yen, mainly due to an increase in deposits from customers at Sony Bank.

Long-term Liabilities

Long-term liabilities as of March 31, 2014 increased by 541.9 billion yen, or 7.5 percent year-on-year, to 7,762.9 billion yen.

Long-term liabilities as of March 31, 2014 in all segments, excluding the Financial Services segment, decreased by 98.6 billion yen, or 5.8 percent year-on-year, to 1,600.4 billion yen. Long-term debt as of March 31, 2014 in all segments, excluding the Financial Services segment, decreased by 39.6 billion yen, or 4.3 percent year-on-year, to 875.4 billion yen. This decrease was primarily due to the above-mentioned transfer of long-term debt to current liabilities.

Long-term liabilities as of March 31, 2014 in the Financial Services segment increased by 638.7 billion yen, or 11.5 percent year-on-year, to 6,195.2 billion yen. This increase was primarily due to 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, 2014 increased by 111.8 billion yen, or 9.5 percent year-on-year, to 1,294.4 billion yen. Total interest-bearing debt as of March 31, 2014 in all segments, excluding the Financial Services segment, increased by 98.2 billion yen, or 8.5 percent year-on-year, to 1,247.0 billion yen.

Redeemable Noncontrolling Interest

Redeemable noncontrolling interest as of March 31, 2014 increased by 1.1 billion yen, or 37.3 percent year-on-year, to 4.1 billion yen.

Sony Corporation's Stockholders' Equity

Sony Corporation's stockholders' equity as of March 31, 2014 increased by 65.9 billion yen, or 3.0 percent year-on-year, to 2,258.1 billion yen. Retained earnings decreased by 154.5 billion yen, or 14.1 percent year-on-year, to 940.3 billion yen as a result of the recording of 128.4 billion yen in net loss attributable to Sony Corporation's stockholders. Accumulated other comprehensive loss decreased by 187.9 billion yen, or 29.4 percent year-on-year, to a loss of 451.6 billion yen primarily due to the recording of 158.9 billion yen of unrealized gains in foreign currency translation adjustments. The ratio of Sony Corporation's stockholders' equity to total assets decreased 0.7 percentage points year-on-year, from 15.4 percent to 14.7 percent.

Information on Financial Position Separating Out the Financial Services Segment

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

Certain figures for the fiscal year ended March 31, 2013 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

Financial Services segment

	March 31	
	2013	2014
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	201,550	240,332
Marketable securities	694,130	828,944
Notes and accounts receivable, trade	6,834	7,855
Other	149,476	139,386
	1,051,990	1,216,517
Investments and advances	6,985,918	7,567,242
Property, plant and equipment	14,886	17,057
Other assets:		
Deferred insurance acquisition costs	465,499	497,772
Other	51,788	49,328
	517,287	547,100
	8,570,081	9,347,916
	March 31	
	2013	2014
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	10,322	6,148
Notes and accounts payable, trade	—	—
Deposits from customers in the banking business	1,857,448	1,890,023
Other	172,979	175,499
	2,040,749	2,071,670
Long-term liabilities:		
Long-term debt	27,008	44,678
Accrued pension and severance costs	21,195	22,404
Future insurance policy benefits and other	5,251,142	5,848,044
Other	257,207	280,117
	5,556,552	6,195,243
Stockholders' equity of Financial Services	970,877	1,079,740
Noncontrolling interests	1,903	1,263
	8,570,081	9,347,916

Sony without the Financial Services segment

	March 31	
	2013	2014
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	624,811	806,134
Marketable securities	3,467	3,622
Notes and accounts receivable, trade	773,784	864,178
Other	1,197,108	1,316,653
	2,599,170	2,990,587
Film costs	270,089	275,799
Investments and advances	362,188	381,076
Investments in Financial Services, at cost	111,476	111,476
Property, plant and equipment	846,664	732,953
Other assets	1,602,061	1,640,385
	5,791,648	6,132,276
	March 31	
	2013	2014
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	233,859	371,606
Notes and accounts payable, trade	572,102	712,829
Other	1,473,007	1,629,728
	2,278,968	2,714,163
Long-term liabilities:		
Long-term debt	915,032	875,440
Accrued pension and severance costs	290,274	262,558
Other	493,677	462,386
	1,698,983	1,600,384
Redeemable noncontrolling interest	2,997	4,115
Stockholders' equity of Sony without Financial Services	1,722,296	1,722,743
Noncontrolling interests	88,404	90,871
	5,791,648	6,132,276

Consolidated

	March 31	
	2013	2014
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	826,361	1,046,466
Marketable securities	697,597	832,566
Notes and accounts receivable, trade	776,492	871,040
Other	1,346,083	1,454,814
	3,646,533	4,204,886
Film costs	270,089	275,799
Investments and advances	7,317,125	7,919,011
Property, plant and equipment	861,550	750,010
Other assets:		
Deferred insurance acquisition costs	465,499	497,772
Other	1,650,237	1,686,242
	2,115,736	2,184,014
	14,211,033	15,333,720
	March 31	
	2013	2014
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	244,182	377,754
Notes and accounts payable, trade	572,102	712,829
Deposits from customers in the banking business	1,857,448	1,890,023
Other	1,641,357	1,803,008
	4,315,089	4,783,614
Long-term liabilities:		
Long-term debt	938,428	916,648
Accrued pension and severance costs	311,469	284,963
Future insurance policy benefits and other	5,251,142	5,848,044
Other	719,904	713,195
	7,220,943	7,762,850
Redeemable noncontrolling interest	2,997	4,115
Sony Corporation's stockholders' equity	2,192,262	2,258,137
Noncontrolling interests	479,742	525,004
	14,211,033	15,333,720

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, 2014			Fair market value
	Cost	Unrealized gain	Unrealized loss	
	(Yen in millions)			
Financial Services Business:				
Available-for-sale				
Debt securities				
Sony Life	1,051,959	114,238	(37)	1,166,160
Sony Bank	739,173	20,876	(172)	759,877
Other	24,765	73	(2)	24,836
Equity securities				
Sony Life	13,677	10,065	(3)	23,739
Sony Bank	—	—	—	—
Other	730	287	—	1,017
Held-to-maturity				
Debt securities				
Sony Life	4,422,302	417,682	(1)	4,839,983
Sony Bank	8,323	460	—	8,783
Other	74,288	4,647	(3)	78,932
Total Financial Services	6,335,217	568,328	(218)	6,903,327
Non-Financial Services:				
Available-for-sale securities	77,269	81,805	(62)	159,012
Held-to-maturity securities	—	—	—	—
Total Non-Financial Services	77,269	81,805	(62)	159,012
Consolidated	6,412,486	650,133	(280)	7,062,339

At March 31, 2014, Sony Life had debt and equity securities with gross unrealized losses of 38 million yen and 3 million yen, respectively. 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, 2014, Sony Bank had debt securities with gross unrealized losses of 0.2 billion yen. Of the unrealized loss, 8.7 percent related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2014. Sony Bank principally invests in Japanese government bonds, Japanese corporate bonds and foreign bonds. Almost all of these securities were rated higher than or equal to “BBB” or its equivalent by S&P, Moody’s or other rating agencies.

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

For fixed maturity securities with unrecognized losses held by Sony Life as of March 31, 2014 (38 million yen), maturity dates vary as follows:

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

For fixed maturity securities with unrecognized losses held by Sony Bank as of March 31, 2014 (0.2 billion yen), maturity dates vary as follows:

• Within 1 year:	11.6 percent
• 1 to 5 years:	80.3 percent
• 5 to 10 years:	8.1 percent
• above 10 years:	—

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, 2014 was 54.8 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, 2012, 2013 and 2014, total realized impairment losses were 5.5 billion yen, 8.6 billion yen and 1.8 billion yen, respectively, of which 1.9 billion yen, 0.8 billion yen and 0.2 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, 2014, Sony Life and Sony Bank account for approximately 87 percent and 11 percent of the investments in the Financial Services segment, respectively.

Cash Flows

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

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

For all segments excluding the Financial Services segment, there was a net cash inflow of 257.2 billion yen, an increase of 218.7 billion yen, or 568.5 percent year-on-year. This increase in inflow was primarily due to the

positive impact of an increase in notes and accounts payable, trade resulting from an expansion in production of PS4 hardware, compared to a decrease in the previous fiscal year. This increase was partially offset by the negative impact of increases in notes and accounts receivable and in other receivables, included in other current assets, from component assembly companies, compared to decreases in the previous fiscal year, and by the negative impact of a smaller decrease in inventories resulting from the expansion in production of PS4 hardware and its higher unit sales. Also included in notes and accounts receivable in the fiscal year ended March 31, 2014 was the impact of the sale of accounts receivable in the Pictures segment in the U.S.

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

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

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

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

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

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

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

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

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents as of March 31, 2014 was 1,046.5 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 806.1 billion yen as of March 31, 2014, an increase of 181.3 billion yen, or 29.0 percent compared with the balance as of March 31, 2013, and an increase of 197.8 billion yen, or 32.5 percent compared with the balance as of December 31, 2013. In order to manage cash balance globally, Sony utilizes a system in which cash surpluses among subsidiaries are deposited with SGTS and cash shortfalls are covered by loans through SGTS. Sony's ability to repatriate cash held in foreign subsidiaries may be restricted or delayed by local laws; however, any such amounts are considered insignificant. Refer to *Cash Management* in Item 5 B. Liquidity and Capital Resources. Sony believes that it continues to maintain sufficient liquidity through access to a total, translated into yen, of 733.3 billion yen of unused committed lines of credit with financial institutions in addition to the cash and cash equivalents balance as of March 31, 2014. Within the Financial Services segment, the outstanding

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

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

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

	Fiscal year ended March 31	
	2013	2014
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	476.2	664.1
Net cash used in investing activities reported in the consolidated statements of cash flows	(705.3)	(710.5)
	(229.1)	(46.4)
Less: Net cash provided by operating activities within the Financial Services segment	443.3	413.6
Less: Net cash used in investing activities within the Financial Services segment	(655.9)	(616.2)
Eliminations**	5.2	6.7
Cash flow from (used in) operating and investing activities combined excluding the Financial Services segment's activities	(11.3)	162.9

** Eliminations primarily consist of intersegment dividend payments

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.

Certain figures for the fiscal year ended March 31, 2013 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

	Fiscal year ended March 31	
	2013	2014
Financial Services segment		
	(Yen in millions)	
Net cash provided by operating activities	443,284	413,555
Net cash used in investing activities	(655,859)	(616,223)
Net cash provided by financing activities	238,974	241,450
Net increase in cash and cash equivalents	26,399	38,782
Cash and cash equivalents at beginning of the fiscal year	175,151	201,550
Cash and cash equivalents at end of the fiscal year	<u>201,550</u>	<u>240,332</u>
	Fiscal year ended March 31	
	2013	2014
	(Yen in millions)	
Sony without the Financial Services segment		
Net cash provided by operating activities	38,478	257,224
Net cash used in investing activities	(49,801)	(94,279)
Net cash used in financing activities	(155,663)	(40,236)
Effect of exchange rate changes on cash and cash equivalents	72,372	58,614
Net increase (decrease) in cash and cash equivalents	(94,614)	181,323
Cash and cash equivalents at beginning of the fiscal year	719,425	624,811
Cash and cash equivalents at end of the fiscal year	<u>624,811</u>	<u>806,134</u>
	Fiscal year ended March 31	
	2013	2014
	(Yen in millions)	
Consolidated		
Net cash provided by operating activities	476,165	664,116
Net cash used in investing activities	(705,280)	(710,502)
Net cash provided by financing activities	88,528	207,877
Effect of exchange rate changes on cash and cash equivalents	72,372	58,614
Net increase (decrease) in cash and cash equivalents	(68,215)	220,105
Cash and cash equivalents at beginning of the fiscal year	894,576	826,361
Cash and cash equivalents at end of the fiscal year	<u>826,361</u>	<u>1,046,466</u>

Cash Flows

(The fiscal year ended March 31, 2013 compared with the fiscal year ended March 31, 2012)

Operating Activities: During the fiscal year ended March 31, 2013, there was a net cash inflow of 476.2 billion yen from operating activities, a decrease of 40.1 billion yen, or 7.8 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 38.5 billion yen for the fiscal year ended March 31, 2013, a decrease of 137.6 billion yen, or 78.2 percent year-on-year. This decrease was primarily due to the negative impact of a larger decrease in notes and accounts payable, trade, and the receipt of an advance payment from a commercial customer during the fiscal year ended March 31, 2012. This was partially offset by the positive impact of a decrease in other receivables from third-party original equipment and design manufacturers, included in other current assets, compared to an increase in the fiscal year ended March 31, 2012, and a larger decrease in notes and accounts receivable, trade and inventories.

The Financial Services segment had a net cash inflow of 443.3 billion yen, an increase of 95.7 billion yen, or 27.5 percent year-on-year. This increase was primarily due to the contribution from insurance premium revenue reflecting the steady increase in policy amount in force at Sony Life.

Investing Activities: During the fiscal year ended March 31, 2013, Sony used 705.3 billion yen of net cash in investing activities, a decrease of 177.6 billion yen, or 20.1 percent year-on-year.

For all segments excluding the Financial Services segment, 49.8 billion yen was used, a decrease of 271.7 billion yen, or 84.5 percent year-on-year. This decrease was primarily due to an increase in cash inflow from the sale of fixed assets year-on-year, the absence of cash outflow related to the acquisition of Sony Ericsson in the fiscal year ended March 31, 2012, a year-on-year decrease in the amount of purchases of fixed assets, and cash inflow from the sale of the chemical products related business in the fiscal year ended March 31, 2013. The sale of Sony City Osaki and Sony's U.S. headquarters building were included in the sale of fixed assets in the fiscal year ended March 31, 2013. Partially offsetting these factors were factors increasing cash outflow such as a year-on-year increase in payments for investments and advances during the fiscal year ended March 31, 2013, the acquisition of U.S.-based Gaikai Inc. recorded in other investing activities in the fiscal year ended March 31, 2013 and a year-on-year decrease in proceeds from the sale of securities investments. An investment in Olympus Corporation in the fiscal year ended March 31, 2013 is included in investments and advances. The sale of Sony's shares of S-LCD in the fiscal year ended March 31, 2012 and the sale of Sony's shares of DeNA in the fiscal year ended March 31, 2013 are included in sales or return of investments.

The Financial Services segment used 655.9 billion yen of net cash, an increase of 100.6 billion yen, or 18.1 percent year-on-year. This increase was mainly due to a decrease in proceeds from sales or return of investments and collections of 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, 2013 was 11.3 billion yen, a decrease of 134.1 billion yen, or 92.2 percent year-on-year.

Financing Activities: During the fiscal year ended March 31, 2013, 88.5 billion yen of net cash and cash equivalents was generated by financing activities, a decrease of 172.0 billion yen, or 66.0 percent year-on-year.

For all segments excluding the Financial Services segment, there was a 155.7 billion yen net cash outflow, compared to a 31.3 billion yen net cash inflow in the fiscal year ended March 31, 2012. The cash outflow in the fiscal year ended March 31, 2013 was primarily due to increased net redemptions of corporate bonds and repayments of borrowings from financial institutions compared with the fiscal year ended March 31, 2012, and the execution of a tender offer for shares of So-net Entertainment Corporation (currently So-net Corporation), exceeding cash inflow factors such as the issuance of convertible bonds.

In the Financial Services segment, financing activities generated 239.0 billion yen of net cash, an increase of 23.2 billion yen, or 10.7 percent year-on-year. This increase was primarily due to a larger increase in customer deposits at Sony Bank.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2013 was 826.4 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 624.8 billion yen at March 31, 2013, a decrease of 94.6 billion yen, or 13.2 percent, compared with the balance as of March 31, 2012. Sony believes that it continues to maintain sufficient liquidity through access to a total, translated into yen, of 806.1 billion yen of unused committed lines of credit with financial institutions in addition to the cash and cash

equivalents balance at March 31, 2013. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 201.6 billion yen at March 31, 2013, an increase of 26.4 billion yen, or 15.1 percent when compared with the balance as of March 31, 2012.

* 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	
	2012	2013
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	516.3	476.2
Net cash used in investing activities reported in the consolidated statements of cash flows	(882.9)	(705.3)
	(366.6)	(229.1)
Less: Net cash provided by operating activities within the Financial Services segment	347.6	443.3
Less: Net cash used in investing activities within the Financial Services segment	(555.3)	(655.9)
Eliminations**	13.5	5.2
Cash flow from operating and investing activities combined excluding the Financial Services segment's activities	(145.4)	(11.3)

** Eliminations primarily consist of intersegment loans and dividend payments. Intersegment loans are between Sony Corporation and operations included within the Financial Services segment.

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.

Certain figures for the fiscal year ended March 31, 2013 and 2012 have been revised from the versions previously disclosed. For further details, please refer to (5) Revisions of Note 2 of the consolidated financial statements.

	Fiscal year ended March 31	
	2012	2013
	(Yen in millions)	
Financial Services segment		
Net cash provided by operating activities	347,629	443,284
Net cash used in investing activities	(555,283)	(655,859)
Net cash provided by financing activities	215,796	238,974
Net increase in cash and cash equivalents	8,142	26,399
Cash and cash equivalents at beginning of the fiscal year	167,009	175,151
Cash and cash equivalents at end of the fiscal year	175,151	201,550
	Fiscal year ended March 31	
	2012	2013
	(Yen in millions)	
Sony without the Financial Services segment		
Net cash provided by operating activities	176,120	38,478
Net cash used in investing activities	(321,547)	(49,801)
Net cash provided by (used in) financing activities	31,274	(155,663)
Effect of exchange rate changes on cash and cash equivalents	(13,825)	72,372
Net decrease in cash and cash equivalents	(127,978)	(94,614)
Cash and cash equivalents at beginning of the fiscal year	847,403	719,425
Cash and cash equivalents at end of the fiscal year	719,425	624,811
	Fiscal year ended March 31	
	2012	2013
	(Yen in millions)	
Consolidated		
Net cash provided by operating activities	516,305	476,165
Net cash used in investing activities	(882,886)	(705,280)
Net cash provided by financing activities	260,570	88,528
Effect of exchange rate changes on cash and cash equivalents	(13,825)	72,372
Net decrease in cash and cash equivalents	(119,836)	(68,215)
Cash and cash equivalents at beginning of the fiscal year	1,014,412	894,576
Cash and cash equivalents at end of the fiscal year	894,576	826,361

B. Liquidity and Capital Resources

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

Liquidity Management and Market Access

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

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

Sony procures funds mainly from the financial and capital markets through Sony Corporation and SGTS, a finance subsidiary in the U.K. In June 2013, Sony issued unsecured straight bonds to Japanese retail investors in the aggregate principal amount of 150.0 billion yen. The proceeds from the issuance of the bonds have been applied to the repayment of borrowings and debt, and to fund capital expenditures. For further details, please refer to Note 11 of the consolidated financial statements.

In order to meet working capital requirements, Sony Corporation and SGTS maintain Commercial Paper (“CP”) programs that have the ability to access the Japanese, U.S. and European CP markets, subject to prevailing market conditions. Although the CP program limit amounts, translated into yen, were 808.8 billion yen in total for Sony Corporation and SGTS as of March 31, 2014, there were no amounts outstanding under the CP programs as of and during the fiscal year ended March 31, 2014.

Sony typically raises funds through straight bonds, CP programs and bank loans (including syndicated loans). If market disruption and volatility occur and if 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 7,333 billion yen in unused committed lines of credit, as of March 31, 2014. Details of those committed lines of credit are: a 475.0 billion yen committed line of credit contracted with a syndicate of Japanese banks, effective until November 2016, a 1.5 billion U.S. dollar multi-currency committed line of credit also with a syndicate of Japanese banks, effective until December 2018, and a 1.01 billion U.S. dollar multi-currency committed line of credit contracted with a syndicate of foreign banks, effective until April 2015, in all of which Sony Corporation and SGTS are defined as borrowers. 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. There is a financial covenant in an agreement with a commercial customer to reimburse an advance payment under certain contingent conditions including a downgrade in Sony’s credit ratings (for further details, please refer to Note 27 of the consolidated financial statements and “Contractual obligations, commitments and contingent liabilities”). Furthermore, there are no restrictions on the uses of most proceeds except that certain borrowings may not be used to acquire securities listed on a U.S. stock exchange or traded over-the-counter in the U.S. in accordance with the rules and regulations issued by authorities such as the Board of Governors of the Federal Reserve Board.

Ratings

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

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

During the fiscal year ended March 31, 2014, Sony's ratings were downgraded by Moody's and S&P. However, Sony has not recognized any material negative impact on its liquidity and financial flexibility due to these rating downgrades. Sony currently believes that it has access to sufficient funding resources in the financial and capital markets. For information regarding a possible further rating downgrade, please refer to "Risk Factors" in "Item 3. Key Information."

Cash Management

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

Financial Services segment

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

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

C. Research and Development

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

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

Research and development costs for the fiscal year ended March 31, 2014 decreased by 7.6 billion yen, or 1.6 percent year-on-year, to 466.0 billion yen. The decrease is primarily due to a decrease in research and development costs in the IP&S, Devices and HE&S segments as a result of cost control initiatives to address the decrease in scale of Sony's AV/IT electronics businesses, partially offset by an increase in research and development costs in the Game segment, reflecting the launch of the PS4. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) decreased from 8.2 percent to 6.9 percent.

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

	Fiscal year ended March 31				
	2012	2013	Percent change from 2012 to 2013	2014	Percent change from 2013 to 2014
	(Yen in billions, except percentage data)				
Research and development expenses					
Mobile Products & Communications	28.2	93.8	+233.1%	94.9	+1.2%
Game	76.9	75.0	-2.5	88.7	+18.3
Imaging Products & Solutions	72.4	73.1	+1.0	61.5	-15.9
Home Entertainment & Sound	72.7	64.3	-11.6	54.9	-14.6
Devices	136.9	107.4	-21.5	97.1	-9.6

Consolidated research and development costs for the fiscal year ending March 31, 2015 are expected to increase by 4.1 percent to 485 billion yen.

Research and development costs for the fiscal year ended March 31, 2013 increased by 40.1 billion yen, or 9.3 percent year-on-year, to 473.6 billion yen. The increase is primarily due to an increase of 73.4 billion yen in research and development costs at Sony Mobile due to the impact of consolidating Sony Mobile, as a wholly-owned subsidiary since February 16, 2012, which was previously accounted for under the equity method. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) increased from 7.7 percent to 8.2 percent.

Research and development costs for the fiscal year ended March 31, 2012 increased by 6.7 billion yen, or 1.6 percent year-on-year, to 433.5 billion yen. The increase is primarily due to a recording of 9.7 billion yen in research and development costs at Sony Mobile due to the impact of consolidating Sony Mobile, which was previously accounted for under the equity method, as a wholly-owned subsidiary since February 16, 2012. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) increased from 6.7 percent to 7.7 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 Japanese economy is gradually expanding due to monetary easing and an increase in demand prior to a recent increase in the consumption tax rate, the euro zone is experiencing a gradual economic recovery, and the U.S. economy continues to be stable in spite of a reduction in scale of monetary easing policies and a political impasse over increasing public debt. However, the overall global economic outlook is uncertain due to the slowdown of emerging market economies and concerns about a slowdown in the Japanese economy resulting from an increase in the consumption tax rate.

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. In this challenging environment, Sony's Electronics segments, in aggregate, recorded consecutive operating losses in the fiscal years ended March 31, 2012, 2013 and 2014.

To address these circumstances, on May 22, 2014, Sony announced its corporate strategy to *Complete Reform of Electronics Business Structure and Establish Foundations for Sustainable Growth from FY2015* and is implementing key initiatives in the fiscal year ending March 31, 2015 for its three core electronics businesses — the game and network services, mobile and imaging businesses — and the entertainment and financial services businesses, as well as implementing new technology development and measures for new business creation to deliver further growth from the fiscal year ending March 31, 2016.

1. Completion of Electronics Business Structural Reform

As announced on February 6, 2014, Sony is proceeding with the withdrawal from its PC business, the split out of its TV business and the structural reform of its sales companies and headquarters functions. Sony expects to complete these initiatives within the fiscal year ending March 31, 2015.

Sony will withdraw from the PC business following the completion of sales of its Spring product lineup currently on sale in global markets. Sony has signed definitive agreements to transfer its PC business operated in Japan under the VAIO brand and certain related assets to VAIO Corporation, which will be renamed from VJ Corporation, which was established as a special purpose company funded by a subsidiary of Japan Industrial Partners, Inc. The target for completion is July 1, 2014. Going forward, Sony will provide customer support for PC products that have already been sold and support the smooth launch of VAIO Corporation.

Sony is targeting July 1, 2014 to start operation of a new TV business company, “Sony Visual Products Inc.” Sony will also execute fixed cost reduction measures across the sales companies, headquarters and indirect functions that support the TV business in order to help establish a business structure capable of minimizing the impact of external market fluctuations. Sony expects to return the TV business to profitability in the fiscal year ending March 31, 2015 by executing the above measures, accelerating the implementation of its strategic shift towards high value-added models, including 4K, and establishing more flexible operations capable of responding rapidly to fluctuations in demand or the business environment.

Sony aims to reduce total costs in its electronics sales companies by approximately 20 percent and costs across headquarters and support functions by approximately 30 percent, by the fiscal year ending March 31, 2016, compared to the fiscal year ended March 31, 2014.

2. Key Initiatives to be Executed in Core Businesses in the Fiscal Year ending March 31, 2015

Game and Network Services

In the game and network services business, Sony aims to expand the installed base of PlayStation 4 (“PS4™”) and reinforce its network services in order to drive increased profit growth. Sony aims to further consolidate its No.1 position in the home console market in the fiscal year ending March 31, 2015. Sony plans to start an open beta version of the PlayStation™Now game streaming service this summer in the U.S. and introduce a new, cloud-based television service within the calendar year 2014. Sales from the network business, including game, music and video services, are expected to grow going forward.

Mobile

In the mobile business, Sony plans to add to its flagship Xperia™ lineup in a timely manner and to enrich its entry-level product lineup to address specific local needs. In addition to Europe and Japan, Sony aims to build strategic partnerships with network operators in the U.S. and, by introducing models that fully match customer needs, strengthen its presence in the U.S. market. Sony is also reinforcing its monitoring systems to analyze business outlook, including risks such as sudden changes in the market environment and negative shifts in demand, to help ensure stable operations.

Imaging Businesses

In the image sensor business, Sony will continue to integrate its highly competitive, cutting-edge image sensors with its wealth of camera expertise to drive the growth of its finished product and device businesses.

Sony intends to bolster its manufacturing capacity for stacked CMOS image sensors and to thereby reinforce its leading market position. Additionally, the Company aims to continue to deliver compelling, high value-added, professional and consumer imaging products in order to sustain business profitability.

In the component device space, Sony plans to focus on batteries in addition to image sensors. These two key components are expected to be a driving force for Sony to deliver attractive products and new services. In the medical space, the development of surgical endoscopes incorporating 3D and 4K technologies being carried out by Sony Olympus Medical Solutions, Sony's medical business joint venture with Olympus Corporation, is proceeding as scheduled, targeting market launch in the fiscal year ending March 31, 2016.

Entertainment

With diversifying forms of content distribution, and the growth of network distribution channels, Sony believes its rich content assets position it for continued growth. In this environment, Sony will explore new ways to innovate in its Entertainment businesses, including collaboration with its network service businesses. In the Pictures segment, Sony is executing a cost reduction plan that aims to achieve total cost reduction of 300 million U.S. dollars by the end of March 2016. Sony expects to continue to produce quality programming in the television production business and achieve steady growth in its media networks business, both of which are focus areas for Sony. In the Music segment, Sony is targeting increased market share by cultivating new talent and expanding its presence in emerging markets.

Financial Services

Sony's life insurance, non-life insurance and banking businesses have steadily expanded their range of services and earned high customer satisfaction ratings by providing outstanding services to customers. Sony aims to continue this stable profit growth in its Financial Services segment by continuing the pursuit of high-quality service. At the same time, Sony will be working to grow its nursing care business, launched in the fiscal year ended March 31, 2014, into the fourth pillar of its Financial Services business.

3. New Technology Development and Measures for New Business Creation to Deliver Further Growth from the Fiscal Year ending March 31, 2016

Direction of New Technology Development

By further reinforcing Sony's strengths in the areas of device and information processing technologies, Sony intends to differentiate its core electronics businesses and deliver new products and services that "create new lifestyles" and "enrich people's lives" in both the home and mobile spaces. Specifically, in device technologies, Sony plans to concentrate on image sensors, batteries and low energy consumption technologies. In information processing technologies, Sony will focus on recognition, natural user interface and signal processing innovation. Sony will leverage these technologies to pursue its "Life Space UX" initiative, which will allow users to enjoy videos or music or access information they need anywhere within the home, and "wearable" products in the mobile space.

Accelerating Innovation and New Business Creation

Sony is continuing to introduce innovative products that deliver new user experiences, such as its smartphone-attachable lens-style cameras and Music Video Recorder. Its 4K ultra short throw projector developed under the "Life Space UX" initiative, and its Smart Tennis Sensor, are examples of innovative new products that go beyond the boundaries of existing businesses. In April 2014, Sony launched a dedicated new organization responsible for promoting and supporting the creation of new businesses. The organization seeks to draw on internal and external insight to provide a catalyst for innovation and to provide opportunities for new ideas to transition into successful new businesses.

Global Environmental Plan “Road to Zero”

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

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

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

- Target an absolute reduction in greenhouse gas emissions (calculated in terms of CO₂) of 30 percent by the end of the fiscal year ending March 31, 2016, compared to the level of the fiscal year ended March 31, 2001.
- Target a reduction in power consumption per product of 30 percent by the end of the fiscal year ending March 31, 2016, compared to the level of the fiscal year ended March 31, 2009.

Further details of the global environmental plan “Road to Zero” and actual measures undertaken by Sony are reported in Sony’s CSR report available on the following website: http://www.sony.net/SonyInfo/csr_report/.

E. Off-balance Sheet Arrangements

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

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

F. Contractual Obligations, Commitments, and Contingent Liabilities

The following table summarizes Sony's contractual obligations and commitments as of March 31, 2014. 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)	111,836	111,836	—	—	—
Long-term debt (Notes 8 and 11)					
Capital lease obligations and other	90,560	38,487	40,169	6,462	5,442
Other long-term debt	1,092,006	227,431	277,134	428,982	158,459
Interest on other long-term debt	31,793	8,219	12,440	7,464	3,670
Minimum rental payments required under operating leases (Note 8)	302,497	62,152	88,008	46,192	106,145
Purchase commitments (Note 27)					
Expected cost for the production or purchase of motion pictures and television programming or certain rights	125,268	54,484	55,839	14,942	3
Long-term contracts with recording artists, songwriters and companies	60,121	24,038	21,308	7,572	7,203
Long-term sponsorship contracts related to advertising and promotional rights	52,389	9,363	12,890	11,795	18,341
Other purchase commitments	74,106	33,585	28,641	7,962	3,918
Future insurance policy benefits and other and policyholders' account in the life insurance business* (Note 10)	15,722,745	382,426	852,585	933,135	13,554,599
Gross unrecognized tax benefits** (Note 21)	214,795	—	—	—	—
Total	17,878,116	952,021	1,389,014	1,464,506	13,857,780

* Future insurance policy benefits and other and policyholders' account in the life insurance business are the estimated future cash payments to be made to policy holders and others. These cash payments are based upon assumptions including morbidity, mortality, withdrawals and other factors. Amounts presented in the above table are undiscounted. The sum of the cash payments of 15,722.7 billion yen exceeds the corresponding liability amounts of 5,810.4 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 will be settled within one year. The settlement period for the liability, which totaled 214.8 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, 2014:

- The total amount of expected future pension payments is not included as such amount is not currently determinable. Sony expects to contribute approximately 13 billion yen to Japanese pension plans and approximately 7 billion yen to foreign pension plans during the fiscal year ending March 31, 2015. 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 24.2 billion yen as of March 31, 2014 (Note 27).

- Purchases made during the ordinary course of business from certain component manufacturers and contract manufacturers in order to establish the best pricing and continuity of supply for Sony's production are not included as there are typically no binding purchase obligations. Purchase obligations are defined as contractual obligations to purchase goods or services that are enforceable and legally binding on Sony. These obligations specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include contracts that may be cancelled without penalty. These purchases include arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. This allows Sony's supply chain management flexible and mutually beneficial purchase arrangements with these manufacturers in order to minimize inventory risk. Consistent with industry practice, Sony purchases processed goods that meet technical criteria from these component manufacturers after issuing to these manufacturers information on Sony's projected demand and manufacturing needs.
- An advance payment from a commercial customer is not included as it is subject to reimbursement only under certain contingent conditions of the contract, including a downgrade of Sony's credit rating by either S&P (lower than "BBB-") or Moody's (lower than "Ba1"). The condition related to the credit rating by Moody's was eased through an amendment in March 2014 to allow for a downgrade from Baa3 to Ba1. The maximum repayment amount is 35.5 billion yen of which 28.4 billion yen is recorded in other current liabilities and 7.1 billion is recorded yen in other long-term liabilities in the consolidated balance sheets at March 31, 2014 based on the anticipated recoupment period. The advance payment amounts are recouped through product sales to the commercial customer during the period specified in the contract.

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

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

Critical Accounting Policies

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, Sony evaluates its estimates, which are based on historical experience, future projections and various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of expenses that are not readily apparent from other sources. Actual results may differ from these estimates. Sony considers an accounting policy to be critical if it is important to its financial condition and results, and requires significant judgment and estimates on the part of management in its application. Sony believes that the following represents its critical accounting policies.

Investments

Sony's investments include debt and equity securities accounted for under both the cost and equity method of accounting. If it has been determined that an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value with a charge to income. Sony regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Sony in determining whether an other-than-temporary decline in value has occurred include: the

length of time and extent to which the market value of the security has been less than its original cost, the financial condition, operating results, business plans and estimated future cash flows of the issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuers, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

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

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

Valuation of inventory

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

Impairment of long-lived assets

Sony reviews the recoverability of the carrying value of its long-lived assets held and used and long-lived assets to be disposed of, whenever events or changes in circumstances indicate that the carrying value of the

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

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.

During the fiscal year ended March 31, 2012, Sony recorded impairment charges for long-lived assets totaling 59,583 million yen which included 16,700 million yen related to the LCD televisions asset group within the HE&S segment and 12,601 million yen related to the network business asset group within All Other.

During the fiscal year ended March 31, 2013, Sony recorded impairment charges for long-lived assets totaling 14,494 million yen which included 7,617 million yen related to the LCD televisions asset group within the HE&S segment. These impairment charges primarily reflect a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. For the LCD televisions asset group, the corresponding estimated future cash flows leading to the impairment charges reflect the continued deterioration in LCD televisions market conditions in Japan, Europe and North America, and unfavorable foreign exchange rates. For the network business asset group, which has made investments in network improvements and security enhancements, the corresponding estimated future cash flows leading to the impairment charges, reflect management's revised forecast over the limited period applicable to the impairment determination.

During the fiscal year ended March 31, 2014, Sony recorded impairment charges for long-lived assets totaling 72,724 million yen which included 32,107 million yen related to the battery business asset group within the Devices segment, 12,303 million yen related to the disc manufacturing business asset group within All Other and 12,817 million yen related to the PC business asset group within the MP&C segment. These impairment charges primarily reflect a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. For the battery business group, in light of a lack of progress towards achieving adequate operating results, Sony conducted a strategic review of the business and the evolving market trends. Following these developments, Sony reduced the corresponding estimated future cash flows and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge. For the disc manufacturing business group, the long-lived asset impairment relates to a lowered forecast of cash flows outside of Japan and the United States, primarily attributable to the manufacturing and distribution operations in Europe, which began additional restructuring activities in March 2014, and reflects the faster than expected contraction of the physical media market. For the PC business, the corresponding estimated future cash flows leading to the impairment charge reflect an updated strategic plan to concentrate the mobile business on smartphones and tablets and ultimately exit the PC business following the continued challenges in the PC market.

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.

On February 15, 2012, Sony acquired Ericsson's 50 percent equity interest in Sony Ericsson. The transaction also provided Sony with a broad intellectual property cross-licensing agreement and ownership of five essential patent families relating to wireless handset technology. The total consideration consisted of 107,174 million yen (1,050 million euros) of cash. Sony remeasured the 50 percent equity interest in Sony Ericsson that it owned prior to the acquisition at a fair value of 71,449 million yen which resulted in the recognition of a gain of 102,331 million yen recorded in other operating (income) expense, net. In addition, accumulated translation adjustments of 11,690 million yen remained as a component of accumulated other comprehensive income. Further, goodwill of 128,522 million yen and intangible assets of 123,097 million yen were recorded in connection with this acquisition. Sony determined the fair value of the 50 percent equity interest in Sony Ericsson that it owned prior to the acquisition using a discounted cash flow analysis which included a discount rate of 13 percent. Sony determined the fair value of the intangible assets primarily using the relief-from-royalty and multi-period excess earnings approaches which included discount rates of 13.5 percent to 15 percent. The discount rates reflect the risks inherent in the future cash flows and were derived from the weighted average cost of capital of market participants in similar businesses. No value was allocated to in-process research and development in this acquisition as no material amounts were identified; however, certain significant research and development activities were substantially completed as of the acquisition date and included within acquired intangible assets as developed technology. Goodwill represents unidentifiable intangible assets, such as future growth from new revenue streams, increased market share particularly in emerging markets and the U.S., synergies with existing Sony assets and businesses and an assembled workforce.

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

Goodwill and other intangible assets

Goodwill and certain other intangible assets that are determined to have an indefinite useful life are not amortized and are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Such an event would include unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, which are periodically reviewed by Sony's management. In assessing goodwill and indefinite lived intangible assets for impairment, Sony has the option to first perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit and indefinite lived intangible asset is less than its carrying amount. Reporting units are Sony's operating segments or one level below the operating segments. If Sony determines that it is not more likely than not that the fair value of a reporting unit and indefinite lived intangible asset is less than its carrying amount, no additional tests to assess goodwill and indefinite lived intangible assets for impairment are required to be performed. However, if Sony concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform the first step of a two-step impairment review process. In the fiscal year ended March 31, 2014, Sony elected not to perform the aforementioned qualitative assessment of goodwill and instead proceeded directly to the quantitative impairment test.

The first step of the two-step process involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is

determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of a reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test are judgmental in nature and often involve the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of indefinite lived intangible assets. These estimates and assumptions could significantly impact whether or not an impairment charge is recognized as well as the magnitude of any such charge. In its impairment review, Sony performs internal valuation analyses or utilizes third-party valuations when management believes it to be appropriate, and considers other market information that is publicly available. The fair value of reporting units and indefinite lived intangible assets is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant estimates involved in the determination of fair value of the reporting units are the discount rates and the perpetual growth rates applied to terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing consider market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, are generally set after an initial three-year forecasted period, although certain reporting units utilized longer forecasted periods, and are based on historical experience, market and industry data.

Except as described below, fair value exceeded the carrying amount of the reporting units with goodwill and indefinite lived intangible assets, and therefore no impairment existed and the second step of the impairment test was not required. As a result, no material impairments of goodwill or indefinite lived intangible assets were recorded beyond the impairments described below. When testing goodwill for impairment, consideration was given to Sony's market capitalization in relation to the sum of the calculated fair values of the reporting units, including reporting units with no goodwill, and taking into account corporate level assets and liabilities not assigned to individual reporting units as well as a reasonable control premium.

During the fiscal year ended March 31, 2014, Sony recorded impairment losses of 13,264 million yen related to the disc manufacturing business included in All Other. The impairment charge reflected the overall decline in the fair value of the reporting unit. The fair value of the reporting unit was estimated using the present value of expected future cash flows.

The carrying amounts of goodwill by segment as of March 31, 2014 are as follows:

	<u>Yen in millions</u>
Mobile Products & Communications	180,179
Game	150,572
Imaging Products & Solutions	6,187
Devices	37,400
Pictures	187,307
Music	122,780
Financial Services	2,314
All Other	5,064
Total	<u>691,803</u>

Management believes that the estimates of future cash flows and fair value used in the goodwill impairment tests are reasonable; however, in the future, changes in estimates resulting in lower than currently anticipated cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations, which may result in Sony recognizing impairment charges for goodwill and indefinite lived intangible assets in the future. In order to evaluate the sensitivity of the fair value calculations on the impairment analysis performed for the fiscal year ended March 31, 2014, Sony applied a hypothetical 10 percent decrease to the fair value of each reporting unit. A hypothetical 10 percent decrease to the estimated fair value of each reporting unit would not have resulted in a failure of step one of the goodwill impairment test.

Pension benefit costs

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

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

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

To determine the benefit obligation of the Japanese pension plans, Sony used a discount rate of 1.4 percent for its Japanese pension plans as of March 31, 2014. The discount rate was determined by using information about yields on high-quality bonds currently available and expected to be available during the period to maturity of the pension benefit obligation in consideration of amounts and timing of cash outflows for expected benefit payments. Such available information about yields is collected from published market information and credit rating agencies. The 1.4 percent discount rate represents a 10 basis point decrease from the 1.5 percent discount rate used for the fiscal year ended March 31, 2013 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, 2013 and 2014. The actual return on pension plan assets for the fiscal years ended March 31, 2013 and 2014 was a 12.5 percent gain and an 8.8 percent gain, respectively. The difference between the expected and the actual rate of return on pension plan assets was primarily due to the robust performance in the equity markets until the third quarter of this fiscal year, and the appreciation of foreign currency-denominated assets reflecting the weakening yen. Actual results that differ from the expected return on pension plan assets are accumulated and amortized as a component of pension costs over the average future service period, thereby reducing the year-to-year volatility in pension costs. As of March 31, 2013 and 2014, Sony had, with respect to Japanese pension plans, net actuarial losses of 264.6 billion yen and 237.0 billion yen, respectively, including losses related to pension plan assets. For the fiscal year ended March 31, 2014, the net actuarial loss decreased as the actual return on pension plan assets significantly exceeded the expected return, partially offset by the impact of the decline in the discount rate used to determine the defined benefit obligation, as compared to the prior fiscal year's rate.

The following table illustrates the effect on the fiscal year ending March 31, 2015 of changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions as of March 31, 2014 constant, for Japanese pension plans.

Change in assumption	Projected benefit obligations	Pension costs	Equity (Net of tax)
	(Yen in billions)		
25 basis point increase / decrease in discount rate	-/+30.7	-/+1.5	+/-0.9
25 basis point increase / decrease in expected long-term rate of return on pension plan assets	—	-/+1.6	+/-1.0

Deferred tax asset valuation

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

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

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

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

The estimate for the valuation of deferred tax assets, which is based on currently enacted tax laws and rates as of the balance sheet date, reflects management's judgment and best estimate of the likely future tax consequences of events that have been recognized in Sony's financial statements and tax returns, the ability to implement various tax planning strategies and, in certain cases, future forecasts, business plans and other expectations about future outcomes. Changes in existing tax laws or rates in tax jurisdictions in which Sony operates could affect actual tax results, and market or economic deterioration or failure of management to achieve its restructuring objectives could affect future business results, either of which could affect the valuation of deferred tax assets over time. If future results are less than projected, if APA negotiations result in a different

allocation of profits and losses than currently anticipated, if tax planning alternatives are no longer viable, or if there is no excess appreciated asset value over the tax basis of the assets contemplated for sale, further valuation allowance may be required in the future to reduce the deferred tax assets to their net realizable value. On the other hand, an improvement in future results, or other factors such as business reorganizations, could lead to future valuation allowance reversals into income as a reduction to tax expense, subject to review of the relevant qualitative factors and uncertainties. These factors and other changes that are not anticipated in current estimates could have a material impact on Sony's earnings or financial condition in the period or periods in which the impact is recorded or reversed.

Film accounting

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

Management bases its estimates of ultimate revenue for each film on several factors including the historical performance of similar genre films, the star power of the lead actors and actresses, the expected number of theaters at which the film will be released, anticipated performance in the home entertainment, television and other ancillary markets, and agreements for future sales. Management updates such estimates on a regular basis based on the actual results to date and estimated future results for each film. For example, a film that has resulted in lower than expected theatrical revenues in its initial weeks of release would generally have its theatrical, home entertainment and television distribution ultimate revenues adjusted downward; a failure to do so would result in the understatement of amortized film costs for the period.

Future insurance policy benefits

Liabilities for future insurance policy benefits, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.5 percent to 4.5 percent and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary's own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses.

Policyholders' account in the life insurance business

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

Recently Adopted Accounting Standards

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

Recent Accounting Pronouncements

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

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 26, 2014.

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 Vice President and Chief Financial Officer, Representative Corporate Executive Officer

Member of the Nominating Committee and Compensation Committee

Principal Business Activities Outside Sony: None

Prior Positions:

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

Kanemitsu Anraku

Date of Birth: April 21, 1941

Outside Director (Member of the Board) Since: 2010

Current Position within Sony: Member of the Audit Committee

Principal Business Activities Outside Sony:

Director, Mizuho Financial Group, Inc.

Prior Positions:

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

2000 Vice Chairman, Nissan Motor Co., Ltd.

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

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

Takaaki Nimura

Date of Birth: October 25, 1949

Outside Director (Member of the Board) Since: 2012

Current Position within Sony: Chair of the Audit Committee

Principal Business Activities Outside Sony: None

Prior Positions:

2008 Executive Board member, Ernst & Young ShinNihon LLC

1997 Senior partner, Showa Ota & Co.

1989 Partner, Asahi Shinwa & Co.

Eikoh Harada

Date of Birth: December 3, 1948

Outside Director (Member of the Board) Since: 2013

Current Position within Sony: Chair of the Compensation Committee

Principal Business Activities Outside Sony:

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

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

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

Prior Positions:

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

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

1997 President, Apple Japan, Inc.

Vice President, Apple Computer, Inc.

1983 Director, Schlumberger Group

Joichi Ito

Date of Birth: June 19, 1966

Outside Director (Member of the Board) Since: 2013

Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

Chief Executive Officer, Neoteny Co., Ltd.

Director, MIT Media Lab, Massachusetts Institute of Technology

Director, Digital Garage, Inc.

Director, Tucows Inc.

Director, The New York Times Company

Prior Positions:

1999 Chairman, Infoseek Japan

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

Tim Schaaff

Date of Birth: December 5, 1959

Director (Member of the Board) Since: 2013

Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

Independent Startup Adviser

Prior Positions:

2012 Group Executive, Sony Corporation

2009 President, Sony Network Entertainment International LLC

2005 Entered Sony Corporation of America as Senior Vice President

1998 Vice President, Apple Computer, Inc.

Kazuo Matsunaga

Date of Birth: February 28, 1952

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Audit Committee

Principal Business Activities Outside Sony:

Director, Sumitomo Corporation

Director, Takasago Thermal Engineering Co., Ltd.

Prior Positions:

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

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

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

Koichi Miyata

Date of Birth: November 16, 1953

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

Director and President, Sumitomo Mitsui Financial Group, Inc.

Director, Sumitomo Mitsui Banking Corporation

Prior Positions:

2010 Director, Sumitomo Mitsui Financial Group, Inc.

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

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

John V. Roos

Date of Birth: February 14, 1955

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

Chief Executive Officer, The Roos Group, LLC

Director, salesforce.com, inc.

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

Senior Advisor, Centerview Partners LLC

Prior Positions:

2009 United States Ambassador to Japan

2005 Chief Executive Officer, Wilson Sonsini Goodrich & Rosati

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

Eriko Sakurai

Date of Birth: November 16, 1960

Director (Member of the Board) Since: 2014

Current Position within Sony: Member of the Compensation Committee

Principal Business Activities Outside Sony:

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

Regional President — Japan/Korea, Dow Corning Corporation

Prior Positions:

2008 Director, Dow Corning Toray Co., Ltd.

Corporate Executive Officers

In addition to Messrs. Hirai and Yoshida, the six individuals set forth below are the current Corporate Executive Officers of Sony Corporation as of June 26, 2014. Refer to “Board Practices” below.

Tadashi Saito

Date of Birth: August 21, 1953

Corporate Executive Officer Since: 2012

Current Positions within Sony: Executive Vice President, Officer in charge of Medical Business

Prior Positions:

2012 Executive Vice President and Chief Strategy Officer, Sony Corporation

2008 Executive Vice President, Sony Corporation

2005 Senior Vice President, Sony Corporation

2004 Executive Officer, Sony Corporation

1976 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Shoji Nemoto

Date of Birth: May 31, 1956

Corporate Executive Officer Since: 2012

Current Positions within Sony: Executive Vice President, Officer in charge of Professional Solutions Business,
Digital Imaging Business and Disc Manufacturing Business

Prior Positions:

2008 Senior Vice President, Sony Corporation

2005 Corporate Vice President, Sony Ericsson Mobile Communications AB

2003 Executive Officer, Sony Corporation

1979 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Tomoyuki Suzuki

Date of Birth: August 19, 1954

Corporate Executive Officer Since: 2012

Current Positions within Sony: Executive Vice President, Officer in charge of Device Solutions Business and RDS Platform

Prior Positions:

2005 Senior Vice President, Sony Corporation

2004 Executive Officer, Sony Corporation

1979 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Kunimasa Suzuki

Date of Birth: August 7, 1960

Corporate Executive Officer Since: 2012

Current Positions within Sony: Executive Vice President, Officer in charge of PC Business, Mobile Business, UX, Product Strategy and Creative Platform, Sony Corporation
President and Chief Executive Officer of Sony Mobile Communications AB

Prior Positions:

2009 Senior Vice President, Sony Corporation

1984 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Kunitaka Fujita

Date of Birth: September 25, 1953

Corporate Executive Officer Since: 2013

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

Prior Positions:

2005 Senior Vice President, Corporate Executive, Sony Corporation

2004 Senior Vice President, Sony Corporation

1977 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, External Relations and Brand

Prior Positions:

2010 Senior Vice President, Corporate Executive, Sony Corporation

1984 Entered Sony Corporation

Principal Business Activities Outside Sony: None

Kazuo Hirai, Kenichiro Yoshida, Tadashi Saito, Shoji Nemoto, Tomoyuki Suzuki, Kunimasa Suzuki, Kunitaka Fujita, and Shiro Kambe are engaged on a full-time basis by Sony Corporation. There is no family relationship between any of the persons named above. There is no arrangement or understanding with major shareholders, customers, suppliers, or others pursuant to which any person named above was selected as a Director or a Corporate Executive Officer.

B. Compensation

Under the Financial Instruments and Exchange Act of Japan and related regulations, Sony is required to disclose the total remuneration paid by Sony Corporation to Directors and Corporate Executive Officers, as well as remuneration of any Director or Corporate Executive Officer who receives total aggregate annual remuneration exceeding 100 million yen from Sony Corporation and its consolidated subsidiaries in a fiscal year, on an individual basis. The following table and accompanying footnotes show the information on such matters that Sony Corporation has disclosed in its annual Securities Report for the fiscal year ended March 31, 2014 filed on June 26, 2014 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		Bonus 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	15	168	—	—	5	74
(*)(**)	(*)	(**)	(*)	(**)	(*)	(**)
(Outside Directors)	(12)	(152)	(—)	(—)	(5)	(74)
Corporate Executive Officers	10	569	9	0	1	22
(**)	(**)	(**)	(**)	(**)	(**)	(**)
Total*****	25	737	9	0	6	96

* 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 four Directors and a Corporate Executive Officer who resigned on the day of the Ordinary General Meeting of Shareholders held on June 20, 2013.

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

**** Nine Corporate Executive Officers waived their bonuses linked to business results for the fiscal year ended March 31, 2014.

***** The Phantom Restricted Stock Plan includes the amount that will be paid to five Directors who resigned on the day of the Ordinary General Meeting of Shareholders held on June 19, 2014 and a Corporate Executive Officer who resigned on March 31, 2014.

***** In addition to the above, during the fiscal year ended March 31, 2014, Sony Corporation recorded 2 million yen in expenses for Directors (2 million yen for Outside Directors) and 242 million yen in expenses for Corporate Executive Officers, respectively, for Stock Acquisition Rights granted to Directors and Corporate Executive Officers, respectively, during the fiscal year ended March 31, 2014 or in the past for stock option purposes.

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

Name	Position	Basic remuneration (Yen in millions)	Bonus linked to business results (Yen in millions)	Phantom restricted stock plan (Yen in millions)	Total (Yen in millions)	Granted number of stock acquisition rights* (Thousand shares)
Kazuo Hirai	Sony Corporation Director, President & CEO, and Representative Corporate Executive Officer**	184 ***	0	—	184	200
Nicole Seligman	Sony Corporation Former EVP & General Counsel (until June 19, 2014)	100 ***	0	—	156	30
	Sony Corporation of America President	56	0	—		

* The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal year ended March 31, 2014 was 821 yen and was estimated using the Black-Scholes option-pricing model with several assumptions. Refer to Note 17 of the consolidated financial statements on page F-67 of this report for details. The weighted-average fair value per share does not indicate the actual value that would be realized by a Corporate Executive Officer upon the exercise of the above-mentioned stock acquisition rights. The actual value, if any, that is realized by a Corporate Executive Officer upon the exercise of any stock acquisition rights will depend on the extent to which the market value of Sony Corporation's Common Stock exceeds the exercise price of the stock acquisition rights on the date of exercise, and several other restrictions imposed on the exercise of the stock acquisition rights, including the period when a Corporate Executive Officer could exercise the stock acquisition rights. Accordingly, there is no assurance that the value realized or to be realized by a Corporate Executive Officer upon the exercise of the stock acquisition rights is or will be at or near the weighted-average fair value per share presented above. In addition, the above weighted-average fair value per share was calculated to recognize compensation expense for the fiscal year ended March 31, 2014 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 and Nicole Seligman, Corporate Executive Officer, are set in U.S. dollar. The reduction of their dollar-based remuneration has been in place since 2012. Apart from the remunerations 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 their perquisites), during the fiscal year ended March 31, 2014: for Kazuo Hirai, Representative Corporate Executive Officer, Sony Corporation — 11 million yen; and for Nicole Seligman, Corporate Executive Officer, Sony Corporation — 9 million yen/ Sony Corporation of America — 5 million yen.

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

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

(a) Basic policy of Director remuneration

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

- Attracting and retaining an adequate talent pool of Directors possessing the requisite abilities to excel in the global marketplace; and
- Ensuring the effectiveness of the supervisory function of the Directors.

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

- Fixed remuneration; and
- Phantom Restricted Stock Plan.

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

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

(b) Basic policy of Corporate Executive Officer remuneration

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

- Attracting and retaining an adequate talent pool of Corporate Executive Officers possessing the requisite abilities to excel in the global marketplace; and
- Providing effective incentives to improve business results on a short, medium and long term basis.

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

- Fixed remuneration;
- Bonus linked to business results;
- Remuneration linked to share price; and
- Phantom Restricted Stock Plan.

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

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

Regarding the Phantom Restricted Stock Plan, points fixed every year by the Compensation Committee shall be granted to Corporate Executive Officers every year during his/her tenure in office, and at the time of resignation, the remuneration amount shall be calculated by multiplying Sony Corporation's Common Stock price by accumulated points. These amounts are then used to purchase Sony Corporation's Common Stock on behalf of the applicable Corporate Executive Officer upon his/her resignation.

C. Board Practices

Sony Corporation has adopted a “Company with 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 (i) 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 of Sony Corporation or any of its subsidiaries, and (ii) who has never been 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 of Sony Corporation or any of its subsidiaries.

Under the committee 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 five 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. 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 two members of the Nominating Committee must concurrently be Corporate Executive Officers. The Nominating Committee is comprised of the following members as of June 26, 2014: Osamu Nagayama, who is the Chair of the Nominating Committee, the Chairman of the Board and an outside Director; Joichi Ito, Koichi Miyata and John V. Roos, who are each outside Directors; Tim Schaaff, who is a Director; and Kazuo Hirai and Kenichiro Yoshida, who are Corporate Executive Officers.

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 26, 2014: Takaaki Nimura, who is the Chair of the Audit Committee and an outside Director, and Kanemitsu Anraku and Kazuo Matsunaga, who are also outside Directors. Takaaki Nimura and Kanemitsu Anraku are each “audit committee financial experts” within the meaning of Item 16A of this report.

As required by the Companies Act, the Compensation Committee determines the policy and the content of compensation, bonus and any other benefits (including equity-related rights or options given for the purpose of stock incentive options) to be received by each Director and Corporate Executive Officer in consideration of the execution of their duties. In addition to such statutory duties, the Compensation Committee sets policy on the composition of individual compensation to be received by other senior management of Sony Group (Directors or other officers of Sony Group companies whose appointment is subject to approval by the Chief Executive Officer (“CEO”) of Sony Corporation), and also submits proposals to the Board of Directors regarding the issuance of stock acquisition rights for the purpose of granting stock options and other forms of stock price-based compensation utilizing shares etc. of Sony Group, as individual compensation to the aforementioned senior management. Under the Charter of the Board of Directors, the Compensation Committee shall consist of three or more Directors, and as a general rule, at least one member shall concurrently serve as Corporate Executive Officer; provided, however, that a Director who is the CEO or the Chief Operating Officer (“COO”) of Sony Group or in any equivalent position shall not be a member of the Compensation Committee. As stated above, a majority of the members of the Compensation Committee must be outside Directors. The Compensation Committee is comprised of the following members as of June 26, 2014: Eikoh Harada, who is the Chair of the Compensation Committee and an outside Director, Eriko Sakurai, who is also an outside Director; and Kenichiro Yoshida, who is a Corporate Executive Officer.

During the fiscal year ended March 31, 2014, the Board of Directors convened ten times. The Nominating Committee met six times, the Audit Committee met eight times and the Compensation Committee met eight times. All 12 outside Directors participated in all meetings of the Board of Directors held during his/her tenure period of the fiscal year ended March 31, 2014 except for Sir Peter Bonfield, Ryuji Yasuda, Yukako Uchinaga, Tsun-Yan Hsieh, and Yorihiro Kojima (Sir Peter Bonfield, Ryuji Yasuda, Yukako Uchinaga and Yorihiro Kojima each participated in nine meetings out of ten; Tsun-Yan Hsieh, whose tenure ended in June 2013, participated in two meetings out of three). Also, all 10 outside Directors who are members of Committees participated in at least 75 percent of the aggregate number of meetings of each Committee held during the fiscal year ended March 31, 2014, except for Yorihiro Kojima (Yorihiro Kojima participated in four meetings of the Nominating Committee out of the six held during the fiscal year ended March 31, 2014). 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, 2014.

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 that limits the maximum amount of liabilities owed by each outside 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 26, 2014, there are eight 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, the Board of Directors reaffirmed such internal control and governance framework, as slightly amended, in effect as of the date of determination and determined to continue to evaluate and improve such amended framework going forward, as appropriate. This determination was required by and met the requirements of the Companies Act. Details of the determination are posted on the following website: <http://www.sony.net/SonyInfo/IR/library/control.html>

For an explanation as to the significant differences between the New York Stock Exchange's corporate governance standards and Sony's corporate governance practices, please refer to "Disclosure About Differences in Corporate Governance" in Item 16G or visit Sony's website at: <http://www.sony.net/SonyInfo/IR/info/strategy/NYSEGovernance.html>

D. Employees

As of March 31, 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 segment and the Music segment increased, the total number of employees decreased due to restructuring initiatives taken in Japan, North America and Europe. As of March 31, 2014, approximately 52,200 employees were located in Japan and approximately 88,700 employees were located outside Japan. Approximately 20 percent of the total number of employees were members of labor unions.

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

As of March 31, 2012, Sony had approximately 162,700 employees, a decrease of approximately 5,500 employees from March 31, 2011. During the fiscal year ended March 31, 2012, while employees increased due to the consolidation of Sony Ericsson, the total number of employees decreased significantly due to restructuring and production adjustments implemented during the fiscal year, mainly at manufacturing sites in the East Asia and Asia-Pacific areas (excluding Japan). As of March 31, 2012, approximately 58,100 employees were located in Japan and approximately 104,600 employees were located outside Japan. Approximately 24 percent of the total number of employees were members of labor unions.

The following table shows the number of employees of Sony by segment as of March 31, 2012, 2013 and 2014.

Number of Employees by Segment

	March 31		
	2012	2013	2014
Electronics*	121,600	105,000	101,700
Pictures	7,200	7,400	7,200
Music	6,400	6,500	6,700
Financial Services	7,700	8,200	8,500
All Other	10,500	9,800	9,300
Unallocated — Corporate employees	9,300	9,400	7,500
Total	162,700	146,300	140,900

* The term “Electronics” refers to the sum of the MP&C, Game, IP&S, HE&S and Devices segments.

As of March 31, 2014, the number of employees in Electronics decreased compared to March 31, 2013, reflecting restructuring initiatives taken in Japan, North America, and Europe. The number of employees in All Other also decreased compared to March 31, 2013, reflecting the sale of Gracenote Inc. during the fiscal year ended March 31, 2014. In the Music segment, the number of employees increased compared to March 31, 2013 primarily due to the expansion of the music publishing business as a result of the administration of the EMI Music Publishing catalog. In the Financial Services segment, the number of employees as of March 31, 2014 increased compared to March 31, 2013 due to the expansion of its businesses.

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

As of March 31, 2012, Sony Mobile Communications (“Sony Mobile”) employees were included in the number of employees in Electronics following the consolidation of Sony Ericsson in February 2012. However, the number of employees in Electronics decreased compared to March 31, 2011, reflecting production adjustments at manufacturing facilities. Excluding Electronics, no significant increase or decrease was observed overall.

In addition, the average number of employees for the fiscal years ended March 31, 2012, 2013 and 2014 calculated by averaging the total number of employees at the end of each quarter, were approximately 165,900, 153,900 and 143,300, respectively.

Sony generally considers its labor relations to be good.

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

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

In the Pictures segment, Sony also generally considers its labor relations to be good. A number of Pictures' subsidiaries are signatories to union contracts. During the fiscal year ended March 31, 2014, negotiations were successfully concluded for a new three-year agreement with the Theatrical Drivers and Helpers of Local Union 817, International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America (New York). Negotiations were also successfully concluded for a new three-year agreement with the Directors Guild of America ("DGA") covering two separate collective bargaining agreements (the DGA Basic Agreement and the DGA film and Live Television Agreement). Negotiations have also concluded for a new three-year agreement with the Writers Guild of America ("WGA") that was ratified by the WGA membership in April 2014. Negotiations for a new three-year agreement are ongoing with the American Federation of Musicians, and negotiations with the Screen Actors Guild and the American Federation of Television and Radio Artists began in May 2014. It is not anticipated that these negotiations will result in an interruption in production.

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

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

E. Share Ownership

The total number of shares of Sony Corporation's Common Stock beneficially owned by Directors and Corporate Executive Officers (9 people) listed in "Directors and Senior Management" above was approximately 0.004 percent of the total shares outstanding as of June 26, 2014. Refer to "Board Practices" above.

During the fiscal year ended March 31, 2014, Sony granted stock acquisition rights, which represent rights to subscribe for shares of Common Stock of Sony Corporation, to Corporate Executive Officers, Corporate Executives, Group Executives, and selected employees. The stock acquisition rights cannot be exercised for one year from the date of grant and generally vest ratably up to three years from the date of grant and are generally exercisable up to ten years from the date of grant. The following table shows the portion of those stock acquisition rights which were granted by Sony to Directors and Corporate Executive Officers as of May 31, 2014 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
2014	230	20.01 U.S. dollars
2014	185	2,007 yen
2013	230	11.23 U.S. dollars
2013	143	932 yen
2012	110	19.44 U.S. dollars
2012	100	1,523 yen
2011	80	35.48 U.S. dollars
2011	84	2,945 yen
2010	80	29.56 U.S. dollars
2010	64	2,595 yen
2009	60	30.24 U.S. dollars
2009	54	2,987 yen
2008	60	48.15 U.S. dollars
2008	40	5,514 yen
2007	54	40.05 U.S. dollars
2007	43	4,756 yen
2006	30	34.14 U.S. dollars
2006	40	4,060 yen
2005	30	40.34 U.S. dollars
2005	33	3,782 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, 2014, there were 1,044,707,767 shares of common stock outstanding, including 1,026,618 shares of treasury stock. Out of the total outstanding shares, 94,060,003 shares were in the form of ADRs and 137,983,836 shares were held of record in the form of common stock by residents in the U.S. As of March 31, 2014, the number of registered ADR holders was 6,336 and the number of registered holders of common stock of Sony Corporation in the U.S. was 351.

The Financial Instruments and Exchange Act of Japan requires any person who solely or jointly owns more than 5 percent of total issued voting shares of a company listed on any Japanese stock exchange to file with the Kanto Local Finance Bureau (“Bureau”) a Bulk Shareholding Report. The following table summarizes the Bulk Shareholding Reports related to Sony (each a “Report”) submitted to the Bureau between June 27, 2013 and June 24, 2014, where it is reported that ownership percentage by the reported entity exceeds 5 percent in the most recent updated Report. The Reports do not specify whether reported ownership is direct or beneficial.

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

* The table above contains information derived 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 reported entity’s holding and Sony’s total issued share capital.

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

To the knowledge of Sony Corporation, there were no significant changes in the percentage ownership held by any other major beneficial shareholders during the past three fiscal years. Major shareholders of Sony Corporation do not have different voting rights than 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, 2014, sales to affiliates accounted for under the equity method totaled 23.6 billion yen and purchases from those equity affiliates totaled 1.5 billion yen. Although there were 107 equity affiliates accounted for under the equity method at March 31, 2014, there were no individually significant investments.

As of March 31, 2014, Sony had accounts receivable, trade of 8.3 billion yen due from its equity affiliates and had accounts payable, trade of 1.0 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 May 2011, Sony Corporation's U.S. subsidiary, Sony Electronics Inc., received a subpoena from the U.S. Department of Justice ("DOJ") Antitrust Division seeking information about its secondary batteries business. Sony understands that the DOJ, the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the secondary batteries market. The DOJ has notified Sony that it has closed its investigation, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser class action lawsuits have been filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

Beginning in early 2011, the network services of PlayStation®Network, Qriocity™, Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of June 26, 2014, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from such cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including formal and/or informal requests for information from Attorneys General from a number of states in the United States. Additionally, Sony Corporation and/or certain of its subsidiaries have

been named in a number of purported class actions in certain jurisdictions, including the United States. A proposed settlement of the U.S. class action suits has been submitted to the court for preliminary approval. The settlement of a set of non-U.S. class actions has received court approval, and one non-U.S. class action suit remains pending. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

In October 2009, Sony Corporation's U.S. subsidiary, Sony Optiarc America Inc., received a subpoena from the DOJ seeking information about its optical disk drive business. Sony understands that the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the optical disk drives market. The DOJ has notified Sony that it has closed its investigation, and Sony understands that the investigations by several other agencies have now ended, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser lawsuits, including class actions, have been filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

In November 2013, trial was set for September 2014 on a complaint by a former customer of Sony Corporation's U.S. subsidiary, Sony Electronics Inc., seeking recovery in connection with the former customer's bankruptcy filing. Based on the stage of this proceeding and information currently available, Sony believes that any reasonably possible loss would not have a material impact on Sony's results of operations and financial position.

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 12.5 yen per share of Common Stock of Sony Corporation was approved at the Board of Directors meeting held on May 13, 2014 and the payment of such dividend started on June 2, 2014. Sony Corporation has already paid an interim dividend for Common Stock of 12.5 yen per share to each shareholder; accordingly, the total annual dividend per share of Common Stock for the fiscal year ended March 31, 2014 is 25.0 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, and is also listed on the London Stock Exchange in the United Kingdom.

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 JPMorgan Chase Bank, N.A., as the Depositary.

Trading on the TSE and the NYSE

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

	Tokyo Stock Exchange price per share of Common Stock		New York Stock Exchange price per share of ADS	
	High	Low	High	Low
	(yen)		(U.S. dollars)	
Annual highs and lows*				
The fiscal year ended March 31, 2010	3,645	2,050	40.45	21.27
The fiscal year ended March 31, 2011	3,620	2,100	38.67	25.85
The fiscal year ended March 31, 2012	2,727	1,253	32.09	16.16
Quarterly highs and lows*				
The fiscal year ended March 31, 2013	1,750	772	20.83	9.57
1st quarter	1,750	990	20.83	12.63
2nd quarter	1,151	849	14.31	10.91
3rd quarter	998	772	12.40	9.57
4th quarter	1,735	918	18.06	10.59
Quarterly highs and lows*				
The fiscal year ended March 31, 2014	2,413	1,497	23.38	15.23
1st quarter	2,413	1,497	23.38	16.09
2nd quarter	2,323	1,899	23.10	19.53
3rd quarter	2,106	1,623	21.50	16.52
4th quarter	1,985	1,514	19.25	15.23
Monthly highs and lows*				
2013				
December	1,928	1,760	18.75	17.03
2014				
January	1,920	1,609	18.32	15.55
February	1,797	1,514	17.66	15.23
March	1,985	1,704	19.25	16.92
April	2,030	1,787	19.46	17.46
May	1,817	1,588	17.73	15.93
June (through June 20)	1,726	1,622	17.01	15.96

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

On June 20, 2014, the closing sales price per share of Sony Corporation's Common Stock on the TSE was 1,704 yen. On June 20, 2014, the closing sales price per share of Sony Corporation's ADS on the NYSE was 16.97 U.S. dollars.

B. Plan of Distribution

Not Applicable

C. Markets

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

D. Selling Shareholders

Not Applicable

E. Dilution

Not Applicable

F. Expenses of the Issue

Not Applicable

Item 10. Additional Information

A. Share Capital

Not Applicable

B. Memorandum and Articles of Association

Organization

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

Objects and purposes

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

- (i) manufacture and sale of electronic and electrical machines and equipment, medical instruments, optical instruments and other equipment, machines and instruments;
- (ii) planning, production and sale of audio-visual software and computer software programs;
- (iii) manufacture and sale of metal industrial products, chemical industrial products and ceramic industrial products, textile products, paper products and wood-crafted articles, daily necessities, foodstuffs and toys, transportation machines and equipment, and petroleum and coal products;
- (iv) real estate activities, construction business, transportation business and warehousing business;
- (v) publishing business and printing business;

- (vi) advertising agency business, insurance agency business, broadcasting enterprise, recreation business such as travel, management of sporting facilities, etc. and other service enterprises;
- (vii) financial business;
- (viii) Type I and Type II telecommunications business under the Telecommunications Business Law;
- (ix) investing in stocks and bonds, etc.;
- (x) manufacture, sale, export and import of products which are incidental to or related to those mentioned above;
- (xi) rendering of services related to those mentioned above;
- (xii) investment in businesses mentioned above operated by other companies or persons; and
- (xiii) all businesses which are incidental to or related to those mentioned above.

Directors

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

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

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

Capital stock

(General)

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

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

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

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

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

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

(Authorized capital)

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

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

(Distribution of Surplus)

Distribution of Surplus — General

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

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 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 unclaimed for a period of five years after the date on which they first became payable.

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

Distribution of Surplus — Restriction on distribution of Surplus

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

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

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

In the above formula:

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

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

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

As Sony Corporation has become a company with respect to which consolidated balance sheets should also be considered in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), Sony Corporation must further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of stockholders’ equity appearing on the non-consolidated balance sheet as of the end of the last business year and certain other amounts set forth by ordinances of the Ministry of Justice over (y) the total amount of stockholders’ equity and certain other amounts set forth by ordinances 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 ordinances of the Ministry of Justice.

(Capital and reserves)

Sony Corporation may generally reduce its additional paid-in capital or legal reserve by resolution of a General Meeting of Shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, Sony Corporation may generally reduce its stated capital by a special shareholders’ resolution (as defined in “*Voting rights*”) and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, Sony Corporation may reduce its Surplus and increase either (i) stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case by resolution of a General Meeting of Shareholders.

(Stock splits)

Sony Corporation may at any time split shares in issue into a greater number of shares at the determination of the Chief Executive Officer (“CEO”), and may amend its Articles of Incorporation to increase the number of the authorized shares to be issued to allow such stock split pursuant to a resolution of the Board of Directors or a determination by a Corporate Executive Officer to whom the authority to make such determination has been delegated by a resolution of the Board of Directors, rather than relying on a special shareholders’ resolution, which is otherwise required for amending the Articles of Incorporation.

When a stock split is to be made, Sony Corporation must give public notice of the stock split, specifying the record date thereof, at least two weeks prior to such record date. Under the central book-entry transfer system operated by JASDEC, Sony Corporation must also give notice to JASDEC regarding a stock split at least two weeks prior to the relevant effective date of the stock split. On the effective date of the stock split, the numbers of shares recorded in all accounts held by Sony Corporation's shareholders at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

(Consolidation of shares)

Sony Corporation may at any time consolidate issued shares into a smaller number of shares by a special shareholders' resolution. When a consolidation of shares is to be made, Sony Corporation must give public notice or notice to each shareholder at least two weeks prior to the effective date of the consolidation of shares. Under the central book-entry transfer system operated by JASDEC, Sony Corporation must also give notice to JASDEC regarding a consolidation of shares at least two weeks prior to the effective date of the consolidation of shares. On the effective date of the consolidation of shares, the numbers of shares recorded in all accounts held by Sony Corporation's shareholders at account managing institutions or JASDEC will be decreased in accordance with the applicable ratio. Sony Corporation must disclose the reason for the consolidation of shares at a General Meeting of Shareholders.

(General Meeting of Shareholders)

The Ordinary General Meeting of Shareholders of Sony Corporation for each business year is normally held in June of each year in Tokyo, Japan. In addition, Sony Corporation may hold an Extraordinary General Meeting of Shareholders whenever necessary by giving notice thereof at least two weeks prior to the date set for the meeting.

Notice of a shareholders' meeting setting forth the place, time and purpose thereof must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to such shareholder's resident proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. Under the Companies Act, such notice may be given to shareholders by electronic means, subject to obtaining consent by the relevant shareholders. The record date for an Ordinary General Meeting of Shareholders is March 31 of each year.

Any shareholder or group of shareholders holding at least three percent of the total number of voting rights for a period of six months or more may require the convocation of a General Meeting of Shareholders for a particular purpose. Unless such a shareholders' meeting is convened promptly or a convocation notice of a meeting which is to be held not later than eight weeks from the day of such demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such a shareholders' meeting.

Any shareholder or group of shareholders holding at least 300 voting rights or one percent of the total number of voting rights for a period of six months or more may propose a matter to be considered at a General Meeting of Shareholders by submitting a written request to Sony Corporation at least eight weeks prior to the date set for such meeting.

If the Articles of Incorporation so provide, any of the minimum voting rights or percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened. Sony Corporation's Articles of Incorporation currently do not include any such provisions.

(Voting rights)

So long as Sony Corporation maintains the unit share system, a holder of shares constituting one or more units is entitled to one vote for each such unit of stock (refer to ("*Unit share system*") below; currently 100 shares constitute one unit), except that no voting rights with respect to shares of capital stock of Sony Corporation are afforded to Sony Corporation or any corporate or certain other entity more than one-quarter of the total voting rights of which are directly or indirectly held by Sony Corporation. If Sony Corporation eliminates from its

Articles of Incorporation the provisions relating to units of stock, holders of capital stock will have one vote for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation of Sony Corporation, a resolution can be adopted at a General Meeting of Shareholders by a majority of the number of voting rights of all the shareholders represented at the meeting. The Companies Act and Sony Corporation's Articles of Incorporation provide, however, that the quorum for the election of Directors shall be one-third of the total number of voting rights of all the shareholders. Sony Corporation's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may cast their votes in writing and may also exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. Shareholders may also exercise their voting rights by electronic means pursuant to the method designated by Sony Corporation.

The Companies Act and the Articles of Incorporation of Sony Corporation provide that in order to amend the Articles of Incorporation and in certain other instances, including:

- (1) acquisition of its own shares from a specific party other than its subsidiaries;
- (2) consolidation of shares;
- (3) any offering of new shares or existing shares held by Sony Corporation as treasury stock at a "specially favorable" price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights on "specially favorable" conditions) to any persons other than shareholders;
- (4) the exemption of liability of a Director, Corporate Executive Officer or independent auditor with certain exceptions;
- (5) a reduction of stated capital with certain exceptions;
- (6) a distribution of in-kind dividends which meets certain requirements;
- (7) dissolution, merger, consolidation, or corporate split with certain exceptions;
- (8) the transfer of the whole or a material part of the business;
- (9) the taking over of the whole of the business of any other corporation with certain exceptions; or
- (10) 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 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 regulations of the Japanese stock exchanges on which shares of Sony Corporation are listed. The Board of Directors or the CEO may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks' prior public notice is given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

Subject to certain conditions, Sony Corporation may issue stock acquisition rights by a resolution of the Board of Directors or a determination by the CEO. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as prescribed in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, Sony Corporation will be obliged to issue the relevant number of new shares or alternatively to transfer the necessary number of treasury stock held by it.

In cases where a particular issue of new shares or stock acquisition rights (i) violates laws and regulations or Sony Corporation's Articles of Incorporation, or (ii) will be performed in a manner materially unfair, and shareholders may suffer disadvantages therefrom, such shareholders may file an injunction to enjoin such issue with a court.

(Liquidation rights)

In the event of a liquidation of Sony Corporation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the holders of shares of Common Stock in proportion to the respective numbers of shares of Common Stock held.

(Record date)

March 31 is the record date for Sony Corporation's year-end dividends, if declared. So long as Sony Corporation maintains the unit share system, shareholders who are registered as the holders of one or more unit of stock in Sony Corporation's register of shareholders at the end of each March 31 are also entitled to exercise shareholders' rights at the Ordinary General Meeting of Shareholders with respect to the business year ending on such March 31. September 30 is the record date for interim dividends. In addition, Sony Corporation may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks prior public notice.

JASDEC is required to promptly give Sony Corporation notice of the names and addresses of Sony Corporation's shareholders, the numbers of shares of Common Stock held by them and other relevant information as of such respective record dates.

The price of shares generally goes ex-dividends or ex-rights on Japanese stock exchanges on the second business day prior to a record date (or if the record date is not a business day, the third business day prior thereto), for the purpose of dividends or rights offerings.

(Acquisition by Sony Corporation of its capital stock)

Under the Companies Act and the Articles of Incorporation of Sony Corporation, Sony Corporation may acquire shares of Common Stock (i) from a specific shareholder other than any of its subsidiaries (pursuant to the special shareholders' resolution), (ii) from any of its subsidiaries (pursuant to a determination by the CEO as delegated by the Board of Directors), or (iii) by way of purchase on any Japanese stock exchange on which Sony Corporation's shares of Common Stock are listed or by way of tender offer (pursuant to a resolution of the Board of Directors, as long as its non-consolidated annual financial statements and certain documents for the last business year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice).

In the case of (i) above, any other shareholder may make a request to Sony Corporation that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (i) above was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter).

The total amount of the purchase price of shares of Common Stock may not exceed the Distributable Amount, as described in "*(Distribution of Surplus)* — Distributions of Surplus — Restriction on distributions of Surplus."

Shares acquired by Sony Corporation may be held for any period or may be retired at the determination of the CEO. Sony Corporation may also transfer (by public or private sale or otherwise) to any person the treasury shares held by it, subject to a determination by the CEO, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in (“*Issue of additional shares and pre-emptive rights*”) above. Sony Corporation may also utilize its treasury stock for the purpose of transfer to any person upon exercise of stock acquisition rights or for the purpose of acquiring another company by way of merger, share exchange or corporate split through exchange of treasury stock for shares or assets of the acquired company.

(Unit share system)

The Articles of Incorporation of Sony Corporation provide that 100 shares constitute one “unit” of shares of stock. The Board of Directors or the Corporate Executive Officer to whom the authority to make such a determination has been delegated by a resolution of the Board of Directors is permitted to amend the Articles of Incorporation to reduce the number of shares that constitute a unit or to abolish the unit share system entirely. Under the Companies Act, the number of shares constituting one unit cannot exceed 1,000 shares nor 0.5 percent of the total number of issued shares.

Under the unit share system, shareholders have one voting right for each unit of stock that they hold. Any number of shares less than one full unit have neither voting rights nor rights related to voting rights. Holders of shares constituting less than one unit will have no other shareholder rights if Sony Corporation’s Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distribution of Surplus.

A holder of shares constituting less than one full unit may require Sony Corporation to purchase such shares at their market value in accordance with the provisions of the Share Handling Regulations of Sony Corporation. In addition, the Articles of Incorporation of Sony Corporation provide that a holder of shares constituting less than one full unit may request Sony Corporation to sell to such holder such amount of shares which will, when added together with the shares constituting less than one full unit, constitute one full unit of stock. Such request by a holder and the sale by Sony Corporation must be made in accordance with the provisions of the Share Handling Regulations of Sony Corporation. As prescribed in the Share Handling Regulations, such requests shall be made through an account management institution and JASDEC pursuant to the rules set by JASDEC, without going through the notification procedure required for the exercise of shareholders’ rights entitled regardless of record dates as described in “General.” Shares constituting less than a full unit are transferable, under the new book-entry transfer system described in “General.” Under the rules of the stock exchanges, however, shares constituting less than a full unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

(Sale by Sony Corporation of shares held by shareholders whose location is unknown)

Sony Corporation is not required to send a notice to a shareholder if a notice to such shareholder fails to arrive at the registered address of the shareholder in Sony Corporation’s register of shareholders or at the address otherwise notified to Sony Corporation continuously for five years or more.

In addition, Sony Corporation may sell or otherwise dispose of shares of capital stock for which the location of the shareholder is unknown. Generally, if (i) notices to a shareholder fail to arrive continuously for five years or more at the shareholder’s registered address in Sony Corporation’s register of shareholders or at the address otherwise notified to Sony Corporation, and (ii) the shareholder fails to receive distributions of Surplus on the shares continuously for five years or more at the address registered in Sony Corporation’s register of shareholders or at the address otherwise notified to Sony Corporation, Sony Corporation may sell or otherwise dispose of such shareholder’s shares at the then market price of the shares by a determination of a Corporate Executive Officer and after giving at least three months’ prior public and individual notice, and hold or deposit the proceeds of such sale or disposal of shares for such shareholder.

Reporting of substantial shareholdings

The Financial Instruments and Exchange Act of Japan and its related regulations require any person, regardless of residence, who has become, beneficially and solely or jointly, a holder of more than five percent of the total issued shares of capital stock of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market in Japan to file with the Director General of the competent Local Finance Bureau of the Ministry of Finance within five business days a report concerning such shareholdings. A similar report must also be filed in respect of any subsequent change of one percent or more in any such holding, or any change in material matters set out in reports previously filed, with certain exceptions. For this purpose, shares issuable to such persons upon conversion of convertible securities or exercise of share subscription warrants or stock acquisition rights are taken into account in determining both the number of shares held by such holders and the issuer's total issued share capital. Any such report shall be filed with the Director General of the relevant Local Finance Bureau of the Ministry of Finance through the Electronic Disclosure for Investors' Network (EDINET) system. Copies of such report must also be promptly furnished to the issuer of such shares and all Japanese stock exchanges on which such shares are listed.

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, except for the limitations under the Foreign Exchange Regulations as described in D. Exchange Controls below, and except for general limitations under the Companies Act or Sony Corporation's Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Sony Corporation or under its Articles of Incorporation on the rights of non-residents or foreign shareholders to hold or exercise voting rights on the shares of capital stock of Sony Corporation.

There is no provision in Sony Corporation's Articles of Incorporation or internal regulations that would have an effect of delaying, deferring or preventing a change in control of Sony Corporation and that would operate only with respect to merger, acquisition or corporate restructuring involving Sony Corporation.

C. Material Contracts

None

D. Exchange Controls

The Foreign Exchange and Foreign Trade Act of Japan and its related cabinet orders and ministerial ordinances (the "Foreign Exchange Regulations") govern the acquisition and holding of shares of capital stock of Sony Corporation by "exchange non-residents" and by "foreign investors." The Foreign Exchange Regulations currently in effect do not, however, affect transactions between exchange non-residents to purchase or sell shares outside Japan using currencies other than Japanese yen.

Exchange non-residents are:

- individuals who do not reside in Japan; and
- corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations that are located within Japan are regarded as residents of Japan. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are:

- individuals who are exchange non-residents;
- corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and
- corporations (i) 50 percent or more of whose shares are held, directly or indirectly, by individuals who are exchange non-residents and/or corporations (a) that are organized under the laws of foreign

countries or (b) whose principal offices are located outside of Japan or (ii) a majority of whose officers, or officers having the power of representation, are individuals who are exchange non-residents.

In general, the acquisition of shares of a Japanese company (such as the shares of capital stock of Sony Corporation) by an exchange non-resident from a resident of Japan is not subject to any prior filing requirements. In certain limited circumstances, however, the Minister of Finance may require prior approval of an acquisition of this type. While prior approval, as described above, is not required, in the case where a resident of Japan transfers shares of a Japanese company (such as the shares of capital stock of Sony Corporation) for consideration exceeding 100 million yen to an exchange non-resident, the resident of Japan who transfers the shares is required to report on the transfer to the Minister of Finance through the Bank of Japan within 20 days from the date of the transfer or the date of the receipt of payment, whichever comes later, unless the transfer was made through a bank or financial instruments business operator registered under Japanese law.

If a foreign investor acquires shares of a Japanese company that is listed on a Japanese stock exchange (such as the shares of capital stock of Sony Corporation) or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings, directly or indirectly holds 10 percent or more of the issued shares of the relevant company, the foreign investor must file a report of the acquisition with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese company by the 15th day of the month immediately following the month in which such acquisition took place. In limited circumstances, such as where the foreign investor is in a country that is not listed on an exemption schedule in the Foreign Exchange Regulations, or where that Japanese company is engaged in certain businesses designated by the Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

Under the Foreign Exchange Regulations, dividends paid on and the proceeds from sales in Japan of shares of capital stock of Sony Corporation held by non-residents of Japan may generally be converted into any foreign currency and repatriated abroad.

E. Taxation

The following is a summary of the major Japanese national tax and U.S. federal income tax consequences of the ownership, acquisition and disposition of shares of Common Stock of Sony Corporation and of ADRs evidencing ADSs representing shares of Common Stock of Sony Corporation by a non-resident of Japan or a non-Japanese corporation without a permanent establishment in Japan. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, and does not take into account any specific individual circumstances of any particular investor. Accordingly, holders of shares of Common Stock or ADSs of Sony Corporation are encouraged to consult their tax advisors regarding the application of the considerations discussed below to their particular circumstances.

This summary is based upon the representations of the depositary and the assumption that each obligation in the deposit agreement in relation to the ADSs dated as of June 1, 1961, as amended and restated as of October 31, 1991, as further amended and restated as of March 17, 1995, and as of February 25, 2010, and in any related agreement, will be performed in accordance with its terms.

For purposes of the income tax convention between Japan and the United States (the “Treaty”) and the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. holders of ADSs generally will be treated as owning shares of Common Stock of Sony Corporation underlying the ADSs evidenced by the ADRs. For the purposes of the following discussion, a “U.S. holder” is a holder that:

- (i) is a resident of the U.S. for purposes of the Treaty;
- (ii) does not maintain a permanent establishment in Japan (a) with which shares of Common Stock or ADSs of Sony Corporation are effectively connected and through which the U.S. holder carries on or has carried on business or (b) of which shares of Common Stock or ADSs of Sony Corporation form part of the business property; and

- (iii) is eligible for benefits under the Treaty with respect to income and gain derived in connection with shares of Common Stock or ADSs of Sony Corporation.

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan (“non-resident Holders”) who are holders of shares of Common Stock of Sony Corporation or of ADRs evidencing ADSs representing shares of Common Stock of Sony Corporation. The information given below regarding Japanese taxation is based on the tax laws and tax treaties in force and their interpretations by the Japanese tax authorities as of June 26, 2014. 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, Spain and Sweden, and 10 percent under the income tax treaties with Australia, France, Hong Kong, the Netherlands, Portugal, 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 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 addition, a certain simplified special filing procedure is available for non-resident Holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock (together with any other required forms and documents). With respect to ADSs, this reduced rate or exemption is applicable if the depositary or its agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends). To claim this reduced rate or exemption, a non-resident Holder of ADSs will be required to

file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the 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 2013 taxable year. In addition, based on Sony Corporation’s audited financial statements and Sony Corporation’s current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, Sony Corporation does not anticipate becoming a PFIC for the 2014 taxable year. Holders of ADSs and Common Stock of Sony Corporation should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances.

Subject to applicable limitations and special considerations discussed below, a U.S. holder of ADSs or Common Stock of Sony Corporation will be entitled to a credit for Japanese tax withheld in accordance with the Treaty from dividends paid by Sony Corporation. For purposes of the foreign tax credit limitation, dividends will be foreign source income, and will generally constitute “passive” income. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions and may not be allowed in respect of arrangements in which economic profit, after non-U.S. taxes, is insubstantial. Holders of ADSs and Common Stock should consult their own tax advisors regarding the implications of these rules in light of their particular circumstances.

Dividends paid by Sony Corporation to U.S. corporate holders of ADSs or Common Stock of Sony Corporation will not be eligible for the dividends-received deduction.

In general, a U.S. holder will recognize capital gain or loss upon the sale or other disposition of ADSs or Common Stock of Sony Corporation equal to the difference between the amount realized on the sale or disposition and the U.S. holder's tax basis in the ADSs or Common Stock. Such capital gain or loss will be long-term capital gain or loss if the ADSs or Common Stock have been held for more than one year on the date of the sale or disposition. The net amount of long-term capital gain recognized by an individual holder is subject to lower rates of federal income taxation than ordinary income or short-term capital gain rates.

Under the Code, a U.S. holder of ADSs or Common Stock of Sony Corporation may be subject, under certain circumstances, to information reporting and possibly backup withholding with respect to dividends and proceeds from the sale or other disposition of ADSs or Common Stock, unless the U.S. holder provides proof of an applicable exemption or correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules is not an additional tax and may be refunded or credited against the U.S. holder's federal income tax liability, so long as the required information is furnished to the U.S. Internal Revenue Service.

F. Dividends and Paying Agent

Not Applicable

G. Statement by Experts

Not Applicable

H. Documents on Display

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. You can also access the documents at the SEC's home page (<http://www.sec.gov/index.html>).

I. Subsidiary Information

Not Applicable

Item 11. *Quantitative and Qualitative Disclosures about Market Risk*

Sony's business is continuously exposed to market fluctuation, such as fluctuations in currency exchange rates, interest rates or stock prices. Sony utilizes several derivative instruments, such as foreign exchange forward contracts, foreign currency option contracts, interest rate swap agreements and currency swap agreements in order to hedge the potential downside risk on the cash flow from the normal course of business caused by market fluctuation. Sony uses foreign exchange forward contracts and foreign currency option contracts primarily to reduce the foreign exchange volatility risk that accounts receivable or accounts payable denominated in yen, U.S. dollars, euros or other currencies have through the normal course of Sony's worldwide business. Interest rate swap agreements and currency swap agreements are utilized to diversify funding conditions or to reduce funding costs, and in the Financial Services segment, these transactions are used for asset liability management. Sony uses these derivative financial instruments mainly for risk-hedging purposes as described above, and some derivative transactions, such as bond futures and bond options, are held or utilized for trading purposes in the Financial Services segment. If hedge accounting cannot be applied because the accounts receivable or accounts payable to be hedged are not yet booked, or because cash flows from derivative transactions do not coincide with the underlying exposures recorded on Sony's balance sheet, such derivatives agreements are subject to a mark-to-market evaluation and their unrealized gains or losses are recognized in earnings. In addition, Sony holds marketable securities, such as straight bonds and stocks in yen or other currencies, in the Financial Services segment to obtain interest income or capital gain on the financial assets under management. These securities include a concentration of investments in long-term Japanese national government bonds, for which Sony monitors the related credit ratings and other market information on an ongoing basis. Investments in marketable securities are also subject to market fluctuation.

Sony measures the economic impact of market fluctuations on the value of derivatives agreements and marketable securities by using Value-at-Risk (“VaR”) analysis in order to comply with Item 11 disclosure requirements. VaR in this context indicates the potential maximum amount of loss in fair value resulting from adverse market fluctuations for a selected period of time and at a selected level of confidence.

The following table shows the results of VaR. These analyses for the fiscal year ended March 31, 2014 indicate the potential maximum loss in fair value as predicted by the VaR analysis resulting from market fluctuations in one day at a 95 percent confidence level. The VaR of currency exchange rate risk principally consists of risks arising from the volatility of the exchange rates between the yen and the U.S. dollar and between the yen and the euro, the currencies in which a significant amount of financial assets and liabilities and derivative transactions are maintained on a consolidated basis. The VaR of interest rate risk and stock price risk consists of risks arising from the volatility of the interest rates and stock prices against invested securities and derivatives transactions in the Financial Services segment.

The net VaR for Sony’s entire portfolio is smaller than the simple aggregate of VaR for each component of market risk. This is due to the fact that market risk factors such as currency exchange rates, interest rates and stock prices are not completely independent and potential profits and losses arising from each market risk may be mutually offsetting to some degree.

The disclosed VaR amounts simply represent the calculated maximum potential loss on the specified date and do not necessarily indicate an estimate of actual or future loss.

Consolidated

	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
	(Yen in billions)			
Net VaR	1.2	1.2	0.8	0.9
VaR of currency exchange rate risk	1.2	1.2	0.7	0.9
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, 2013	September 30, 2013	December 31, 2013	March 31, 2014
	(Yen in billions)			
Net VaR	1.3	0.9	0.7	0.7
VaR of currency exchange rate risk	1.3	0.9	0.6	0.7
VaR of interest rate risk	0.1	0.1	0.1	0.1
VaR of stock price risk	0.0	0.0	0.0	0.0

Sony without the Financial Services segment

	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
	(Yen in billions)			
Net VaR	0.8	0.6	0.3	0.4
VaR of currency exchange rate risk	0.8	0.6	0.3	0.4
VaR of interest rate risk	0.0	0.0	0.0	0.0
VaR of stock price risk	0.0	0.0	0.0	0.0

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not Applicable

B. Warrants and Rights

Not Applicable

C. Other Securities

Not Applicable

D. American Depositary Shares

JPMorgan Chase Bank, N.A. (the “Depositary”) serves as the depositary for Sony Corporation’s ADSs. ADS holders may be required to pay various fees to the Depositary and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. The following fees may at any time and from time to time be changed by agreement between Sony Corporation and the Depositary.

Under the terms of the depositary agreement, ADS holders may be required to pay the Depositary an annual fee of 0.05 U.S. dollar per ADS (or portion thereof) for administering the ADS program, and amounts in respect of expenses incurred by the Depositary or its agents on behalf of ADS holders, except expenses arising from (i) compliance with applicable law, taxes or other governmental charges, (ii) cable, telex or facsimile transmission, (iii) transfer or registration in connection with the deposit or withdrawal of deposited securities, and (iv) conversion of foreign currency into U.S. dollars. In each case, the fee may be charged on a periodic basis and the Depositary may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

Under the terms of the depositary agreement, ADS holders may be required to pay additional fees for certain services provided by the Depositary, as set forth in the table below.

Depositary service	Fee payable by ADS holders
Cash distribution of dividends	0.05 U.S. dollar or less per ADS
Transfers of ADRs	1.50 U.S. dollars per ADS
Issuance and delivery of ADRs, including in connection with share distributions, sales and stock splits, or any other transaction or event affecting the ADSs	5.00 U.S. dollars for each 100 ADSs (or portion thereof)
Distribution or sale of securities other than ADRs	5.00 U.S. dollars for each 100 shares
Withdrawal, cancellation or reduction of shares underlying ADSs	5.00 U.S. dollars per 100 ADSs (or portion thereof)

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 a ceiling agreed upon by Sony and the Depositary from time to time. These reimbursable expenses currently include legal and accounting fees, listing 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, 2014, such reimbursements totaled approximately 2.6 million U.S. dollars.

In addition, as part of its service to Sony, the Depositary waives fees for the 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, 2014, the amount of these indirect payments was estimated to total 0.2 million U.S. dollars.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None

Item 15. Controls and Procedures

Item 15(a). Disclosure Controls and Procedures

Sony has carried out an evaluation under the supervision and with the participation of Sony's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of Sony's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of March 31, 2014. 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, 2014, the disclosure controls and procedures were effective at the reasonable assurance level.

Item 15(b). Management's Annual Report on Internal Control over Financial Reporting

Sony's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Sony's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Sony's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Sony;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Sony are being made only in accordance with authorizations of management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Sony's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2014 based on the criteria established in "Internal Control — Integrated Framework (1992)" 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, 2014.

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, 2014, 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, 2014 that has materially affected, or is reasonably likely to materially affect, Sony's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

Sony's Board of Directors has determined that Takaaki Nimura and Kanemitsu Anraku each qualifies as an "audit committee financial expert" as defined in Item 16A of Form 20-F under the Securities Exchange Act of 1934, as amended. In addition, both are determined to be independent as defined under the New York Stock Exchange ("NYSE") Corporate Governance Standards.

Item 16B. Code of Ethics

Sony has adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. The code of ethics applies to Sony's Chief Executive Officer, Chief Financial Officer, chief accounting officer and persons performing similar functions, as well as to directors and all other officers and employees of Sony, as defined in the code of ethics. The code of ethics is available at <http://www.sony.net/code>.

Item 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table presents fees for audit and other services rendered by PricewaterhouseCoopers for the fiscal years ended March 31, 2013 and 2014.

	Fiscal year ended March 31	
	2013	2014
	Yen in millions	
Audit Fees(1)	3,907	4,299
Audit-Related Fees(2)	113	104
Tax Fees(3)	8	4
All Other Fees(4)	47	74
	<u>4,075</u>	<u>4,481</u>

- (1) Audit Fees consist of fees for the annual audit services engagement and other audit services, which are those services that only the external auditor can provide.
- (2) Audit-Related Fees consist of fees billed for assurance and related services, and audit services relating to benefit plans, business acquisitions and dispositions.
- (3) Tax Fees primarily consist of fees for tax advice.
- (4) All Other Fees consist of fees primarily for services rendered with respect to advisory services.

Audit Committee's Pre-Approval Policies and Procedures

Consistent with the U.S. Securities and Exchange Commission rules regarding auditor independence, Sony Corporation's Audit Committee is responsible for appointing, reviewing and setting compensation, retaining, and

overseeing the work of Sony's independent auditor, so that the auditor's independence will not be impaired. The Audit Committee established a formal policy requiring pre-approval of all audit and permissible non-audit services provided by the independent auditor to Sony Corporation or any of its subsidiaries. The Audit Committee periodically reviews this policy with due regard for compliance with laws and regulations of host countries where Sony Corporation is listed.

Prior to the engagement of the independent auditor for the following fiscal year's audit, management submits an application form to the Audit Committee for comprehensive pre-approval of all recurring services expected to be rendered during that year. In order to obtain comprehensive pre-approval, management provides sufficient information regarding each service so that each service can be classified into one of four categories (Audit, Audit-Related, Tax, or All Other) as well as information regarding the fees expected to be budgeted for each service. Management describes each service in detail and indicates precisely and unambiguously the nature and scope of each particular service. Any additional services not contemplated in the application form require the Audit Committee's separate pre-approval on an individual basis. The Audit Committee approves, if necessary, any changes in terms, conditions and fees resulting from changes in the scope of services to be provided or from other circumstances. The Audit Committee Chair retains pre-approval authority and evaluates items for approval upon request. The Audit Committee or its designee establishes procedures to assure that the independent auditor is aware in a timely manner of the services that have been pre-approved.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets out information concerning purchases made by Sony Corporation during the fiscal year ended March 31, 2014.

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, 2013	1,797	1,612.61	N/A	N/A
May 1 — 31, 2013	2,734	1,903.18	N/A	N/A
June 1 — 30, 2013	2,931	1,988.28	N/A	N/A
July 1 — 31, 2013	4,803	2,183.50	N/A	N/A
August 1 — 31, 2013	1,896	2,014.67	N/A	N/A
September 1 — 30, 2013	2,241	2,081.88	N/A	N/A
October 1 — 31, 2013	2,665	1,953.66	N/A	N/A
November 1 — 30, 2013	2,649	1,793.51	N/A	N/A
December 1 — 31, 2013	7,333	1,822.09	N/A	N/A
January 1 — 31, 2014	3,741	1,794.07	N/A	N/A
February 1 — 28, 2014	3,673	1,701.04	N/A	N/A
March 1 — 31, 2014	<u>3,533</u>	<u>1,794.76</u>	<u>N/A</u>	<u>N/A</u>
Total	39,996	1,888.21	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, 2014, Sony Corporation purchased 39,996 shares of Common Stock for a total purchase price of 75,520,751 yen upon such requests from holders of shares constituting less than one full unit.

Item 16F. *Change in Registrant's Certifying Accountant*

Not Applicable

Item 16G. *Disclosure About Differences in Corporate Governance*

The table below discloses the significant ways in which Sony's corporate governance practices differ from those required for U.S. companies under the listing standards of the NYSE. As a foreign private issuer listed on the NYSE, Sony is exempt from most of the exchange's corporate governance standards requirements. For further information on Sony's corporate governance practices and history, please refer to "Board Practices" in "Item 6. *Director, Senior Management and Employees.*" In the table below, any reference to "Sony" shall mean Sony Corporation.

NYSE Standards	Sony's Corporate Governance Practices
<p>Board Independence. A majority of board directors must be independent.</p>	<p>Sony has adopted the "Company with 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.</p> <p>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 each of three statutory committees (the Nominating Committee, the Audit Committee and the Compensation Committee).</p>
<p>Director Independence. A director is not independent if such director is</p> <ul style="list-style-type: none"> (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 	<p>"Outside" director is defined in the Companies Act as:</p> <p>A director (i) who is not a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer or a general manager or other employee of the company or any of its subsidiaries, and (ii) who has never been a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer or a general manager or other employee of the company or any of its subsidiaries.</p> <p>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 or its subsidiaries is by definition not an "outside" director.</p>

NYSE Standards

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

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);

(ii) Shall not be a director, a statutory auditor, a corporate executive officer, a general manager or other employees of any company whose aggregate amount of transactions with Sony Group, in any of the last three fiscal years, exceeds the greater of an amount equivalent to 1,000,000 U.S. dollars, or 2 percent of the annual consolidated sales of such company; and

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

In addition, the Securities Listing Regulations of the Tokyo Stock Exchange require Sony to make efforts to have at least one "Independent Director" on the Board of Directors. "Independent Director" is defined in the Securities Listing Regulations of the Tokyo Stock Exchange as an "outside" director who is unlikely to have conflicts of interest with shareholders. According to the guidelines of the Tokyo Stock Exchange, if a person falls in any of the categories listed below, such person, in principle, will be considered to have a conflict of interest with shareholders of the listed company.

- (1) A person who executes business of (a) a parent company or (b) a fellow subsidiary of the listed company;
- (2) (a) 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, or
(b) a major client of the listed company or a person who executes business of a major client of the listed company;

-
- (3) A consultant, accounting professional, or legal professional (or, if such consultant, accounting professional, or legal professional is a juridical person, a member of such juridical person) of the listed company who receives a large amount of money or other consideration other than remuneration for directorship/auditorship from such listed company;
 - (4) A person who has fallen in any of categories (1) through (3) listed above until recently; or
 - (5) A major shareholder of the listed company (in cases where such major shareholder is a corporation, a person who executes business for such corporation); or
 - (6) A close relative of a person who falls in to any of categories (a) through (c) listed below (only if such person is significant):
 - (a) A person who falls in to any of (1) through (4) listed above;
 - (b) A person who executes business of the listed company or its subsidiary; or
 - (c) A person who has fallen into category (b) above until recently.

As of June 26, 2014, 9 of the 12 members of Sony's Board of Directors qualified as "outside" directors. In addition, all 9 "outside" directors are qualified and designated as "Independent Directors" under the Securities Listing Regulations of the Tokyo Stock Exchange.

Executive Sessions. Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.

An "outside" director, as defined under the Companies Act, is equivalent to a "non-management director" under the NYSE rules because an "outside" director does not engage in the execution of business operations of the company. Neither the Companies Act nor Sony's Charter of the Board of Directors requires non-management directors to meet regularly without management and nothing requires outside directors to meet alone in an executive session at least once a year.

NYSE Standards

Nominating/Corporate Governance Committee. A nominating/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee.

Sony's Corporate Governance Practices

Sony's Nominating Committee consists of at least five 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 two of the directors on the Committee to be corporate executive officers.

Compensation Committee. A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. In addition, in accordance with the SEC rules adopted pursuant to Section 952 of the Dodd-Frank Act, NYSE listing standards expanded the factors relevant in determining whether a committee member has a relationship to the company that will materially affect that member's duties to the compensation committee and provided compensation committees the authority to engage compensation advisers. Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser's independence from management, unless the adviser's role is (i) limited to consulting on a generally applicable broad-based plan or (ii) is providing information that is not customized for the issuer or is not customized by the adviser and about which the adviser does not provide advice.

Sony's Compensation Committee consists of at least three directors. Under the Companies Act, a majority of its members must be "outside" directors, as defined under the Companies Act. Sony's Charter of the Board of Directors recommends that at least one of the directors on the Committee be a corporate executive officer. The Charter prohibits the CEO and/or the COO (or a person at any equivalent position) from serving on the Compensation Committee. Under the Companies Act, the Committee is responsible for, among others, determining the compensation of each director and corporate executive officer.

Audit Committee. An audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act is required. The committee must have at least three members. All members must be independent. The committee must have a charter addressing the committee's purpose, an annual performance evaluation of the committee and the duties and responsibilities of the committee.

Sony's Audit Committee consists of at least three directors. Under the Companies Act, a majority of its members must be "outside" directors, as defined under the Companies Act. In addition, pursuant to the Companies Act, no member of the Committee shall be a director of the company or any of its subsidiaries who is engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer of the company or any of

NYSE Standards	Sony's Corporate Governance Practices
	<p>its subsidiaries, or an accounting counselor, general manager or other employee of any of such subsidiaries. Sony's Charter of the Board of Directors also requires each member of the Audit Committee to meet the independence requirements of the applicable U.S. securities laws and regulations, and requires at least one member to meet the audit committee financial expert requirements. Currently, all the members of Sony's Audit Committee are also "independent" as defined in the NYSE Corporate Governance Standards, and two members of the Committee are qualified as audit committee financial experts. Sony's Charter of the Board of Directors discourages any Audit Committee member from concurrently being a member of other Committees.</p>
<p>Equity Compensation Plans. Equity compensation plans require shareholder approval, subject to limited exemptions.</p>	<p>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.</p>
<p>Corporate Governance Guidelines. Corporate governance guidelines must be adopted and disclosed.</p>	<p>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/IR/library/control.html</p>

NYSE Standards

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

Although this provision of the NYSE Corporate Governance Standards does not apply to Sony, Sony has adopted a code of conduct to be observed by all its directors, officers and other employees. The code of conduct is available at <http://www.sony.net/code>.

The code's content covers principal items described in the NYSE Corporate Governance Standards.

Item 16H. *Mine Safety Disclosure*

Not Applicable

Item 17. *Financial Statements*

Not Applicable

Item 18. *Financial Statements*

Refer to the consolidated financial statements.

Item 19. Exhibits

Documents filed as exhibits to this annual report:

- 1.1 Articles of Incorporation of Sony Corporation (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, 2010 (Commission file number 001-06439) filed on June 28, 2010
- 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 (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, 2010 (Commission file number 001-06439) filed on June 28, 2010
- 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, 2014: 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(a) Consent of PricewaterhouseCoopers Aarata
- 15.1(b) Consent of PricewaterhouseCoopers
- 15.2 Consolidated Financial Statements of Sony Mobile Communications AB, incorporated by reference to pages A-1 through A-30 of Sony Corporation's amended annual report on Form 20-F/A for the fiscal year ended March 31, 2012 filed on July 20, 2012
- 101.1 XBRL INSTANCE DOCUMENT
- 101.1 XBRL TAXONOMY EXTENSION SCHEMA
- 101.1 XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION LABEL LINKBASE
- 101.1 XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SONY CORPORATION
(Registrant)

By: /s/ KENICHIRO YOSHIDA

(Signature)
Kenichiro Yoshida
Executive Vice President and Chief Financial
Officer

Date: June 26, 2014

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS **SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets at March 31, 2013 and 2014	F-4
Consolidated Statements of Income for the years ended March 31, 2012, 2013 and 2014	F-6
Consolidated Statements of Comprehensive Income for the years ended March 31, 2012, 2013 and 2014	F-8
Consolidated Statements of Cash Flows for the years ended March 31, 2012, 2013 and 2014	F-9
Consolidated Statements of Changes in Stockholders' Equity for the years ended March 31, 2012, 2013 and 2014	F-11
Index to Notes to Consolidated Financial Statements	F-14
Notes to Consolidated Financial Statements	F-15
Financial Statement Schedule II for the years ended March 31, 2012, 2013 and 2014 — Valuation and Qualifying Accounts	F-102

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

Incorporated by reference into this Annual Report on Form 20-F are the Consolidated Financial Statements and Report of Independent Auditors of Sony Mobile Communications AB, which are included on pages A-1 through A-30 of Sony's Annual Report on Form 20-F/A for the fiscal year ended March 31, 2012 filed with the Securities and Exchange Commission on July 20, 2012.

Consolidated Financial Statements of Sony Mobile Communications AB are provided pursuant to Regulation S-X Rule 3-09.

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, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2014, 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, 2014, based on criteria established in *Internal Control - Integrated Framework (1992)* 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 29, 2014

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31

	Yen in millions	
	2013	2014
ASSETS		
Current assets:		
Cash and cash equivalents	826,361	1,046,466
Marketable securities	697,597	832,566
Notes and accounts receivable, trade	844,117	946,553
Allowance for doubtful accounts and sales returns	(67,625)	(75,513)
Inventories	710,054	733,943
Other receivables	148,142	177,685
Deferred income taxes	44,615	53,068
Prepaid expenses and other current assets	443,272	490,118
Total current assets	3,646,533	4,204,886
Film costs	270,089	275,799
Investments and advances:		
Affiliated companies	198,621	181,263
Securities investments and other	7,118,504	7,737,748
	7,317,125	7,919,011
Property, plant and equipment:		
Land	131,484	125,890
Buildings	778,514	674,841
Machinery and equipment	1,934,520	1,705,774
Construction in progress	47,839	39,771
	2,892,357	2,546,276
Less — Accumulated depreciation	2,030,807	1,796,266
	861,550	750,010
Other assets:		
Intangibles, net	694,621	675,663
Goodwill	643,243	691,803
Deferred insurance acquisition costs	465,499	497,772
Deferred income taxes	107,688	105,442
Other	204,685	213,334
	2,115,736	2,184,014
Total assets	14,211,033	15,333,720

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2013	2014
LIABILITIES		
Current liabilities:		
Short-term borrowings	87,894	111,836
Current portion of long-term debt	156,288	265,918
Notes and accounts payable, trade	572,102	712,829
Accounts payable, other and accrued expenses	1,097,253	1,175,413
Accrued income and other taxes	75,080	81,842
Deposits from customers in the banking business	1,857,448	1,890,023
Other	469,024	545,753
Total current liabilities	4,315,089	4,783,614
Long-term debt	938,428	916,648
Accrued pension and severance costs	311,469	284,963
Deferred income taxes	369,919	410,896
Future insurance policy benefits and other	3,535,532	3,824,572
Policyholders' account in the life insurance business	1,715,610	2,023,472
Other	349,985	302,299
Total liabilities	11,536,032	12,546,464
Redeemable noncontrolling interest	2,997	4,115
Commitments and contingent liabilities		
EQUITY		
Sony Corporation's stockholders' equity:		
Common stock, no par value —		
2013 — Shares authorized: 3,600,000,000, shares issued: 1,011,950,206	630,923	
2014 — Shares authorized: 3,600,000,000, shares issued: 1,044,707,767		646,654
Additional paid-in capital	1,110,531	1,127,090
Retained earnings	1,094,775	940,262
Accumulated other comprehensive income —		
Unrealized gains on securities, net	109,079	127,509
Unrealized losses on derivative instruments, net	(742)	—
Pension liability adjustment	(191,816)	(180,039)
Foreign currency translation adjustments	(556,016)	(399,055)
	(639,495)	(451,585)
Treasury stock, at cost		
Common stock		
2013 — 1,048,870 shares	(4,472)	
2014 — 1,026,618 shares		(4,284)
	2,192,262	2,258,137
Noncontrolling interests	479,742	525,004
Total equity	2,672,004	2,783,141
Total liabilities and equity	14,211,033	15,333,720

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

Fiscal year ended March 31

	Yen in millions		
	2012	2013	2014
Sales and operating revenue:			
Net sales	5,529,716	5,691,216	6,682,274
Financial services revenue	865,737	999,276	988,944
Other operating revenue	97,630	105,012	96,048
	6,493,083	6,795,504	7,767,266
Costs and expenses:			
Cost of sales	4,386,447	4,485,425	5,140,053
Selling, general and administrative	1,375,242	1,457,626	1,728,520
Financial services expenses	734,954	854,221	816,158
Other operating (income) expense, net	(59,594)	(235,219)	48,666
	6,437,049	6,562,053	7,733,397
Equity in net loss of affiliated companies	(121,697)	(6,948)	(7,374)
Operating income (loss)	(65,663)	226,503	26,495
Other income:			
Interest and dividends	15,101	21,987	16,652
Gain on sale of securities investments, net	671	41,781	12,049
Other	7,706	4,888	13,752
	23,478	68,656	42,453
Other expenses:			
Interest	22,769	26,657	23,460
Loss on devaluation of securities investments	3,604	7,724	1,648
Foreign exchange loss, net	5,089	10,360	9,224
Other	7,264	8,334	8,875
	38,726	53,075	43,207
Income (loss) before income taxes	(80,911)	242,084	25,741
Income taxes:			
Current	110,045	75,734	101,243
Deferred	206,708	64,664	(6,661)
	316,753	140,398	94,582
Net income (loss)	(397,664)	101,686	(68,841)
Less — Net income attributable to noncontrolling interests	57,374	60,146	59,528
Net income (loss) attributable to Sony Corporation's stockholders	(455,038)	41,540	(128,369)

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income (Continued)

	Yen		
	2012	2013	2014
Per share data:			
Common stock			
Net income (loss) attributable to Sony Corporation's stockholders			
— Basic	(453.42)	41.32	(124.99)
— Diluted	(453.42)	38.79	(124.99)
Cash dividends	25.00	25.00	25.00

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Fiscal year ended March 31

	Yen in millions		
	2012	2013	2014
Net income (loss)	(397,664)	101,686	(68,841)
Other comprehensive income, net of tax —			
Unrealized gains on securities	21,740	68,609	19,310
Unrealized gains on derivative instruments	539	308	742
Pension liability adjustment	(33,173)	(6,623)	11,883
Foreign currency translation adjustments	(17,911)	161,818	158,884
Total comprehensive income (loss)	(426,469)	325,798	121,978
Less — Comprehensive income attributable to noncontrolling interests	65,748	82,619	62,437
Comprehensive income (loss) attributable to Sony Corporation's stockholders	(492,217)	243,179	59,541

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

Fiscal year ended March 31

	Yen in millions		
	2012	2013	2014
Cash flows from operating activities:			
Net income (loss)	(397,664)	101,686	(68,841)
Adjustments to reconcile net income (loss) to net cash provided by operating activities —			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	366,270	376,735	376,695
Amortization of film costs	188,836	208,051	285,673
Stock-based compensation expense	1,952	1,232	1,068
Accrual for pension and severance costs, less payments	36,647	(16,669)	(38,131)
Other operating (income) expense, net	(59,594)	(235,219)	48,666
(Gain) loss on sale or devaluation of securities investments, net	2,933	(34,057)	(10,401)
Gain on revaluation of marketable securities held in the financial services business for trading purposes, net	(21,080)	(72,633)	(58,608)
(Gain) loss on revaluation or impairment of securities investments held in the financial services business, net	2,819	(5,689)	(3,688)
Deferred income taxes	206,708	64,664	(6,661)
Equity in net loss of affiliated companies, net of dividends	138,772	8,819	10,022
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	4,427	55,712	(29,027)
Decrease in inventories	29,778	56,987	20,248
Increase in film costs	(186,783)	(173,654)	(266,870)
Increase (decrease) in notes and accounts payable, trade	(59,410)	(206,621)	103,379
Increase (decrease) in accrued income and other taxes	(44,635)	12,446	(3,110)
Increase in future insurance policy benefits and other	330,548	434,786	391,541
Increase in deferred insurance acquisition costs	(68,634)	(73,967)	(77,656)
Increase in marketable securities held in the financial services business for trading purposes	(39,161)	(25,254)	(33,803)
(Increase) decrease in other current assets	(35,181)	91,762	(48,115)
Increase (decrease) in other current liabilities	7,682	(55,830)	58,656
Other	111,075	(37,122)	13,079
Net cash provided by operating activities	516,305	476,165	664,116

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Yen in millions		
	2012	2013	2014
Cash flows from investing activities:			
Payments for purchases of fixed assets	(382,549)	(326,490)	(283,457)
Proceeds from sales of fixed assets	22,661	245,758	99,694
Payments for investments and advances by financial services business	(1,028,150)	(1,046,764)	(1,032,594)
Payments for investments and advances (other than financial services business)	(28,021)	(92,364)	(14,892)
Proceeds from sales or return of investments and collections of advances by financial services business	474,466	400,654	426,621
Proceeds from sales or return of investments and collections of advances (other than financial services business)	93,165	78,010	75,417
Proceeds from sales of businesses	8,430	52,756	15,016
Payment for Sony Ericsson acquisition, net of cash acquired	(71,843)	—	—
Other	28,955	(16,840)	3,693
Net cash used in investing activities	(882,886)	(705,280)	(710,502)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	216,887	159,781	178,935
Payments of long-term debt	(112,043)	(326,164)	(164,540)
Increase (decrease) in short-term borrowings, net	(26,158)	(29,683)	25,183
Increase in deposits from customers in the financial services business, net	214,831	237,908	238,828
Proceeds from issuance of convertible bonds	—	150,000	—
Dividends paid	(25,078)	(25,057)	(25,643)
Payment for purchase of So-net shares from noncontrolling interests	—	(55,178)	—
Other	(7,869)	(23,079)	(44,886)
Net cash provided by financing activities	260,570	88,528	207,877
Effect of exchange rate changes on cash and cash equivalents	(13,825)	72,372	58,614
Net increase (decrease) in cash and cash equivalents	(119,836)	(68,215)	220,105
Cash and cash equivalents at beginning of the fiscal year	1,014,412	894,576	826,361
Cash and cash equivalents at end of the fiscal year	894,576	826,361	1,046,466
Supplemental data:			
Cash paid during the fiscal year for —			
Income taxes	127,643	90,991	101,091
Interest	20,276	24,161	23,819
Non-cash investing and financing activities —			
Conversion of convertible bonds	—	—	31,220
Obtaining assets by entering into capital leases	56,403	10,025	82,260
Share exchange for So-net remaining noncontrolling interests	—	7,005	—
Collections of deferred proceeds from sales of receivables —	132,636	20,608	35,196

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated Other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2011	630,921	1,159,666	1,558,624	(803,955)	(4,670)	2,540,586	385,600	2,926,186
Exercise of stock acquisition rights	2	2				4	165	169
Stock-based compensation		1,838				1,838		1,838
Comprehensive income:								
Net income (loss)			(455,038)			(455,038)	57,374	(397,664)
Other comprehensive income, net of tax —								
Unrealized gains on securities				15,256		15,256	6,484	21,740
Unrealized gains on derivative instruments				539		539		539
Pension liability adjustment				(34,668)		(34,668)	1,495	(33,173)
Foreign currency translation adjustments				(18,306)		(18,306)	395	(17,911)
Total comprehensive income (loss)						(492,217)	65,748	(426,469)
Stock issue costs, net of tax			(1)			(1)		(1)
Dividends declared			(25,090)			(25,090)	(7,760)	(32,850)
Purchase of treasury stock					(79)	(79)		(79)
Reissuance of treasury stock			(61)		112	51		51
Transactions with noncontrolling interests shareholders and other		(1,270)				(1,270)	14,083	12,813
Balance at March 31, 2012	630,923	1,160,236	1,078,434	(841,134)	(4,637)	2,023,822	457,836	2,481,658

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated Other comprehensive income	Treasury stock, at cost	Sony Corporation's equity	Noncontrolling interests	Total equity
Balance at March 31, 2012	630,923	1,160,236	1,078,434	(841,134)	(4,637)	2,023,822	457,836	2,481,658
Exercise of stock acquisition rights							109	109
Stock-based compensation		851				851		851
Comprehensive income:								
Net income			41,540			41,540	60,146	101,686
Other comprehensive income, net of tax —								
Unrealized gains on securities				43,238		43,238	25,371	68,609
Unrealized gains on derivative instruments				308		308		308
Pension liability adjustment				(4,983)		(4,983)	(1,640)	(6,623)
Foreign currency translation adjustments				163,076		163,076	(1,258)	161,818
Total comprehensive income						243,179	82,619	325,798
Stock issue costs, net of tax			(18)			(18)		(18)
Dividends declared			(25,181)			(25,181)	(9,195)	(34,376)
Purchase of treasury stock					(35)	(35)		(35)
Reissuance of treasury stock		(155)			200	45		45
Transactions with noncontrolling interests shareholders and other		(50,401)				(50,401)	(51,627)	(102,028)
Balance at March 31, 2013	630,923	1,110,531	1,094,775	(639,495)	(4,472)	2,192,262	479,742	2,672,004

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated Other comprehensive income	Treasury stock, at cost	Sony Corporation's 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

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Index to Notes to Consolidated Financial Statements

Sony Corporation and Consolidated Subsidiaries

	<u>Page</u>
Notes to Consolidated Financial Statements	
1. Nature of operations	F-15
2. Summary of significant accounting policies	F-15
3. Inventories	F-29
4. Film costs	F-30
5. Related party transactions	F-30
6. Transfer of financial assets	F-33
7. Marketable securities and securities investments	F-35
8. Leases	F-38
9. Goodwill and intangible assets	F-40
10. Insurance-related accounts	F-43
11. Short-term borrowings and long-term debt	F-44
12. Housing loans and deposits from customers in the banking business	F-46
13. Fair value measurements	F-47
14. Derivative instruments and hedging activities	F-53
15. Pension and severance plans	F-58
16. Stockholders' equity	F-66
17. Stock-based compensation plans	F-70
18. Great East Japan Earthquake and Thai Floods	F-71
19. Restructuring charges and asset impairments	F-73
20. Supplemental consolidated statements of income information	F-78
21. Income taxes	F-80
22. Reconciliation of the differences between basic and diluted EPS	F-84
23. Variable interest entities	F-85
24. Acquisitions	F-87
25. Divestitures	F-91
26. Collaborative arrangements	F-92
27. Commitments, contingent liabilities and other	F-92
28. Business segment information	F-95
29. Subsequent events	F-100

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

Sony Corporation and Consolidated Subsidiaries

1. *Nature of operations*

Sony Corporation and its consolidated subsidiaries (hereinafter collectively referred to as “Sony”) are engaged in the development, design, manufacture, and sale of various kinds of electronic equipment, instruments, and devices for consumer, professional and industrial markets as well as game consoles and software. Sony’s primary manufacturing facilities are located in Asia including Japan. Sony also utilizes third-party contract manufacturers for certain products. Sony’s products are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales via the Internet. Sony is engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. Sony is also engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs. Further, Sony is also engaged in various financial services businesses, including life and non-life insurance operations through its Japanese insurance subsidiaries and banking operations through a Japanese Internet-based banking subsidiary. In addition to the above, Sony is engaged in a network services business and an advertising agency business in Japan.

2. *Summary of significant accounting policies*

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

(1) **Significant accounting policies**

Basis of consolidation and accounting for investments in affiliated companies -

The consolidated financial statements include the accounts of Sony Corporation and its majority-owned subsidiary companies, general partnerships and other entities in which Sony has a controlling interest, and variable interest entities for which Sony is the primary beneficiary. All intercompany transactions and accounts are eliminated. Investments in business entities in which Sony does not have control, but has the ability to exercise significant influence over operating and financial policies, generally through 20-50% ownership, are accounted for under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership). When the interest in the partnership is so minor that Sony has no significant influence over the operation of the investee, the cost method is used. Under the equity method, investments are stated at cost plus/minus Sony’s portion of equity in undistributed earnings or losses. Sony’s equity in current earnings or losses of such entities is reported net of income taxes and is included in operating income (loss) after the elimination of unrealized intercompany profits. If the value of an investment has declined and is judged to be other-than-temporary, the investment is written down to its estimated fair value.

On occasion, a consolidated subsidiary or an affiliated company accounted for by the equity method may issue its shares to third parties in either a public or private offering or upon conversion of convertible debt to common stock at amounts per share in excess of or less than Sony’s average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in ownership interest are recorded in earnings within the fiscal year in which the change in interest transactions occur.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Gains or losses that result from a loss of a controlling financial interest in a subsidiary are recorded in earnings along with fair value remeasurement gains or losses on any retained investment in the entity, while a change in interest of a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

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

Use of estimates -

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining the valuation of investment securities, valuation of inventories, fair values of long-lived assets, fair values of goodwill, intangible assets and assets and liabilities assumed in business combinations, product warranty liability, pension and severance plans, valuation of deferred tax assets, uncertain tax positions, film costs, and insurance related liabilities. Actual results could differ from those estimates.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate fiscal year end exchange rates and all income and expense accounts are translated at exchange rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income. Upon remeasurement of a previously held equity interest in accordance with the accounting guidance for business combinations achieved in stages, accumulated translation adjustments, if any, remain as a component of accumulated other comprehensive income as there has not been a sale or a complete or substantially complete liquidation of the net investment.

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 its original cost, the financial condition, operating results, business plans and estimated future cash flows of the

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuers, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

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

Equity securities in non-public companies -

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

Allowance for doubtful accounts -

Sony maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Sony reviews accounts receivable by amounts due by 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 Products & Communications ("MP&C"), Game, 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 determined on the "average cost" basis except for the cost of finished products carried by certain subsidiary companies which is

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

determined on the “first-in, first-out” basis. The market value of inventory is determined as the net realizable value - i.e., estimated selling price in the ordinary course of business less predictable costs of completion and disposal. Sony does not consider a normal profit margin when calculating the net realizable value.

Other receivables -

Other receivables include receivables which relate to arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. No revenue or profit is recognized on these transfers. Sony usually will repurchase the inventory at a later date from the component manufacturers as either finished goods inventory or as partially assembled product.

Film costs -

Film costs include direct production costs, production overhead and acquisition costs for both motion picture and television productions and are stated at the lower of unamortized cost or estimated fair value and classified as noncurrent assets. Film costs are amortized and the estimated liabilities for residuals and participations are accrued using an individual-film-forecast method based on the ratio of current period actual revenues to the estimated remaining total revenues. Film costs also include broadcasting rights which consist of acquired programming to be aired on Sony’s worldwide channel network and are recognized when the license period begins and the program is available for use. Broadcasting rights are stated at the lower of unamortized cost or net realizable value, classified as either current or noncurrent assets based on timing of expected use, and amortized based on estimated usage or on a straight-line basis over the useful life, as appropriate. Estimates used in calculating the fair value of the film costs and the net realizable value of the broadcasting rights are based upon assumptions about future demand and market conditions and are reviewed on a periodic basis.

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method. Useful lives for depreciation range from two to 50 years for buildings and from two to 10 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

Effective April 1, 2012, Sony Corporation and its Japanese subsidiaries changed the depreciation method for property, plant and equipment, except for certain semiconductor manufacturing facilities and buildings whose depreciation is computed on the straight-line method, from the declining-balance method to the straight-line method. Concurrently, estimated useful lives for certain assets were also changed. Sony believes that the straight-line method better reflects the pattern of consumption of the estimated future benefits to be derived from those assets being depreciated and provides a better matching of costs and revenues over the assets’ estimated useful lives.

In accordance with the accounting guidance for a change in accounting estimate effected by a change in accounting principle, a change in depreciation method is treated on a prospective basis as a change in estimate and prior period results have not been restated. The net effect of the changes caused a decrease in depreciation expense of 8,985 million yen for the fiscal year ended March 31, 2013, which is primarily included in cost of sales in the consolidated statements of income. Net income attributable to Sony Corporation’s stockholders, basic net income per share attributable to Sony Corporation’s stockholders and diluted net income per share attributable to Sony Corporation’s stockholders increased by 8,034 million yen, 7.99 yen and 7.50 yen, respectively, for the fiscal year ended March 31, 2013.

Goodwill and other intangible assets -

Goodwill and certain other intangible assets that are determined to have an indefinite useful life are not amortized and are tested annually for impairment during the fourth quarter of the fiscal year and between annual

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. In assessing goodwill and indefinite lived intangible assets for impairment, Sony has the option to first perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit and indefinite lived intangible asset is less than its carrying amount. Reporting units are Sony's operating segments or one level below the operating segments. If Sony determines that it is not more likely than not that the fair value of a reporting unit and indefinite lived intangible assets are less than its carrying amount, no additional tests to assess goodwill and indefinite lived intangible assets for impairment are required to be performed. However, if Sony concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform the first step of a two-step impairment review process. In the fiscal year ended March 31, 2014, Sony elected not to perform the aforementioned qualitative assessment of goodwill and instead proceeded directly to the quantitative impairment test.

The first step of the two-step process involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Fair value of reporting units and indefinite lived intangible assets is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant estimates involved in the determination of fair value of the reporting units are the discount rates and perpetual growth rate applied to terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing consider market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, are generally set after an initial three-year forecasted period, although certain reporting units utilized longer forecasted periods, and are based on historical experience, market and industry data.

When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, customer relationships, trademarks, software to be sold, leased or otherwise marketed, internal-use software, music catalogs, artist contracts and television carriage agreements (broadcasting agreements). Patent rights, know-how, license agreements, trademarks, software to be sold, leased or otherwise marketed and internal-use software are generally amortized on a straight-line basis, generally, over three to 10 years. Customer relationships, music catalogs, artist contracts and television carriage agreements (broadcasting agreements) are amortized on a straight-line basis, generally, over 10 to 40 years.

Capitalized software -

The costs related to establishing the technological feasibility of software to be sold, leased, or otherwise marketed are expensed as incurred as a part of research and development in cost of sales. Costs that are incurred to produce the finished product after technological feasibility is established are capitalized and amortized to cost of sales over the estimated economic life, which is generally three years. The technological feasibility of game software is established when the product master is completed. Consideration to capitalize game software development costs before this point is limited to the development costs of games for which technological

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

feasibility can be proven at an earlier stage. At each balance sheet date, Sony performs reviews to ensure that unamortized capitalized software costs remain recoverable from future profits of the related software products.

The costs incurred for internal-use software during the application development stage are capitalized and amortized, mainly to selling, general and administrative expenses, on a straight-line basis over the estimated useful life. Costs related to the preliminary project stage and post implementation activities are expensed as incurred.

Deferred insurance acquisition costs -

Costs that vary with and are directly related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure 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 MP&C, Game, 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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

the amount by which the carrying value of the asset or asset group exceeds estimated fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less cost to sell and are not depreciated. Fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates applied to determine terminal values, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

Fair value measurement -

Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

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 each 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.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The accounting guidance for hybrid financial instruments permits an entity to elect fair value remeasurement for any hybrid financial instrument if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under accounting guidance for derivative instruments and hedging activities. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. Certain subsidiaries in the Financial Services segment have hybrid financial instruments, disclosed in Note 7 as debt securities, that contain embedded derivatives where the entire instrument is carried at fair value.

In accordance with accounting guidance for derivative instruments and hedging activities, various derivative financial instruments held by Sony are classified and accounted for as described below.

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 MP&C, Game, 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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

when the customer has taken title to the product and the risks and rewards of ownership have been substantively transferred. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapse. Revenues are recognized net of anticipated returns and sales incentives.

Revenue arrangements with customers may include multiple elements, including any combination of products, services and software. An example includes sales of electronics products with rights to receive promotional goods. For Sony's multiple element arrangements where at least one of the elements is not subject to existing software revenue recognition guidance, elements are separated into more than one unit of accounting 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. In instances where the software products' on-line features or additional functionality is considered a substantive deliverable in addition to the software product, revenue and costs of sales are recognized ratably over an estimated service period, which is estimated to be six months.

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 are recorded when the product is available for exploitation by the licensee and when any restrictions regarding the use of the product lapse. Revenues from the sale of DVDs and Blu-ray Disc™, net of anticipated returns and sales incentives, are recognized upon availability of sale to the public. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired. Revenues from subscription fees received by television networks are recognized when the service is provided.

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

Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, single payment juvenile contracts and other contracts without life contingencies are recognized in policyholders' account in the life insurance business. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial services revenue.

Property and casualty insurance policies that the non-life insurance subsidiary underwrites are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Consideration given to a customer or a reseller -

Sales incentives or other cash consideration given to a customer or a reseller including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2012, 2013 and 2014, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses totaled 17,641 million yen, 14,643 million yen and 12,112 million yen, respectively.

Cost of sales -

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

Research and development costs -

Research and development costs, included in cost of sales, include items such as salaries, personnel expenses and other direct and indirect expenses associated with research and product development. Research and development costs are expensed as incurred.

Selling, general and administrative -

Costs classified as selling expense relate to promoting and selling products and include items such as advertising, promotion, shipping, and warranty expenses. General and administrative expenses include operating items such as officers' salaries, personnel expenses, depreciation of fixed assets, office rental for sales, marketing and administrative divisions, a provision for doubtful accounts and amortization of intangible assets.

Financial services expenses -

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

Advertising costs -

Advertising costs are expensed when the advertisement or commercial appears in the selected media.

Shipping and handling costs -

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Income taxes -

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income, and the tax liability attributed to undistributed earnings of subsidiaries and affiliated companies accounted for by the equity method expected to be remitted in the foreseeable future. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

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

Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to income taxes, including unrecognized tax benefits, as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony's estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, Sony records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. If Sony does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, Sony's future results may include favorable or unfavorable adjustments to Sony's estimated tax liabilities due to closure of income tax examinations, the outcome of negotiations between taxing authorities in different jurisdictions, new regulatory or judicial pronouncements or other relevant events. As a result, the amount of unrecognized tax benefits, and the effective tax rate, may fluctuate significantly.

Net income (loss) attributable to Sony Corporation's stockholders per share ("EPS") -

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted EPS reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to Sony Corporation's stockholders.

(2) Recently adopted accounting pronouncements

Disclosure about balance sheet offsetting -

In December 2011, the Financial Accounting Standards Board ("FASB") issued new accounting guidance for disclosure about balance sheet offsetting. The guidance requires entities to disclose information about offsetting and related arrangements to enable financial statement users to understand the effect of such arrangements on their financial position as well as to improve comparability of balance sheets prepared under

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

U.S. GAAP and International Financial Reporting Standards. Subsequently, in January 2013, the FASB issued updated accounting guidance clarifying the scope of disclosures about offsetting assets and liabilities. This guidance is required to be applied retrospectively and was effective for Sony as of April 1, 2013. Since this guidance impacts disclosures only, its adoption did not have an impact on Sony's results of operations and financial position.

Testing indefinite lived intangible assets for impairment -

In July 2012, the FASB issued new accounting guidance to simplify how entities test indefinite lived intangible assets for impairment. The guidance allows entities an option to first assess qualitative factors to determine whether it is more likely than not that indefinite lived intangible assets are impaired as a basis for determining if it is necessary to perform the quantitative impairment test. Under the new guidance, entities are no longer required to calculate the fair value of the assets unless the entities determine, based on the qualitative assessment, that it is more likely than not that indefinite lived intangible assets are impaired. This guidance was effective for Sony as of April 1, 2013. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Presentation of amounts reclassified out of accumulated other comprehensive income -

In February 2013, the FASB issued new accounting guidance for reporting of amounts reclassified out of accumulated other comprehensive income. The guidance requires entities to report the significant reclassifications out of accumulated other comprehensive income if the amount is required to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, entities are required to cross-reference other disclosures required that provide additional detail about those amounts. This guidance was effective for Sony as of April 1, 2013. Sony applied this guidance prospectively from the date of adoption. Since this guidance impacts disclosures only, its adoption did not have an impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted

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

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

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

In March 2013, the FASB issued new accounting guidance for the parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The guidance resolved diversity in practice and clarifies the applicable guidance for the release of the cumulative translation adjustment when the parent sells a part or all of its investment in a foreign entity, ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity, or obtains control in a business combination achieved in stages involving an equity method investment that is a foreign entity. After adoption of this guidance, any accumulated translation adjustments associated with a previously held equity interest, will be included in earnings in a business

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

combination achieved in stages. This guidance is effective for Sony as of April 1, 2014. Sony will apply this guidance prospectively from the date of adoption. The effect of this guidance will depend on the nature and significance of transactions after the adoption date.

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

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

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

In April 2014, the FASB issued new accounting guidance that changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations that has, or will have, a major effect on the entity's operations and financial results should be presented as discontinued operations. Additionally, the revised guidance requires additional disclosures for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. This guidance will be effective for Sony as of April 1, 2015. The effect of this guidance will depend on the nature and significance of transactions after the adoption date.

Revenue from contracts with customers -

In May 2014, the FASB issued new accounting guidance addressing revenue recognition which will supersede the current revenue recognition requirements, including most industry-specific guidance. This guidance will be effective for Sony as of April 1, 2017. The effect of this guidance, as well as the transition method, is being evaluated and will depend upon the method of transition as well as the nature and significance of transactions upon adoption.

(4) Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2012 and 2013 have been made to conform to the presentation for the fiscal year ended March 31, 2014.

Reclassifications include changes in the presentation and disclosure related to internal-use software, effective on March 31, 2014. Due to the changes, capitalized internal-use software was reclassified from other noncurrent assets to intangibles, net in the consolidated balance sheets. In addition, the amortization of internal-use software was reclassified from other to depreciation and amortization, including amortization of deferred insurance acquisition costs in the cash flows from operating activities section of the consolidated statements of cash flows. Certain information in Notes 9 and 28 were also reclassified, accordingly.

(5) Revisions

During the fourth quarter of the fiscal year ended March 31, 2014, Sony revised its financial statements as summarized below. Sony had previously recognized substantially all of the revenue from universal life insurance contracts over the period of the contract as fees were earned for services. However, Sony had recognized a small portion of the overall contract revenue, representing the residual amount of revenue after taking into account the future insurance liabilities and future services to be provided to the policyholder, as fees were received. Under the revision, Sony will also recognize this small portion of revenue over the contract period. The application of the prior revenue recognition accounting, which occurred over a number of years, was immaterial to previously

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

issued financial statements, but its cumulative impact would have been material to the consolidated financial statements had it been adjusted in the fiscal year ended March 31, 2014. Accordingly, Sony revised its financial statements for the prior periods as indicated below.

As part of the above revision, Sony adjusted its financial statements for a previously disclosed matter related the calculation of indirect taxes at a subsidiary. That adjustment, substantially all of which related to the HE&S segment, impacted net sales, selling, general and administrative expenses and interest expenses and, in the aggregate, reduced the loss before income taxes in consolidated statements of income for the fiscal year ended March 31, 2012, with an offset to retained earnings.

Consolidated Balance Sheets

	Yen in millions	
	March 31, 2013	
	As previously reported	As adjusted
Deferred insurance acquisition costs	460,758	465,499
Deferred income taxes (Long-term liabilities)	373,999	369,919
Future insurance policy benefits and other	3,540,031	3,535,532
Policyholders' account in the life insurance business	1,693,116	1,715,610
Retained earnings	1,102,297	1,094,775
Unrealized gains on securities, net	107,061	109,079
Noncontrolling interests	483,412	479,742

Consolidated Statements of Income

	Yen in millions			
	Fiscal year ended March 31			
	2012		2013	
	As previously reported	As adjusted	As previously reported	As adjusted
Net sales	5,526,611	5,529,716		
Financial services revenue	868,971	865,737	1,004,623	999,276
Selling, general and administrative	1,375,887	1,375,242		
Financial services expenses	736,050	734,954	855,971	854,221
Operating income (loss)	(67,275)	(65,663)	230,100	226,503
Other expenses — Interest	23,432	22,769		
Income (loss) before income taxes	(83,186)	(80,911)	245,681	242,084
Income taxes — Current	108,545	110,045		
Income taxes — Deferred	206,694	206,708	65,771	64,664
Net income (loss)	(398,425)	(397,664)	104,176	101,686
Less — Net income attributable to noncontrolling interests	58,235	57,374	61,142	60,146
Net income (loss) attributable to Sony Corporation's stockholders	(456,660)	(455,038)	43,034	41,540
	Yen			
Per share data:				
Basic EPS	(455.03)	(453.42)	42.80	41.32
Diluted EPS	(455.03)	(453.42)	40.19	38.79

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

	Yen in millions			
	Fiscal year ended March 31			
	2012		2013	
	As previously reported	As adjusted	As previously reported	As adjusted
Net income (loss)	(398,425)	(397,664)	104,176	101,686
Unrealized gains on securities	20,557	21,740	66,844	68,609
Less — Comprehensive income attributable to noncontrolling interests	66,136	65,748	82,909	82,619
Comprehensive income (loss) attributable to Sony Corporation's stockholders	(494,549)	(492,217)	243,614	243,179

Consolidated Statements of Cash Flows

	Yen in millions			
	Fiscal year ended March 31			
	2012		2013	
	As previously reported	As adjusted	As previously reported	As adjusted
Net income (loss)	(398,425)	(397,664)	104,176	101,686
Depreciation and amortization, including amortization of deferred insurance acquisition costs*	319,594	366,270	330,554	376,735
Deferred income taxes	206,694	206,708	65,771	64,664
Increase in future insurance policy benefits and other	332,728	330,548	438,371	434,786
Increase in other current liabilities	10,595	7,682		
Other (Cash flows from operating activities)*	156,667	111,075	7,224	(37,122)
Increase in deposits from customers in the financial services business, net	211,597	214,831	232,561	237,908

* Including reclassification of amortization of internal-use software described in Note 2 (4) above.

3. Inventories

Inventories are comprised of the following:

	Yen in millions	
	March 31	
	2013	2014
Finished products	489,519	495,865
Work in process	85,631	85,361
Raw materials, purchased components and supplies	134,904	152,717
Inventories	<u>710,054</u>	<u>733,943</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

4. *Film costs*

Film costs are comprised of the following:

	Yen in millions	
	March 31	
	2013	2014
Motion picture productions:		
Released	90,716	98,645
Completed and not released	2,420	37,720
In production and development	111,365	63,910
Television productions:		
Released	49,651	56,461
In production and development	2,820	2,664
Broadcasting rights	37,189	48,798
Less: current portion of broadcasting rights included in inventories	(24,072)	(32,399)
Film costs	<u>270,089</u>	<u>275,799</u>

Sony estimates that approximately 92% of the unamortized costs of released films at March 31, 2014 will be amortized within the next three years. Approximately 114 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 115 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

5. *Related party transactions*

Sony accounts for its investments in affiliated companies over which Sony has significant influence under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership).

During fiscal year ended March 31, 2012, Sony Corporation acquired the remaining interests in Sony Ericsson Mobile Communications AB ("Sony Ericsson") and sold all of its shares of S-LCD Corporation ("S-LCD"), both of which were considered significant equity affiliates. There are no remaining individually significant investments following these transactions.

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	
	2013	2014
Current assets	254,606	307,726
Noncurrent assets	513,104	716,159
Current liabilities	205,749	235,618
Noncurrent liabilities and noncontrolling interests	308,410	501,893
Percentage of ownership in equity investees	20%-50%	20%-50%

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statements of Income

	Yen in millions			
	Fiscal year ended March 31, 2012			
	Sony Ericsson	S-LCD	Others	Total
Net revenues	475,898	146,002	123,610	745,510
Operating income (loss)	(44,239)	(4,644)	5,247	(43,636)
Other income (expense), net	4,504	(3,098)		
Income (loss) before income taxes	(39,735)	(7,742)		
Income taxes (expense)	(73,054)	(374)		
Net income (loss) attributable to noncontrolling interests	(2,729)	—		
Net income (loss) attributable to controlling interests	(115,518)	(8,116)	950	(122,684)
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	(57,759)	(4,058)		
Consolidating and reconciling adjustments:				
Impairment loss including translation adjustments	—	(60,019)		
Other	79	(1)		
Equity in net income (loss) of affiliated companies	(57,680)	(64,078)	61	(121,697)

	Yen in millions	
	Fiscal year ended March 31	
	2013	2014
Net revenues	193,405	306,383
Operating income (loss)	(14,759)	(1,064)
Net income (loss) attributable to controlling interests	(26,026)	(15,195)
Percentage of ownership in equity investees	20%-50%	20%-50%

Sony Ericsson, a 50/50 joint venture with Telefonaktiebolaget LM Ericsson (“Ericsson”) focused on mobile phone handsets, was established in October 2001 and was included in affiliated companies accounted for under the equity method through February 15, 2012. On February 15, 2012, Sony Corporation acquired Ericsson’s 50 percent stake in Sony Ericsson, making the mobile handset business a wholly-owned subsidiary of Sony Corporation. Refer to Note 24.

S-LCD, a joint venture with Samsung Electronics Co., Ltd. (“Samsung”) focused on manufacturing amorphous TFT panels, was established in April 2004 with Sony’s ownership interest of 50% minus 1 share. On January 19, 2012, Sony sold to Samsung all of its shares of S-LCD, and received cash consideration of 71,986 million yen (1.07 trillion Korean won) from Samsung. Following the transaction S-LCD was no longer an equity affiliate. During the fiscal year ended March 31, 2012, Sony recorded a 60,019 million yen other-than-temporary impairment loss on its share of S-LCD, including the reclassification to net income of foreign currency translation adjustments and the impact of exchange rate fluctuations between the initial impairment loss and closing of the sale to Samsung. Cash proceeds from the sale of the investment in S-LCD are included in sales of securities investments in the consolidated statements of cash flows.

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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. 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. Sony accounts for its interest in DHP under the equity method. DHP was determined to be a variable interest entity as described in Note 23.

On February 25, 2013, Sony sold 95,000 shares of its 886,908 shares in its consolidated subsidiary M3, Inc. (“M3”) to a third party for cash consideration of 14,236 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony deconsolidated M3 as its share ownership fell to 49.8% of the issued and outstanding shares of M3 and recorded a gain of 122,160 million yen in other operating (income) loss, net in the consolidated statements of income for the fiscal year ended March 31, 2013. Of this gain, 117,216 million yen related to the remeasurement to fair value, using M3’s closing stock price on the date of the sale, of Sony’s remaining shares in M3. On September 17, 2013, Sony sold an additional 155,000 shares of M3 (9.75% of the issued and outstanding shares of M3) to a third party for cash consideration of 37,799 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony recorded a gain of 12,793 million yen in other operating (income) expense, net in the consolidated statements of income for the fiscal year ended March 31, 2014. Although Sony’s ownership has decreased to 39.41% 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 91,316 million yen at March 31, 2014. The excess is substantially attributable to the remeasurement to fair value of the remaining shares of M3, and allocated to identifiable tangible and intangible assets. The intangible assets relate primarily to M3’s medical web-portal. The unassigned residual value of the excess is recognized as goodwill as a component of the investment balance. The amounts allocated to intangible assets are amortized net of the related tax effects to equity in net income (loss) of affiliated companies over their respective estimated useful lives, principally 10 years, using the straight-line method.

With the exception of M3 as described above, there was no significant difference between Sony’s proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2013 and 2014.

With the exception of the investment in M3 which is quoted on the Tokyo Stock Exchange and has a carrying and fair value at March 31, 2014 of 105,778 million yen and 107,892 million yen, respectively, there were no affiliated companies accounted for under the equity method with a market quotation at March 31, 2013 and 2014.

The number of affiliated companies accounted for under the equity method at March 31, 2013 and 2014 were 101 and 107, respectively.

Account balances and transactions with affiliated companies accounted for under the equity method are presented below:

	Yen in millions	
	March 31	
	2013	2014
Accounts receivable, trade	7,294	8,271
Accounts payable, trade	880	1,030
Capital lease obligations	27,485	71,345

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Sales	79,677	18,565	23,647
Purchases	157,930	1,725	1,533
Lease payments	24,159	25,523	38,919

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, 2012, 2013 and 2014. SFIL is accounted for under the equity method and is 34% owned by Sony. Refer to Notes 8 and 24.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2012, 2013 and 2014 were 1,964 million yen, 2,360 million yen and 2,840 million yen, respectively.

During the fiscal year ended March 31, 2012 and prior to the sale of its shares of S-LCD, Sony paid additional LCD panel related expenses of 22,759 million yen (292 million U.S. dollars) resulting from low capacity utilization of S-LCD.

6. *Transfer of financial assets*

The below transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. Gains and losses from these transactions, other than as described below, were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. Other than the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, for the fiscal years ended March 31, 2012, 2013 and 2014 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 has established an accounts receivable sales program within the electronics business in the United States whereby a subsidiary can sell up to 150 million U.S. dollars of eligible trade accounts receivables in the aggregate at any one time to a commercial bank. The program 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 4,462 million yen at March 31, 2013 and 6,405 million yen at March 31, 2014. Sony includes collections on deferred proceeds as cash flows within operating activities in the consolidated statements of cash flows since the receivables are the result of operating activities and the associated interest rate risk is insignificant due to its short-term nature. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2012, 2013 and 2014 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Total trade receivables sold	476,855	355,872	247,863
Deferred proceeds	117,343	8,098	36,678
Collections of deferred proceeds	132,636	20,608	35,196

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

During the fiscal year ended March 31, 2014, Sony established an accounts receivable sales program in the United States whereby a subsidiary in the Pictures segment can sell up to 596 million U.S. dollars of eligible trade accounts receivables in the aggregate to a commercial bank. Sony recognized a gain within other income from sales of accounts receivable under this program for the fiscal year ended March 31, 2014 of 1,394 million yen. The program requires that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser, and the deferred proceeds totaled 22,188 million yen at March 31, 2014. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal year ended March 31, 2014 were as follows:

	Yen in millions
	<u>Fiscal year ended March 31</u>
	<u>2014</u>
Total trade receivables sold	53,720
Deferred proceeds	22,188
Collections of deferred proceeds	—

Sony has established several accounts receivable sales programs within the electronics business in Japan whereby Sony can sell up to 57,990 million yen of eligible trade accounts receivables in the aggregate at any one time. Through these programs, Sony can sell receivables to special purpose entities owned and operated by commercial banks. Sony can sell receivables in which the agreed upon original due dates are no more than 190 days after the sales of receivables. Total trade accounts receivable sold during the fiscal years ended March 31, 2012, 2013 and 2014 were 126,513 million yen, 105,888 million yen and 75,808 million yen, respectively.

Sony has established several accounts receivable sales programs in the Financial Services segment whereby a subsidiary can sell up to 24,000 million yen of eligible receivables in the aggregate at any one time. Through these programs, the subsidiary can sell receivables to special purpose entities owned and operated by commercial banks. The subsidiary can sell receivables in which the agreed upon original due dates are no more than 180 days after the sales of receivables. Total receivables sold during the fiscal years ended March 31, 2012, 2013 and 2014 were 130,060 million yen, 89,700 million yen and 1,950 million yen, respectively.

During the fiscal years ended March 31, 2013 and 2014, Sony established several accounts receivable sales programs within the electronics business whereby Sony can sell eligible trade accounts receivables held by certain subsidiaries in Europe denominated in several currencies, primarily the euro, and held by certain subsidiaries in North America denominated in several currencies, primarily the U.S. dollar. Through these programs Sony can sell receivables on an uncommitted basis to a commercial bank or a special purpose entity associated with a sponsor bank. The maximum receivables that may be sold at any one time in the aggregate translates into approximately 216,000 million yen as of March 31, 2014. Sony can sell receivables in which the agreed upon original due dates are no more than 190 days after the date the receivables are sold. Total receivables sold during the fiscal years ended March 31, 2013 and 2014 were 66,020 million yen and 337,442 million yen, respectively.

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

7. *Marketable securities and securities investments*

Marketable securities and securities investments, primarily included in the Financial Services segment, are comprised of debt and equity securities for which the aggregate cost, gross unrealized gains and losses and fair value pertaining to available-for-sale securities and held-to-maturity securities are as follows:

	Yen in millions							
	March 31, 2013				March 31, 2014			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:								
Debt securities:								
Japanese national								
government bonds	1,106,265	114,806	(463)	1,220,608	1,130,397	113,684	(28)	1,244,053
Japanese local								
government bonds	66,553	643	(1)	67,195	62,670	468	(7)	63,131
Japanese corporate bonds	210,519	1,715	(70)	212,164	168,275	984	(8)	169,251
Foreign corporate bonds	425,892	17,502	(620)	442,774	434,570	16,547	(182)	450,935
Other	20,607	4,431	(2)	25,036	27,587	3,684	(17)	31,254
	1,829,836	139,097	(1,156)	1,967,777	1,823,499	135,367	(242)	1,958,624
Equity securities	89,079	44,443	(997)	132,525	84,074	91,977	(34)	176,017
Held-to-maturity securities:								
Japanese national								
government bonds	3,876,600	545,188	—	4,421,788	4,398,018	418,845	(3)	4,816,860
Japanese local								
government bonds	7,195	432	—	7,627	6,222	373	—	6,595
Japanese corporate bonds	28,918	3,571	—	32,489	28,030	2,705	—	30,735
Foreign government bonds	—	—	—	—	16,359	847	(1)	17,205
Foreign corporate bonds	52,738	20	—	52,758	56,284	19	—	56,303
	3,965,451	549,211	—	4,514,662	4,504,913	422,789	(4)	4,927,698
Total	5,884,366	732,751	(2,153)	6,614,964	6,412,486	650,133	(280)	7,062,339

On September 28, 2012, Sony entered into a business alliance agreement and capital alliance agreement with Olympus Corporation ("Olympus"). Under the terms of the capital alliance agreement, Olympus issued 34,387,900 common shares at 1,454 yen per share to Sony through a third-party allotment in two tranches. Accordingly, Sony made an investment of 19,047 million yen on October 23, 2012 for the first third-party allotment of 13,100,000 shares and acquired 4.35% of the total voting rights of Olympus. In addition, Sony made an investment of 30,953 million yen on February 22, 2013 for the second third-party allotment of 21,287,900 shares and acquired an additional 7.07% of the total voting rights of Olympus. As a result, Sony increased its ownership of the total voting rights of Olympus to 11.46%. The investment in Olympus shares is classified as available-for-sale equity securities.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following table presents the cost and fair value of debt securities classified as available-for-sale securities and held-to-maturity securities by contractual maturity:

	Yen in millions			
	March 31, 2014			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	207,511	217,917	9,290	9,314
Due after one year through five years	428,698	434,953	14,117	14,696
Due after five years through ten years	255,872	271,122	43,590	47,734
Due after ten years	931,418	1,034,632	4,437,916	4,855,954
Total	<u>1,823,499</u>	<u>1,958,624</u>	<u>4,504,913</u>	<u>4,927,698</u>

Proceeds from sales of available-for-sale securities were 177,850 million yen, 143,437 million yen and 207,574 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively. On these sales, gross realized gains were 9,593 million yen, 46,865 million yen and 9,015 million yen and gross realized losses were 1,834 million yen, 527 million yen and 703 million yen, respectively.

Marketable securities classified as trading securities at March 31, 2013 and 2014 were 530,787 million yen and 623,667 million yen, respectively, which consist of debt and equity securities.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies at March 31, 2013 and 2014, totaled 68,329 million yen and 54,808 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

With respect to trading securities, primarily in the Financial Services segment, Sony recorded net unrealized gains of 21,216 million yen, 72,793 million yen and 59,137 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following tables present the gross unrealized losses on, and fair value of, Sony's investment securities with unrealized losses, aggregated by investment category and the length of time that individual investment securities have been in a continuous unrealized loss position, at March 31, 2013 and 2014.

Yen in millions						
March 31, 2013						
Less than 12 months		12 months or more		Total		
Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	
Available-for-sale:						
Debt securities:						
Japanese national government bonds	3,383	—	46,796	(463)	50,179	(463)
Japanese local government bonds	592	(1)	—	—	592	(1)
Japanese corporate bonds	4,731	(7)	5,271	(63)	10,002	(70)
Foreign corporate bonds	28,133	(83)	19,228	(537)	47,361	(620)
Other	61	—	144	(2)	205	(2)
	<u>36,900</u>	<u>(91)</u>	<u>71,439</u>	<u>(1,065)</u>	<u>108,339</u>	<u>(1,156)</u>
Equity securities	<u>10,458</u>	<u>(933)</u>	<u>75</u>	<u>(64)</u>	<u>10,533</u>	<u>(997)</u>
Held-to-maturity securities:						
Japanese national government bonds	—	—	—	—	—	—
Japanese local government bonds	—	—	—	—	—	—
Japanese corporate bonds	—	—	—	—	—	—
Foreign corporate bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>47,358</u>	<u>(1,024)</u>	<u>71,514</u>	<u>(1,129)</u>	<u>118,872</u>	<u>(2,153)</u>

Yen in millions						
March 31, 2014						
Less than 12 months		12 months or more		Total		
Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses	
Available-for-sale:						
Debt securities:						
Japanese national government bonds	52,299	(28)	377	—	52,676	(28)
Japanese local government bonds	2,342	(6)	655	(1)	2,997	(7)
Japanese corporate bonds	217	—	2,206	(8)	2,423	(8)
Foreign government bonds	6,601	(15)	30	(2)	6,631	(17)
Foreign corporate bonds	42,190	(167)	5,400	(15)	47,590	(182)
	<u>103,649</u>	<u>(216)</u>	<u>8,668</u>	<u>(26)</u>	<u>112,317</u>	<u>(242)</u>
Equity securities	<u>192</u>	<u>(3)</u>	<u>73</u>	<u>(31)</u>	<u>265</u>	<u>(34)</u>
Held-to-maturity securities:						
Japanese national government bonds	730	(3)	—	—	730	(3)
Japanese local government bonds	—	—	—	—	—	—
Japanese corporate bonds	140	—	—	—	140	—
Foreign government bonds	337	(1)	—	—	337	(1)
Foreign corporate bonds	—	—	—	—	—	—
	<u>1,207</u>	<u>(4)</u>	<u>—</u>	<u>—</u>	<u>1,207</u>	<u>(4)</u>
Total	<u>105,048</u>	<u>(223)</u>	<u>8,741</u>	<u>(57)</u>	<u>113,789</u>	<u>(280)</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the fiscal years ended March 31, 2012, 2013 and 2014, total realized impairment losses were 5,530 million yen, 8,554 million yen and 1,806 million yen, respectively.

At March 31, 2014, Sony determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

8. *Leases*

Sony leases certain communication and commercial equipment, plant, office space, warehouses, employees' residential facilities and other assets. Certain of these leases have renewal and purchase options. Sony has also entered into capital lease arrangements with third parties to finance certain of its motion picture productions, as well as sale and leaseback transactions for office buildings, machinery and equipment.

(1) **Capital leases**

Leased assets under capital leases are comprised of the following:

<u>Class of property</u>	<u>Yen in millions</u>	
	<u>March 31</u>	
	<u>2013</u>	<u>2014</u>
Machinery, equipment and others	63,008	135,619
Film costs	9,147	9,348
Accumulated amortization	(36,287)	(59,352)
	<u>35,868</u>	<u>85,615</u>

The following is a schedule by fiscal year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2014:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2015	34,910
2016	29,769
2017	9,455
2018	3,325
2019	3,338
Later fiscal years	<u>5,509</u>
Total minimum lease payments	86,306
Less — Amount representing interest	<u>2,057</u>
Present value of net minimum lease payments	84,249
Less — Current obligations	<u>34,442</u>
Long-term capital lease obligations	<u>49,807</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(2) Operating leases

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2014 are as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2015	62,152
2016	50,028
2017	37,980
2018	28,512
2019	17,680
Later fiscal years	<u>106,145</u>
Total minimum future rentals	<u>302,497</u>

Rental expenses under operating leases for the fiscal years ended March 31, 2012, 2013 and 2014 were 76,188 million yen, 78,523 million yen and 101,410 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2012, 2013 and 2014 were 1,423 million yen, 904 million yen and 1,119 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2014 were 2,882 million yen.

(3) Sale and leaseback transactions

Sony City Osaki sale and leaseback -

In February 2013, Sony sold its “Sony City Osaki” office building and premises (“Sony City Osaki”) to Nippon Building Fund Inc. and a Japanese institutional investor. The sale was structured such that Sony placed Sony City Osaki in a trust and then sold the trust beneficiary rights. In connection with the sale, Sony entered into an agreement to lease Sony City Osaki for a period of five years after the sale. The leaseback is accounted for as an operating lease.

The sale price was 111,100 million yen and Sony received net cash proceeds of 110,175 million yen after deducting transaction costs. The transaction qualified for sale-leaseback accounting as all the risk and rewards of ownership were transferred to the buyer upon closing of the transaction and the leaseback did not include any form of continuing involvement, other than a normal leaseback. As the leaseback represents more than a minor but less than substantially all of the use of the building, Sony recorded a gain upon the sale of 42,322 million yen in the fiscal year ended March 31, 2013, included in other operating (income) expenses, net. In addition to the gain recognized upon the sale, a gain of 24,982 million yen was required to be deferred and is amortized on a straight-line basis and included in other operating (income) expense, net in the consolidated statements of income over the lease term. Of the remaining deferred gain as of March 31, 2014 is 4,914 million yen is recorded in other current liabilities and 14,743 million yen in other noncurrent liabilities in the consolidated balance sheets.

550 Madison sale and leaseback -

In March 2013, Sony exercised its option to purchase the headquarters building (the “U.S. headquarters building”) of its U.S. subsidiary which was leased from a VIE in which Sony was the primary beneficiary for 255 million U.S. dollars. Concurrent with the exercise of the purchase option, Sony completed the sale of the U.S. headquarters building to a third party. In connection with the sale, Sony entered into an agreement to lease the U.S. headquarters building for a period of three years after the sale. The leaseback is accounted for as an operating lease.

The sale price was 1,100 million U.S. dollars and Sony received net cash proceeds of 780 million U.S. dollars after deducting the cost of the purchase option and other transaction costs. The transaction qualified for sale-leaseback accounting as all the risk and rewards of ownership were transferred to the buyer upon closing of

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

the transaction and the leaseback did not include any form of continuing involvement, other than a normal leaseback. As the leaseback represents more than a minor but less than substantially all of the use of the building, Sony recorded a gain upon the sale of 691 million U.S. dollars in the fiscal year ended March 31, 2013, included in other operating (income) expense, net in the consolidated statements of income. In addition to the gain recognized upon the sale, a gain of 166 million U.S. dollars was required to be deferred and is amortized on a straight-line basis and included in other operating (income) expense, net in the consolidated statements of income over the lease term. Of the remaining deferred gain as of March 31, 2014, 55 million U.S. dollars is recorded in other current liabilities and 55 million U.S. dollars in other noncurrent liabilities in the consolidated balance sheets.

Sale and leaseback transactions with SFIL -

In the fiscal year ended March 31, 2012, Sony entered into a three year sale and leaseback transaction for certain machinery and equipment with SFIL. The leaseback is accounted for as a capital lease. Sony received proceeds of 50,537 million yen based on the amounts recorded at fair value in the acquisition described in Note 24, and as such there was no gain or loss recorded in the sale and leaseback transaction.

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

In the fiscal year ended March 31, 2014, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 6,810 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows. Additionally, a transaction with leasing companies including SFIL, with proceeds of 76,566 million yen, and terms which averaged three years, have been accounted for as a capital lease and are included within proceeds from sales of fixed assets in the investing activities section of the consolidated statements of cash flows. There was no gain or loss recorded in the sale and leaseback transactions.

9. Goodwill and intangible assets

Intangible assets acquired during the fiscal year ended March 31, 2014 totaled 107,410 million yen, which are all subject to amortization and are comprised of the following:

	Intangible assets acquired during the fiscal year	Weighted-average amortization period
	Yen in millions	Years
Patent rights, know-how and license agreements	6,527	5
Trademarks	6,114	13
Software to be sold, leased or otherwise marketed	17,562	3
Internal-use software	67,867	5
Other	9,340	4

In the fiscal year ended March 31, 2014, additions to internal-use software primarily related to the capitalization of new software across several business platforms.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2013		March 31, 2014	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	280,715	(118,363)	285,563	(151,089)
Customer relationships	26,485	(3,658)	28,573	(4,523)
Trademarks	21,896	(5,894)	31,697	(9,996)
Software to be sold, leased or otherwise marketed	115,341	(73,314)	127,359	(91,904)
Internal-use software	427,521	(260,407)	457,453	(289,561)
Music catalogs	183,398	(62,255)	200,475	(72,883)
Artist contracts	26,702	(18,939)	30,778	(23,681)
Television carriage contracts (broadcasting agreements)	41,264	(4,759)	45,158	(7,496)
Other	95,501	(67,026)	95,285	(67,036)
Total	<u>1,218,823</u>	<u>(614,615)</u>	<u>1,302,341</u>	<u>(718,169)</u>

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

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2012, 2013 and 2014 was 104,272 million yen, 122,787 million yen and 135,664 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2015	112,790
2016	95,177
2017	75,342
2018	57,732
2019	38,123

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

	Yen in millions	
	March 31	
	2013	2014
Trademarks	68,099	69,126
Distribution agreements	19,116	19,143
Other	3,198	3,222
Total	<u>90,413</u>	<u>91,491</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2013 and 2014 are as follows:

Yen in millions										
	Mobile Products & Communications	Game	Imaging Products & Solutions	Home Entertainment & Sound	Devices	Pictures	Music	Financial Services	All Other	Total
Balance, March 31, 2012:										
Goodwill — gross	138,255	123,211	5,967	5,320	33,159	138,320	100,956	3,020	43,769	591,977
Accumulated impairments	—	—	(300)	(5,320)	—	—	(306)	(706)	(8,587)	(15,219)
Goodwill	<u>138,255</u>	<u>123,211</u>	<u>5,667</u>	<u>0</u>	<u>33,159</u>	<u>138,320</u>	<u>100,650</u>	<u>2,314</u>	<u>35,182</u>	<u>576,758</u>
Increase (decrease) due to:										
Acquisitions*1	—	19,793	—	—	2,044	3,174	2,626	—	1,022	28,659
Sales and dispositions*2	—	—	—	—	—	—	—	—	(15,040)	(15,040)
Impairments*3	—	—	—	—	—	—	—	—	(1,445)	(1,445)
Translation adjustments	15,314	4,527	108	—	316	19,338	10,402	—	2,368	52,373
Other*4	—	—	—	—	1,750	25	(28)	—	191	1,938
Balance, March 31, 2013:										
Goodwill — gross	153,569	147,531	6,075	5,320	37,269	160,857	113,956	3,020	32,310	659,907
Accumulated impairments	—	—	(300)	(5,320)	—	—	(306)	(706)	(10,032)	(16,664)
Goodwill	<u>153,569</u>	<u>147,531</u>	<u>5,775</u>	<u>0</u>	<u>37,269</u>	<u>160,857</u>	<u>113,650</u>	<u>2,314</u>	<u>22,278</u>	<u>643,243</u>
Increase (decrease) due to:										
Acquisitions	—	—	—	—	—	10,205	38	—	—	10,243
Sales and dispositions*5	—	—	(9)	—	—	(903)	—	—	(5,292)	(6,204)
Impairments*3	—	—	—	—	—	—	—	—	(13,264)	(13,264)
Translation adjustments	26,610	3,041	205	—	131	17,148	9,245	—	1,323	57,703
Other*4	—	—	216	—	—	—	(153)	—	19	82
Balance, March 31, 2014:										
Goodwill — gross	180,179	150,572	6,487	5,320	37,400	187,307	123,086	3,020	28,360	721,731
Accumulated impairments	—	—	(300)	(5,320)	—	—	(306)	(706)	(23,296)	(29,928)
Goodwill	<u>180,179</u>	<u>150,572</u>	<u>6,187</u>	<u>0</u>	<u>37,400</u>	<u>187,307</u>	<u>122,780</u>	<u>2,314</u>	<u>5,064</u>	<u>691,803</u>

*1 Substantially all of the acquisition amounts in the Game segment relate to the Gaikai Inc. (“Gaikai”) acquisition. Refer to Note 24.

*2 Sales and dispositions amounts in All Other for the fiscal year ended March 31, 2013 substantially all relate to the sale of certain M3 shares. Refer to Note 5.

*3 During the fiscal years ended March 31, 2013 and 2014, Sony recorded impairment losses of 1,445 million yen and 13,264 million yen, respectively, in reporting units included in All Other. The impairment charges reflected the overall decline in the fair values of the reporting units. The fair values of the reporting units were estimated using the present value of expected future cash flows. The most significant impairment related to the disc manufacturing business in the fiscal year ended March 31, 2014. Refer to Note 19.

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

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

10. *Insurance-related accounts*

Sony's Financial Services segment subsidiaries in Japan maintain their accounting records as described in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in some respects from U.S. GAAP.

Those differences are mainly that insurance acquisition costs for life and non-life insurance contracts are charged to income when incurred in Japan whereas in the U.S. those costs are deferred and amortized generally over the premium-paying period of the related insurance policies, and that future policy benefits for life insurance contracts calculated locally under the authorization of the supervisory administrative agencies are comprehensively adjusted to a net level premium method with certain adjustments of actuarial assumptions for U.S. GAAP purposes. For the purpose of preparing the consolidated financial statements, appropriate adjustments have been made to reflect the accounting for these items in accordance with U.S. GAAP.

The combined amounts of statutory net equity of the insurance subsidiaries, which is not measured in accordance with U.S. GAAP, as of March 31, 2013 and 2014 were 362,267 million yen and 390,649 million yen, respectively.

(1) **Insurance policies**

Life insurance policies that a subsidiary in the Financial Services segment underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. The life insurance revenues for the fiscal years ended March 31, 2012, 2013 and 2014 were 651,752 million yen, 718,052 million yen and 670,506 million yen, respectively. Property and casualty insurance policies that a subsidiary in the Financial Services segment underwrites are primarily automotive insurance contracts, which are categorized as short-duration contracts. The non-life insurance revenues for the fiscal years ended March 31, 2012, 2013 and 2014 were 76,958 million yen, 81,974 million yen and 86,780 million yen, respectively.

(2) **Deferred insurance acquisition costs**

Amortization of deferred insurance acquisition costs charged to income for the fiscal years ended March 31, 2012, 2013 and 2014 amounted to 54,854 million yen, 54,700 million yen and 45,236 million yen, respectively.

(3) **Future insurance policy benefits**

Liabilities for future policy benefits, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.5% to 4.5% and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary's own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses. At March 31, 2013 and 2014, future insurance policy benefits amounted to 3,528,127 million yen and 3,815,351 million yen, respectively.

(4) **Policyholders' account in the life insurance business**

Policyholders' account in the life insurance business represents an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges. Policyholders' account includes universal life insurance and investment contracts. Universal life insurance includes interest sensitive whole life contracts and

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

variable contracts. The credited rates associated with interest sensitive whole life contracts range from 1.9% to 2.0%. For variable contracts, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. Investment contracts mainly include single payment endowment contracts, single payment juvenile contracts and policies after the start of annuity payments. The credited rates associated with investment contracts range from 0.1% to 6.3%.

Policyholders' account in the life insurance business is comprised of the following:

	Yen in millions	
	March 31	
	2013	2014
Universal life insurance	1,221,903	1,397,294
Investment contracts	363,213	509,880
Other	130,494	116,298
Total	<u>1,715,610</u>	<u>2,023,472</u>

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

Short-term borrowings are comprised of the following:

	Yen in millions	
	March 31	
	2013	2014
Unsecured loans:		
with a weighted-average interest rate of 3.89%	77,894	
with a weighted-average interest rate of 4.22%		105,836
Secured call money:		
with a weighted-average interest rate of 0.11%	10,000	
with a weighted-average interest rate of 0.10%		6,000
	<u>87,894</u>	<u>111,836</u>

At March 31, 2014, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 6,346 million yen as collateral for 6,000 million yen of call money. In addition, marketable securities and securities investments with an aggregate book value of 25,677 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Long-term debt is comprised of the following:

	Yen in millions	
	March 31	
	2013	2014
Unsecured loans, representing obligations principally to banks:		
Due 2013 to 2024, with interest rates ranging from 0.37% to 5.10% per annum	567,952	
Due 2014 to 2024, with interest rates ranging from 0.33% to 5.53% per annum		482,778
Unsecured 1.57% bonds, due 2015, net of unamortized discount	29,995	29,997
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,998	24,999
Unsecured 1.40% bonds, due 2013	10,700	
Unsecured 1.30% bonds, due 2014	110,000	110,000
Unsecured 0.55% bonds, due 2016	10,000	10,000
Unsecured 0.66% bonds, due 2017	45,000	45,000
Unsecured 0.43% bonds, due 2018	10,000	10,000
Unsecured 0.86% bonds, due 2018		150,000
Unsecured 2.00% bonds, due 2018	16,300	16,300
Unsecured 2.07% bonds, due 2019	50,000	50,000
Unsecured 1.41% bonds, due 2022	10,000	10,000
Unsecured zero coupon convertible bonds, due 2017	150,000	118,780
Secured 0.10% loans, due 2016		20,000
Capital lease obligations and other:		
Due 2013 to 2026, with interest rates ranging from 0.28% to 7.77% per annum	44,125	
Due 2014 to 2027, with interest rates ranging from 0.36% to 6.35% per annum		90,560
Guarantee deposits received	15,646	14,152
	1,094,716	1,182,566
Less — Portion due within one year	156,288	265,918
	938,428	916,648

At March 31, 2014, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 23,125 million yen as collateral for 20,000 million yen of long-term loans.

In March 2012, Sony executed a 1,365 million U.S. dollar unsecured bank loan with a group of lenders having six to ten year maturity terms in connection with acquiring Ericsson's 50% equity interest in Sony Ericsson. This bank loan utilizes the Japan Bank for International Cooperation ("JBIC") Facility, which was established to facilitate overseas mergers and acquisitions by Japanese companies as one of the countermeasures against yen appreciation. Of the 1,365 million U.S. dollar loan, 60% or 819 million U.S. dollars is from the JBIC Facility and 40% or 546 million U.S. dollars is from private banks. The terms of this U.S. dollar loan agreement require accelerated repayment of the loan if Sony Corporation or its wholly-owned subsidiaries discontinue the business of mobile devices featuring telephone functionality.

In November 2012, Sony issued 150,000 million yen of Zero Coupon Convertible Bonds due 2017 (the "Zero Coupon Convertible Bonds"). The bondholders are entitled to stock acquisition rights effective from December 14, 2012 to November 16, 2017. The initial conversion price is 957 yen per common share. Aside from the standard anti-dilution provisions, the conversion price is reduced for a certain period before an early redemption triggered upon the occurrence of certain corporate events including a merger, corporate split and delisting event. The reduced amount of the conversion price will be determined by a formula which is based on the effective date of the reduction and Sony's common stock price. The reduced conversion price ranges from 870 yen to 957 yen per common share. The conversion price is also adjusted for dividends in excess of 25 yen

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

per common share per fiscal year. The bondholders may require Sony to redeem the Zero Coupon Convertible Bonds on or after a reduction in the conversion price is triggered at 100% of its principal amount, together with a redemption premium which begins at 2.5% of the principal amount and ends at zero, amortized on a straight-line basis over the term of the Zero Coupon Convertible Bonds. In addition, Sony has the option to redeem all of the Zero Coupon Convertible Bonds outstanding at 100% of the principal amount after November 30, 2015, if the closing sales prices per share of Sony's common stock on the Tokyo Stock Exchange on 20 consecutive trading days are 130% or more of the conversion price, or at any time if less than 10% of the original issuance is outstanding. Sony was not required to bifurcate any of the embedded features contained in the Zero Coupon Convertible Bonds for accounting purposes. There are no significant adverse debt covenants related to the Zero Coupon Convertible Bonds, although there are certain cross-default provisions.

In June 2013, Sony issued unsecured straight bonds for Japanese retail investors in the aggregate principal amount of 150,000 million yen. The proceeds from the issuance of the bonds have been applied to the repayment of borrowings and debt, and to fund capital expenditures.

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

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

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2015	265,918
2016	128,452
2017	188,851
2018	236,165
2019	199,279
Later fiscal years	<u>163,901</u>
Total	<u><u>1,182,566</u></u>

At March 31, 2014, Sony had unused committed lines of credit amounting to 733,329 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2014, Sony has commercial paper programs totaling 808,760 million yen. Sony can issue commercial paper for a period generally not in excess of 270 days up to the size of the programs.

12. *Housing loans and deposits from customers in the banking business*

(1) *Housing loans in the banking business*

Sony acquires and holds certain financial receivables in the normal course of business. A majority of financing receivables held by Sony consist of housing loans in the banking business and no other significant financial receivables exist.

A subsidiary in the banking business monitors the credit quality of housing loans based on the classification set by the financial conditions and the past due status of individual obligators. Past due status is monitored on a daily basis and the aforementioned classification is reviewed on a quarterly basis.

The allowance for the credit losses is established based on the aforementioned classifications and the evaluation of collateral. The amount of housing loans in the banking business and the corresponding allowance for credit losses at March 31, 2013 were 860,330 million yen and 1,135 million yen, and at March 31, 2014 were 949,300 million yen and 1,083 million yen, respectively. During the fiscal years ended March 31, 2013 and 2014, charge-offs on housing loans in the banking business and changes in the allowance for credit losses were not significant.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

In addition, the balance of housing loans placed on nonaccrual status or past due status were not significant at March 31, 2013 and 2014. A subsidiary in the banking business assesses the nonaccrual status based on the aforementioned classification, and may resume the accrual of the interest on the housing loan if the classification of the housing loan is changed.

(2) Deposits from customers in the banking business

All deposits from customers in the banking business within the Financial Services segment are interest bearing deposits. At March 31, 2013 and 2014, the balances of time deposits issued in amounts of 10 million yen or more were 362,691 million yen and 335,484 million yen, respectively. These amounts have been classified as current liabilities due to the ability of the customers to make withdrawals prior to maturity.

At March 31, 2014, aggregate amounts of annual maturities of time deposits with a remaining term of more than one year are as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2016	35,243
2017	10,830
2018	4,193
2019	4,861
2020	8,580
Later fiscal years	<u>43,857</u>
Total	<u><u>107,564</u></u>

13. Fair value measurements

As discussed in Note 2, assets and liabilities subject to the accounting guidance for fair value measurements held by Sony are classified and accounted for as described below.

(1) Assets and liabilities that are measured at fair value on a recurring basis

The following section describes the valuation techniques used by Sony to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Trading securities, available-for-sale securities and other investments

Where quoted prices are available in an active market, securities are classified in level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available for the specific security or the market is inactive, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and mainly classified in level 2 of the hierarchy. Level 2 securities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the fair value hierarchy. Level 3 securities primarily include certain hybrid financial instruments and certain private equity investments not classified within level 1 or level 2.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony's derivative positions are valued using internally developed models that use as their basis readily observable

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

market parameters — i.e., parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, which are consistently applied. Where derivative products have been established for some time, Sony uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within level 2 of the fair value hierarchy.

In determining the fair value of Sony's interest rate swap derivatives, Sony uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony's approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. These derivatives are classified within level 2 since Sony primarily uses observable inputs in its valuation of its derivative assets and liabilities.

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2013 and 2014 are as follows:

	Yen in millions							
	March 31, 2013							
	Presentation in the consolidated balance sheets							
	Level 1	Level 2	Level 3	Total	Marketable securities	Securities investments and other	Other current assets/liabilities	Other noncurrent assets/liabilities
Assets:								
Trading securities	278,575	252,212	—	530,787	530,787	—	—	—
Available-for-sale securities								
Debt securities								
Japanese national government bonds	—	1,220,608	—	1,220,608	24,335	1,196,273	—	—
Japanese local government bonds	—	67,195	—	67,195	61	67,134	—	—
Japanese corporate bonds	—	209,950	2,214	212,164	40,359	171,805	—	—
Foreign corporate bonds	—	422,022	20,752	442,774	96,896	345,878	—	—
Other	—	25,036	—	25,036	98	24,938	—	—
Equity securities	132,447	78	—	132,525	—	132,525	—	—
Other investments*1	6,742	3,126	76,892	86,760	—	86,760	—	—
Derivative assets*2	—	21,862	—	21,862	—	—	20,713	1,149
Total assets	417,764	2,222,089	99,858	2,739,711	692,536	2,025,313	20,713	1,149
Liabilities:								
Derivative liabilities*2	—	41,998	—	41,998	—	—	20,322	21,676
Total liabilities	—	41,998	—	41,998	—	—	20,322	21,676

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

*1 Other investments include certain hybrid financial instruments and certain private equity investments.

*2 Derivative assets and liabilities are recognized and disclosed on a gross basis.

Transfers into level 1 were 1,612 million yen and 6,631 million yen for the fiscal years ended March 31, 2013 and 2014 respectively, as quoted prices for certain trading securities became available in an active market. Transfers out of level 1 were 2,417 million yen and 2,250 million yen for the fiscal years ended March 31, 2013 and 2014 respectively, as quoted prices for certain trading securities were not available in an active market.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2013 and 2014 are as follows:

	Yen in millions			
	Fiscal year ended March 31, 2013			
	Assets			
	Available-for-sale securities			
	Debt securities			
	Japanese corporate bonds	Foreign corporate bonds	Other	Other investments
Beginning balance	1,513	15,291	309	73,451
Total realized and unrealized gains (losses):				
Included in earnings*1	—	12	—	5,765
Included in other comprehensive income (loss)*2	(2)	2,086	(9)	1,984
Purchases	—	4,701	—	1,836
Settlements	—	(4,100)	—	(2,982)
Transfers into level 3*3	703	4,906	—	—
Transfers out of level 3*4	—	(2,244)	(300)	—
Other	—	100	—	(3,162)
Ending balance	<u>2,214</u>	<u>20,752</u>	<u>—</u>	<u>76,892</u>
Changes in unrealized gains (losses) relating to instruments still held at reporting date:				
Included in earnings*1	—	(14)	—	5,765

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

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

- *2 Unrealized gains (losses) are included in unrealized gains (losses) on securities in the consolidated statements of comprehensive income.
- *3 Certain corporate bonds were transferred into level 3 because differences between fair value determined by indicative quotes from dealers and internally developed prices became significant and the observability of inputs decreased.
- *4 Certain corporate bonds were transferred out of level 3 because quoted prices became available.

Level 3 assets include certain hybrid financial instruments for which the price fluctuates primarily based on the main stock index in Japan (Nikkei index), certain private equity investments, and certain domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs. In determining the fair value of such assets, Sony uses third-party information such as indicative quotes from dealers without adjustment. For validating the fair values, Sony primarily uses internal models which include management judgment or estimation of assumptions that market participants would use in pricing the asset.

(2) Assets and liabilities that are measured at fair value on a nonrecurring basis

Sony also has assets and liabilities that are required to be recorded at fair value on a nonrecurring basis when certain circumstances occur. During the fiscal years ended March 31, 2013 and 2014, such measurements of fair value related primarily to the following:

During the fiscal year ended March 31, 2013				
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Remeasurement of retained investment in M3	128,289	—	—	117,216
Long-lived assets impairments	—	—	3,935	(14,494)
				<u>102,722</u>
During the fiscal year ended March 31, 2014				
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	57,236	(72,724)
Goodwill impairment	—	—	0	(13,264)
				<u>(85,988)</u>

Remeasurement of retained investment in M3

During the fiscal year ended March 31, 2013, Sony sold part of its shares in M3 and remeasured the remaining shares to fair value in accordance with the accounting guidance for deconsolidation of a subsidiary. This measurement is classified as level 1 because a quoted price for the shares of M3 is available on the Tokyo Stock Exchange. Refer to Note 5.

Long-lived assets and goodwill impairments

During the fiscal year ended March 31, 2013, Sony recorded impairments related to long-lived assets, mainly in the LCD television business. Refer to Note 19. During the fiscal year ended March 31, 2014, Sony recorded impairments related to long-lived assets, primarily in the battery, disc manufacturing and PC businesses, and goodwill in the disc manufacturing business. Refer to Notes 9 and 19. Sony's determination of fair value was based on the present value of expected net cash flows using the most recent business plan,

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

including Sony's decision to exit the PC business, while also taking into consideration prices and other relevant information generated by market transactions involving comparable assets where applicable. These measurements are classified as level 3 because significant unobservable inputs, such as the conditions of the assets or projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. A discount rate of 10% and projected revenue growth rates ranging from zero to 15% were used in the fair value measurements related to the long-lived assets for the battery business, and a discount rate of 10% and projected declining revenue rates ranging from (6)% to (13)% were used in the fair value measurements related to the long-lived assets for the disc manufacturing business.

(3) Financial instruments

The estimated fair values by fair value hierarchy level of certain financial instruments that are not reported at fair value are summarized as follows:

Yen in millions					
March 31, 2013					
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	947,276	—	947,276	860,330
Total assets	—	947,276	—	947,276	860,330
Liabilities:					
Long-term debt including the current portion	—	1,221,174	—	1,221,174	1,094,716
Investment contracts included in policyholders' account in the life insurance business	—	363,634	—	363,634	363,213
Total liabilities	—	1,584,808	—	1,584,808	1,457,929
Yen in millions					
March 31, 2014					
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	1,041,166	—	1,041,166	949,300
Total assets	—	1,041,166	—	1,041,166	949,300
Liabilities:					
Long-term debt including the current portion	—	1,315,539	—	1,315,539	1,182,566
Investment contracts included in policyholders' account in the life insurance business	—	480,012	—	480,012	509,880
Total liabilities	—	1,795,551	—	1,795,551	1,692,446

The summary excludes cash and cash equivalents, call loans, time deposits, notes and accounts receivable, trade, call money, short-term borrowings, notes and accounts payable, trade and deposits from customers in the banking business because the carrying values of these financial instruments approximated their fair values due to their short-term nature. The summary also excludes held-to-maturity securities disclosed in Note 7.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Cash and cash equivalents, call loans and call money are classified in level 1. Time deposits, short-term borrowings, deposits from customers in the banking business are classified in level 2. Held-to-maturity securities, included in marketable securities and securities investments and other in the consolidated balance sheets, primarily include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds and are substantially all classified in level 2. The fair values of housing loans in the banking business, included in securities investments and other in the consolidated balance sheets, were estimated based on the discounted future cash flows using interest rates reflecting London InterBank Offered Rate base yield curves with certain risk premiums. The fair values of long-term debt including the current portion and investment contracts included in policyholders' account in the life insurance business were estimated based on either the market value or the discounted future cash flows using Sony's current incremental borrowing rates for similar liabilities.

14. *Derivative instruments and hedging activities*

Sony has certain financial instruments including financial assets and liabilities acquired in the normal course of business. Such financial instruments are exposed to market risk arising from the changes in foreign currency exchange rates and interest rates. In applying a consistent risk management strategy for the purpose of reducing such risk, Sony uses derivative financial instruments, which include foreign exchange forward contracts, foreign currency option contracts, and interest rate swap agreements (including interest rate and currency swap agreements). Certain other derivative financial instruments are entered into in the Financial Services segment for asset-liability management ("ALM") purposes. These instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major countries. These derivatives generally mature or expire within six months after the balance sheet date. Other than derivatives utilized in the Financial Services segment for ALM, Sony does not use derivative financial instruments for trading or speculative purposes. These derivative transactions utilized for ALM in the Financial Services segment are executed within a certain limit in accordance with an internal risk management policy.

Derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives designated as fair value hedges as well as offsetting changes in the carrying value of the underlying hedged items are recognized in income. For the fiscal years ended March 31, 2012, 2013 and 2014, these fair value hedges were fully effective. In addition, there were no amounts excluded from the assessment of hedge effectiveness of fair value hedges.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in other comprehensive income ("OCI") and reclassified into earnings when the hedged transaction affects earnings. For the fiscal years ended March 31, 2012, 2013 and 2014, the effect of derivatives designated as cash flow hedges on income and other comprehensive income, and the ineffective portions of the hedging relationships were not significant. In addition, there were no amounts excluded from the assessment of hedge effectiveness for cash flow hedges. At March 31, 2014, there were no derivatives qualifying as cash flow hedges.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognized in income.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

A description of the purpose and classification of the derivative financial instruments held by Sony is as follows:

Foreign exchange forward contracts and foreign currency option contracts

Foreign exchange forward contracts and purchased and written foreign currency option contracts are utilized primarily to limit the exposure affected by changes in foreign currency exchange rates on cash flows generated by anticipated intercompany transactions and intercompany accounts receivable and payable denominated in foreign currencies. The majority of written foreign currency option contracts are a part of range forward contract arrangements and expire in the same month with the corresponding purchased foreign currency option contracts.

Sony also enters into foreign exchange forward contracts, which effectively fix the cash flows from foreign currency denominated debt. Accordingly, these derivatives have been designated as cash flow hedges.

Foreign exchange forward contracts and foreign currency option contracts that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses.

Foreign exchange forward contracts, foreign currency option contracts and currency swap agreements held by certain subsidiaries in the Financial Services segment are marked-to-market with changes in value recognized in financial service revenue.

Interest rate swap agreements (including interest rate and currency swap agreements)

Interest rate swap agreements are utilized primarily to lower funding costs, to diversify sources of funding and to limit Sony's exposure associated with underlying debt instruments and available-for-sale debt securities resulting from adverse fluctuations in interest rates, foreign currency exchange rates and changes in fair values. Interest rate swap agreements entered into in the Financial Services segment are used for reducing the risk arising from the changes in the fair value of fixed rate available-for-sale debt securities. These derivatives are considered to be a hedge against changes in the fair value of available-for-sale debt securities in the Financial Services segment. Accordingly, these derivatives have been designated as fair value hedges.

Sony also enters into certain interest rate swap agreements for the purpose of reducing the risk arising from the changes in anticipated cash flows of variable rate debt and foreign currency denominated debt. These interest rate swap agreements, which effectively swap foreign currency denominated variable rate debt for functional currency denominated fixed rate debt, are considered to be a hedge against changes in the anticipated cash flows of Sony's foreign denominated variable rate obligations. Accordingly, these derivatives have been designated as cash flow hedges.

Certain subsidiaries in the Financial Services segment have interest rate swap agreements as part of their ALM, which are marked-to-market with changes in value recognized in financial service revenue.

Any other interest rate swap agreements that do not qualify as hedges, which are used for reducing the risk arising from changes of variable rate debt, are marked-to-market with changes in value recognized in other income and expenses.

Other agreements

Certain subsidiaries in the Financial Services segment have credit default swap agreements, equity future contracts, other currency contracts and hybrid financial instruments as part of their ALM, which are marked-to-market with changes in value recognized in financial services revenue. The hybrid financial instruments, disclosed in Note 7 as debt securities, contain embedded derivatives that are not required to be bifurcated because the entire instruments are carried at fair value.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Yen in millions						
Derivatives designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
	Asset derivatives	March 31		Liability derivatives	March 31	
		2013	2014		2013	2014
Interest rate contracts	Prepaid expenses and other current assets	2	2	Current liabilities other	1,227	1,221
Interest rate contracts	Assets other	254	1,012	Liabilities other	18,892	13,941
Foreign exchange contracts	Prepaid expenses and other current assets	5	6	Current liabilities other	15	24
		261	1,020		20,134	15,186

Yen in millions						
Derivatives not designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
	Asset derivatives	March 31		Liability derivatives	March 31	
		2013	2014		2013	2014
Interest rate contracts		—	—	Current liabilities other	147	18
Interest rate contracts		—	—	Liabilities other	2,784	1,429
Foreign exchange contracts	Prepaid expenses and other current assets	20,706	10,855	Current liabilities other	18,933	13,892
Foreign exchange contracts	Assets other	895	12	Liabilities other	—	24
		21,601	10,867		21,864	15,363
Total derivatives		21,862	11,887		41,998	30,549

Presented below are the effects of derivative instruments on the consolidated statements of income for the fiscal years ended March 31, 2012, 2013 and 2014.

Yen in millions				
Derivatives under fair value hedging relationships	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative		
		Fiscal year ended March 31		
		2012	2013	2014
Interest rate contracts	Financial services revenue	(2,998)	(11,275)	131
Foreign exchange contracts	Foreign exchange gain or (loss), net	(49)	1	(1)
Total		(3,047)	(11,274)	130

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Yen in millions				
Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative		
		Fiscal year ended March 31		
		2012	2013	2014
Interest rate contracts	Financial services revenue	(3,303)	(2,779)	(167)
Foreign exchange contracts	Financial services revenue	(79)	7,202	1,198
Foreign exchange contracts	Foreign exchange gain or (loss), net	4,324	5,596	2,703
Credit contracts	Financial services revenue	(25)	(3)	—
Total		<u>917</u>	<u>10,016</u>	<u>3,734</u>

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

	Yen in millions			
	March 31, 2013		March 31, 2014	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange contracts:				
Foreign exchange forward contracts	1,127,799	(7,185)	1,415,132	(3,737)
Currency option contracts purchased	1,296	44	14,988	137
Currency option contracts written	1,037	(6)	1,683	(6)
Currency swap agreements	459,019	9,507	515,300	221
Other currency contracts	58,294	298	67,043	319
Interest rate contracts:				
Interest rate swap agreements	529,642	(22,794)	413,572	(15,596)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets on a gross basis, but certain subsidiaries have entered into master netting agreements or other similar agreements, which are mainly International Swaps and Derivatives Association (ISDA) Master Agreements. An ISDA Master Agreement is an agreement between two counterparties that may have multiple derivative contracts with each other, and such ISDA Master Agreement may provide for the net settlement of all or a specified group of these derivative contracts, through a single payment, in a single currency, in the event of a default on or affecting any one derivative contract, or a termination event affecting all or a specified group of derivative contracts. Presented below are the effects of offsetting derivative assets and derivative liabilities as of March 31, 2013 and 2014.

Yen in millions				
As of March 31, 2013				
	Gross amounts presented in the consolidated balance sheet	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements		Net amounts
		Financial instruments	Cash collateral	
Derivative assets subject to master netting agreements	18,954	8,458	—	10,496
Derivative assets not subject to master netting agreements	2,908			2,908
Total derivative assets	<u>21,862</u>	<u>8,458</u>	<u>—</u>	<u>13,404</u>
Derivative liabilities subject to master netting agreements	39,371	22,921	—	16,450
Derivative liabilities not subject to master netting agreements	2,627			2,627
Total derivative liabilities	<u>41,998</u>	<u>22,921</u>	<u>—</u>	<u>19,077</u>

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

15. *Pension and severance plans*

(1) **Defined benefit and severance plans**

Upon terminating employment, employees of Sony Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below. In July 2004, Sony Corporation and certain of its subsidiaries amended their pension plans and introduced a point-based plan under which a point is added every year reflecting the individual employee's performance over that year. Under the point-based plan, the amount of payment is determined based on the sum of cumulative points from past services and interest points earned on the cumulative points regardless of whether or not the employee is voluntarily retiring.

Under the plans, in general, the defined benefits cover 65% of the indemnities under existing regulations to employees. The remaining indemnities are covered by severance payments by the companies. The pension benefits are payable at the option of the retiring employee either in a lump-sum amount or monthly pension payments. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

From April 1, 2012, Sony Corporation and substantially all of its subsidiaries in Japan have modified existing defined benefit pension plans such that life annuities will no longer accrue additional service benefits, with those participants instead accruing fixed-term annuities. The defined benefit pension plans were closed to new participants and a defined contribution plan was also introduced.

In addition, several of Sony's foreign subsidiaries have defined benefit pension plans or severance indemnity plans, which cover substantially all of their employees. Under such plans, the related cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on the current rate of pay and length of service.

The components of net periodic benefit costs for the fiscal years ended March 31, 2012, 2013 and 2014 were as follows:

Japanese plans:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Service cost	29,774	25,343	24,827
Interest cost	15,196	14,606	12,152
Expected return on plan assets	(15,401)	(16,389)	(17,822)
Recognized actuarial loss	12,219	12,853	11,480
Amortization of prior service costs	(10,380)	(10,271)	(10,176)
Net periodic benefit costs	<u>31,408</u>	<u>26,142</u>	<u>20,461</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Foreign plans:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Service cost	3,348	2,387	3,032
Interest cost	10,082	10,197	12,068
Expected return on plan assets	(9,049)	(9,245)	(11,480)
Amortization of net transition asset	139	117	12
Recognized actuarial loss	2,771	1,781	3,693
Amortization of prior service costs	(448)	(566)	(643)
Losses (gains) on curtailments and settlements	1,111	(405)	1,074
Net periodic benefit costs	<u>7,954</u>	<u>4,266</u>	<u>7,756</u>

The estimated net actuarial loss, prior service cost and obligation (asset) existing at transition for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next fiscal year are 11,860 million yen, 9,910 million yen and 10 million yen, respectively.

The changes in the benefit obligation and plan assets as well as the funded status and composition of amounts recognized in the consolidated balance sheets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2013	2014	2013	2014
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	789,059	827,044	221,641	274,928
Service cost	25,343	24,827	2,387	3,032
Interest cost	14,606	12,152	10,197	12,068
Plan participants' contributions	—	—	619	813
Amendments	—	—	27	(107)
Actuarial loss	49,258	14,138	25,385	3,392
Foreign currency exchange rate changes	—	—	27,354	36,867
Curtailments and settlements	—	—	(2,106)	(4,500)
Effect of changes in consolidated subsidiaries	(15,061)	(5)	—	—
Benefits paid	(36,161)	(30,710)	(10,576)	(12,795)
Benefit obligation at end of the fiscal year	<u>827,044</u>	<u>847,446</u>	<u>274,928</u>	<u>313,698</u>
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	556,247	608,004	151,139	188,019
Actual return on plan assets	69,491	53,476	17,075	17,979
Foreign currency exchange rate changes	—	—	18,460	26,167
Employer contribution	10,369	16,758	10,501	6,912
Plan participants' contributions	—	—	619	813
Curtailments and settlements	—	—	(351)	(3,334)
Effect of changes in consolidated subsidiaries	(7,003)	—	—	—
Benefits paid	(21,100)	(23,446)	(9,424)	(11,532)
Fair value of plan assets at end of the fiscal year	<u>608,004</u>	<u>654,792</u>	<u>188,019</u>	<u>225,024</u>
Funded status at end of the fiscal year	<u>(219,040)</u>	<u>(192,654)</u>	<u>(86,909)</u>	<u>(88,674)</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2013	2014	2013	2014
Noncurrent assets	2,219	2,446	1,903	3,292
Current liabilities	—	—	(2,462)	(2,565)
Noncurrent liabilities	(221,259)	(195,100)	(86,350)	(89,401)
Ending balance	<u>(219,040)</u>	<u>(192,654)</u>	<u>(86,909)</u>	<u>(88,674)</u>

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

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2013	2014	2013	2014
Prior service cost (credit)	(64,194)	(54,008)	(2,753)	(2,307)
Net actuarial loss	264,559	237,023	62,686	61,841
Obligation existing at transition	—	—	35	25
Ending balance	<u>200,365</u>	<u>183,015</u>	<u>59,968</u>	<u>59,559</u>

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

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2013	2014	2013	2014
Accumulated benefit obligations	824,345	842,978	233,949	290,014

The projected benefit obligations, the accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2013	2014	2013	2014
Projected benefit obligations	819,059	838,145	210,384	260,950
Accumulated benefit obligations	816,360	834,694	204,253	255,018
Fair value of plan assets	599,227	644,502	154,058	186,519

Weighted-average assumptions used to determine benefit obligations as of March 31, 2013 and 2014 were as follows:

	Japanese plans		Foreign plans	
	March 31		March 31	
	2013	2014	2013	2014
Discount rate	1.5%	1.4%	4.1%	4.1%
Rate of compensation increase	*	*	3.1	3.1

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Weighted-average assumptions used to determine the net periodic benefit costs for the fiscal years ended March 31, 2012, 2013 and 2014 were as follows:

	Japanese plans			Foreign plans		
	Fiscal year ended March 31			Fiscal year ended March 31		
	2012	2013	2014	2012	2013	2014
Discount rate	2.1%	1.9%	1.5%	5.2%	4.7%	4.1%
Expected return on plan assets	3.0	3.0	3.0	6.5	6.1	5.8
Rate of compensation increase	*	*	*	3.5	3.5	3.1

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Sony reviews these assumptions for changes in circumstances.

The weighted-average rate of compensation increase is calculated based only on the pay-related plans. The point-based plans discussed above are excluded from the calculation because payments made under the plan are not based on employee compensation.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as the historical and expected long-term rates of returns on various categories of plan assets. Sony's pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities.

The investment objectives of Sony's plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The obligations are estimated using actuarial assumptions, based on the current economic environment and other pertinent factors. Sony's investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing its dependence on contributions from Sony. To mitigate any potential concentration risk, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2014, are, as a result of Sony's asset liability management, 28% of equity securities, 58% of fixed income securities and 14% of other investments for the pension plans of Sony Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 39% of equity securities, 47% of fixed income securities and 14% of other investments for the pension plans of foreign subsidiaries.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The fair values of the assets held by Japanese and foreign plans, which are classified in accordance with the fair value hierarchy described in Note 2, are as follows:

Asset class	Japanese plans			
	Yen in millions			
	Fair value at March 31, 2013	Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	8,419	8,419	—	—
Equity:				
Equity securities*1	157,566	154,630	2,936	—
Fixed income:				
Government bonds*2	268,297	—	268,297	—
Corporate bonds*3	33,053	—	33,053	—
Asset-backed securities*4	2,797	—	2,797	—
Commingled funds*5	72,410	—	72,410	—
Commodity funds*6	1,712	—	1,712	—
Private equity*7	27,205	—	—	27,205
Hedge funds*8	35,071	—	—	35,071
Real estate	1,474	—	—	1,474
Total	608,004	163,049	381,205	63,750

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

*1 Includes approximately 63 percent and 64 percent of Japanese equity securities, and 37 percent and 36 percent of foreign equity securities for the fiscal years ended March 31, 2013 and 2014, respectively.

*2 Includes approximately 59 percent and 56 percent of debt securities issued by Japanese national and local governments, and 41 percent and 44 percent of debt securities issued by foreign national and local governments for the fiscal years ended March 31, 2013 and 2014, respectively.

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

- *4 Includes primarily mortgage-backed securities.
- *5 Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 48 percent and 47 percent of investments in equity, 48 percent and 51 percent of investments in fixed income, and 4 percent and 2 percent of investments in other for the fiscal years ended March 31, 2013 and 2014, respectively.
- *6 Represents commodity futures funds.
- *7 Includes multiple private equity funds of funds that primarily invest in venture, buyout, and distressed markets in the U.S. and Europe.
- *8 Includes primarily funds that invest in a portfolio of a broad range of hedge funds to diversify the risks and reduce the volatilities associated with a single hedge fund.

Asset class	Foreign plans			
	Yen in millions			
	Fair value at March 31, 2013	Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	171	171	—	—
Equity:				
Equity securities* ¹	36,917	29,348	7,569	—
Fixed income:				
Government bonds* ²	52,061	—	52,061	—
Corporate bonds* ³	20,095	—	15,322	4,773
Asset-backed securities	526	—	526	—
Insurance contracts* ⁴	11,639	—	11,639	—
Commingled funds* ⁵	58,007	—	58,007	—
Real estate and other* ⁶	8,603	73	1,573	6,957
Total	188,019	29,592	146,697	11,730

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

*1 Includes primarily foreign equity securities.

*2 Includes primarily foreign government debt securities.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

- *3 Includes primarily foreign corporate debt securities.
- *4 Represents annuity contracts with or without profit sharing.
- *5 Commingled funds represent pooled institutional investments including mutual funds, common trust funds, and collective investment funds. They are primarily comprised of foreign equities and fixed income investments.
- *6 Includes primarily private real estate investment trusts.

Each level in the fair value hierarchy in which each plan asset is classified is determined based on inputs used to measure the fair values of the asset, and does not necessarily indicate the risks or rating of the asset.

The following is a description of the valuation techniques used to measure Japanese and foreign plan assets at fair value. The valuation techniques are applied consistently from period to period.

Equity securities are valued at the closing price reported in the active market in which the individual securities are traded. These assets are generally classified as level 1.

The fair value of fixed income securities is typically estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are generally classified as level 2.

Commingled funds are typically valued using the net asset value provided by the administrator of the fund and reviewed by Sony. The net asset value is based on the value of the underlying assets owned by the fund, minus liabilities and divided by the number of shares or units outstanding. These assets are classified as level 1, level 2 or level 3 depending on availability of quoted market prices.

Commodity funds are valued using inputs that are derived principally from or corroborated by observable market data. These assets are generally classified as level 2.

Private equity and private real estate investment trust valuations require significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. These assets are initially valued at cost and are reviewed periodically utilizing available and relevant market data to determine if the carrying value of these assets should be adjusted. These investments are classified as level 3.

Hedge funds are valued using the net asset value as determined by the administrator or custodian of the fund. These investments are classified as level 3.

The following table sets forth a summary of changes in the fair values of Japanese and foreign plans' level 3 assets for the fiscal years ended March 31, 2013 and 2014:

	Japanese plans			
	Yen in millions			
	Fair value measurement using significant unobservable inputs (Level 3)			
	Private equity	Hedge funds	Real estate	Total
Beginning balance at April 1, 2012	23,388	42,258	1,435	67,081
Return on assets held at end of year	3,817	(1,514)	39	2,342
Return on assets sold during the year	—	—	—	—
Purchases, sales, and settlements, net	—	(5,673)	—	(5,673)
Transfers, net	—	—	—	—
Ending balance at March 31, 2013	27,205	35,071	1,474	63,750
Return on assets held at end of year	1,123	1,514	215	2,852
Return on assets sold during the year	—	—	—	—
Purchases, sales, and settlements, net	(1,386)	4,523	—	3,137
Transfers, net	—	—	—	—
Ending balance at March 31, 2014	26,942	41,108	1,689	69,739

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Foreign plans			
	Yen in millions			
	Fair value measurement using significant unobservable inputs (Level 3)			
	Corporate bonds	Commingled funds	Real estate and other	Total
Beginning balance at April 1, 2012	3,961	—	5,083	9,044
Return on assets held at end of year	260	—	245	505
Return on assets sold during the year	1	—	—	1
Purchases, sales, and settlements, net	(20)	—	(23)	(43)
Transfers, net	—	—	—	—
Other*	571	—	1,652	2,223
Ending balance at March 31, 2013	4,773	—	6,957	11,730
Return on assets held at end of year	1,032	—	504	1,536
Return on assets sold during the year	—	—	(47)	(47)
Purchases, sales, and settlements, net	—	—	69	69
Transfers, net	—	—	—	—
Other*	450	—	1,449	1,899
Ending balance at March 31, 2014	6,255	—	8,932	15,187

* Primarily consists of translation adjustments.

Sony makes contributions to its defined benefit pension plans as deemed appropriate by management after considering the fair value of plan assets, expected return on plan assets and the present value of benefit obligations. Sony expects to contribute approximately 13 billion yen to the Japanese plans and approximately 7 billion yen to the foreign plans during the fiscal year ending March 31, 2015.

The expected future benefit payments are as follows:

Fiscal year ending March 31	Japanese plans	Foreign plans
	Yen in millions	Yen in millions
2015	31,224	11,374
2016	33,221	11,689
2017	34,303	12,393
2018	35,929	13,270
2019	39,183	13,761
2020 — 2024	216,059	76,629

(2) Defined contribution plans

Total defined contribution expenses for the fiscal years ended March 31, 2012, 2013 and 2014 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Japanese plans	464	3,729	3,602
Foreign plans	6,726	13,070	12,703

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

16. *Stockholders' equity*

(1) **Common stock**

Changes in the number of shares of common stock issued and outstanding during the fiscal years ended March 31, 2012, 2013 and 2014 have resulted from the following:

	<u>Number of shares</u>
Balance at March 31, 2011	1,004,636,664
Exercise of stock acquisition rights	<u>1,500</u>
Balance at March 31, 2012	1,004,638,164
Stock issued under exchange offering	<u>7,312,042</u>
Balance at March 31, 2013	1,011,950,206
Exercise of stock acquisition rights	134,800
Conversion of zero coupon convertible bonds	<u>32,622,761</u>
Balance at March 31, 2014	<u><u>1,044,707,767</u></u>

At March 31, 2014, 142,865,832 shares of common stock would be issued upon the conversion or exercise of all convertible bonds and stock acquisition rights outstanding.

Conversions of convertible bonds into common stock are accounted for in accordance with the provisions of the Companies Act of Japan (*Kaishaho*) and related regulations (collectively the "Companies Act") by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

Sony Corporation may purchase its own shares at any time by a resolution of the Board of Directors up to the retained earnings available for dividends to shareholders, in accordance with the Companies Act. No common stock had been acquired by the resolution of the Board of Directors during the fiscal years ended March 31, 2012, 2013 and 2014.

(2) **Retained earnings**

The amount of statutory retained earnings of Sony Corporation available for dividends to shareholders as of March 31, 2014 was 275,382 million yen. The appropriation of retained earnings for the fiscal year ended March 31, 2014, including cash dividends for the six-month period ended March 31, 2014, has been incorporated in the accompanying consolidated financial statements. This appropriation of retained earnings was approved at the meeting of the Board of Directors of Sony Corporation held on May 13, 2014 and was then recorded in the statutory books of account, in accordance with the Companies Act.

Retained earnings include Sony's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of 19,080 million yen and 20,650 million yen at March 31, 2013 and 2014, respectively.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(3) Other comprehensive income

Other comprehensive income for the fiscal years ended March 31, 2012 and 2013 were comprised of the following:

	Yen in millions		
	Pre-tax amount	Tax benefit/(expense)	Net-of-tax amount
For the fiscal year ended March 31, 2012:			
Unrealized gains (losses) on securities, net —			
Unrealized holding gains arising during the period*1	30,370	(10,637)	13,079
Less : Reclassification adjustment included in net income	3,417	(1,240)	2,177
Unrealized gains (losses) on derivative instruments, net —			
Unrealized holding losses arising during the period	(177)	(70)	(247)
Less : Reclassification adjustment included in net income	911	(125)	786
Pension liability adjustment*1	(29,239)	(3,934)	(34,668)
Foreign currency translation adjustments —			
Translation adjustments arising during the period*1	(32,640)	74	(32,961)
Less : Reclassification adjustment included in net income*2,3	14,655	—	14,655
Other comprehensive income (loss)	<u>(12,703)</u>	<u>(15,932)</u>	<u>(37,179)</u>
For the fiscal year ended March 31, 2013:			
Unrealized gains (losses) on securities, net —			
Unrealized holding gains arising during the period*1	114,599	(36,198)	63,596
Less : Reclassification adjustment included in net income	(34,686)	14,328	(20,358)
Unrealized gains (losses) on derivative instruments, net —			
Unrealized holding losses arising during the period	(69)	12	(57)
Less : Reclassification adjustment included in net income	615	(250)	365
Pension liability adjustment*1	(8,476)	1,853	(4,983)
Foreign currency translation adjustments —			
Translation adjustments arising during the period*1	160,425	(2,534)	159,149
Less : Reclassification adjustment included in net income*2	3,927	—	3,927
Other comprehensive income (loss)	<u>236,335</u>	<u>(22,789)</u>	<u>201,639</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Changes in accumulated other comprehensive income, net of tax, by component for the fiscal year ended March 31, 2014 were as follows:

	Yen in millions				
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2013	109,079	(742)	(191,816)	(556,016)	(639,495)
Other comprehensive income before reclassifications	24,388	103	6,896	158,884	190,271
Amounts reclassified out of accumulated other comprehensive income	(5,078)	639	4,987	—	548
Net current-period other comprehensive income	19,310	742	11,883	158,884	190,819
Less: Other comprehensive income attributable to noncontrolling interests	880	—	106	1,923	2,909
Balance at March 31, 2014	<u>127,509</u>	<u>—</u>	<u>(180,039)</u>	<u>(399,055)</u>	<u>(451,585)</u>

- *1 Amounts allocable to the noncontrolling interests in the equity of a subsidiary and other are deducted from the net-of-tax amount for unrealized holding gains on securities, pension liability adjustment and foreign currency translation adjustments arising during the period.
- *2 Foreign currency translation adjustments were transferred from accumulated other comprehensive income to net income as a result of the liquidation or sale of certain foreign subsidiaries and affiliates.
- *3 The amount transferred during the fiscal year ended March 31, 2012 includes losses of 12,772 million yen as a result of the other-than-temporary impairment loss on the shares of S-LCD. Refer to Note 5.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

<u>Comprehensive income components</u>	<u>Yen in millions</u> <u>Amounts reclassified</u> <u>from accumulated</u> <u>other comprehensive</u> <u>income</u>	<u>Affected line items in consolidated statements of</u> <u>income</u>
Unrealized gains (losses) on securities	(881)	Financial services revenue
	(7,801)	Gain on sale of securities investments, net
	447	Loss on devaluation of securities investments
	14	Other
Total before tax	(8,221)	
Tax expense or (benefit)	3,143	
Net of tax	(5,078)	
Unrealized gains (losses) on derivative instruments	471	Interest
	348	Foreign exchange loss, net
Total before tax	819	
Tax expense or (benefit)	(180)	
Net of tax	639	
Pension liability adjustment	5,440	*
Tax expense or (benefit)	(453)	
Net of tax	4,987	
Total amounts reclassified out of accumulated other comprehensive income, net of tax —	548	

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

(4) Equity transactions with noncontrolling interests

Net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests for the fiscal years ended March 31, 2012, 2013 and 2014 were as follows:

	<u>Yen in millions</u>		
	<u>Fiscal year ended March 31</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net income (loss) attributable to Sony Corporation's stockholders	(455,038)	41,540	(128,369)
Transfers (to) from the noncontrolling interests:			
Decrease in additional paid-in capital for purchase of additional shares in consolidated subsidiaries	(640)	(57,364)	28
Change from net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests	(455,678)	(15,824)	(128,341)

In September 2012, Sony conducted a tender offer to purchase additional common shares of So-net Entertainment Corporation ("So-net"). As a result, Sony's equity ownership increased to 95.95%. On January 1, 2013, Sony acquired the remaining 4.05% equity ownership of So-net through a share exchange. The difference

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

between cash consideration paid or the fair value of the shares of Sony delivered to the noncontrolling interests and the decrease in the carrying amount of the noncontrolling interests was recognized as a decrease to additional paid-in capital of 38,715 million yen. So-net subsequently changed its name to So-net Corporation, effective July 1, 2013.

In March, 2013, Sony completed the acquisition of an additional 32.39% of the shares of Multi Screen Media Private Limited (“MSM”), which operates television networks in India. As a result of this transaction, Sony’s total equity interest in MSM increased to 94.39%. The aggregate cash consideration for the additional shares was 271 million U.S. dollars, of which 145 million U.S. dollars was paid at the closing of the transaction. An additional 63 million U.S. dollars was paid during the fiscal year ended March 31, 2014 and 21 million U.S. dollars was paid on April 15, 2014. The remaining 42 million U.S. dollars will be paid on April 15, 2015. The difference between cash consideration paid and the decrease in the carrying amount of the noncontrolling interests was recognized as a decrease to additional paid-in capital of 18,450 million yen.

17. *Stock-based compensation plans*

The stock-based compensation expense for the fiscal years ended March 31, 2012, 2013 and 2014 was 1,952 million yen, 1,232 million yen and 1,068 million yen, respectively. The income tax benefit related to the stock-based compensation expense for the fiscal years ended March 31, 2012, 2013 and 2014 was 287 million yen, 209 million yen and 207 million yen, respectively. The total cash received from exercises under all of the stock-based compensation plans during the fiscal years ended March 31, 2012 and 2014 was 4 million yen and 200 million yen, respectively. Sony issued new shares upon exercise of these rights. During the fiscal year ended March 31, 2013, there were no exercises under the stock-based compensation plans. The actual income tax benefit realized for tax deductions from exercises under all the stock-based compensation plans for the fiscal years ended March 31, 2012, 2013 and 2014 was insignificant.

During the fiscal year ended March 31, 2013, the remaining outstanding stock appreciation rights (“SARs”) expired unexercised and the plan was subsequently terminated. The SARs were granted to certain employees in the United States of America and the employees received cash equal to the amount that the market price of Sony Corporation’s common stock exceeded the strike price of the SARs upon exercise of such rights.

There were no SARs granted or exercised during the fiscal years ended March 31, 2012 and 2013 and SARs compensation expense for the fiscal years ended March 31, 2012 and 2013 was insignificant.

Sony has a single remaining stock-based compensation plan as an incentive plan for selected directors, corporate executive officers and employees in the form of a stock acquisition rights plan. The stock acquisition rights generally have three year graded vesting schedules and are exercisable up to ten years from the date of grant.

The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2012, 2013 and 2014 was 345 yen, 189 yen and 821 yen, respectively. The fair value of stock acquisition rights granted on the date of grant and used to recognize compensation expense for the fiscal years ended March 31, 2012, 2013 and 2014 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31		
	2012	2013	2014
Weighted-average assumptions			
Risk-free interest rate	1.08%	0.74%	1.43%
Expected lives	6.77 years	6.85 years	7.13 years
Expected volatility*	36.88%	39.61%	52.03%
Expected dividends	1.85%	3.25%	1.55%

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

A summary of the activities regarding the stock acquisition rights plan during the fiscal year ended March 31, 2014 is as follows:

	Fiscal year ended March 31, 2014			
	Number of shares	Weighted-average exercise price	Weighted-average remaining life	Total intrinsic value
		Yen	Years	Yen in millions
Outstanding at beginning of the fiscal year	19,081,800	3,124		
Granted	1,994,200	2,006		
Exercised	134,800	1,483		
Forfeited or expired	3,151,300	3,670		
Outstanding at end of the fiscal year	17,789,900	3,094	5.47	1,841
Exercisable at end of the fiscal year	13,978,300	3,488	4.49	492

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2012 and 2014 was 0.2 million yen and 52 million yen, respectively. During the fiscal year ended March 31, 2013, there were no exercises under the stock acquisition rights plan.

As of March 31, 2014, there was 1,354 million yen of total unrecognized compensation expense related to nonvested stock acquisition rights. This expense is expected to be recognized over a weighted-average period of 2.03 years.

18. *Great East Japan Earthquake and Thai Floods*

(1) **Great East Japan Earthquake**

On March 11, 2011, Japan experienced a massive earthquake and tsunami (the “Great East Japan Earthquake”). The disaster caused significant damage to certain fixed assets including buildings, machinery and equipment as well as inventories in manufacturing sites and warehouses located principally in northeastern Japan.

For the fiscal year ended March 31, 2012, Sony incurred incremental losses and expenses including repair, removal, restoration and cleaning costs directly related to the damage caused by the disaster of 5,864 million yen. These losses and expenses were primarily recorded in cost of sales in the consolidated statements of income and were partially offset by insurance recoveries of 2,159 million yen, as described below. In addition, Sony also incurred other losses and expenses of 6,294 million yen, which included idle facility costs at manufacturing sites. These losses and expenses were primarily recorded in cost of sales in the consolidated statements of income.

Sony has insurance policies which cover certain damage directly caused by the Great East Japan Earthquake for Sony Corporation and certain of its subsidiaries including manufacturing sites. The insurance policies cover the damage and costs associated with fixed assets and inventories and provide business interruption coverage, including lost profits.

Insurance claims for the losses in the fiscal years ended March 31, 2011 and 2012 in the amount of 15,000 million yen, the total coverage amount, were agreed to by the insurance carriers as a final settlement and were paid in March 2012. Of this amount, 2,000 million yen was due to a certain carrier as reinsurance. The amount was recorded in other current liabilities in the consolidated balance sheets as of March 31, 2012 and was paid in the fiscal year ended March 31, 2013. The insurance proceeds were primarily included in investing activities in the consolidated statements of cash flows.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(2) Thai Floods

In October 2011, certain of Sony's Thailand subsidiaries temporarily closed operations due to significant floods (the "Floods"). The Floods caused significant damage to certain fixed assets including buildings, machinery and equipment as well as inventories in manufacturing sites and warehouses located in Thailand. In addition, the Floods impacted the operations of certain Sony subsidiaries in Japan and other countries.

For the fiscal year ended March 31, 2012, Sony incurred incremental losses and expenses including repair, removal and cleaning costs directly related to the damage caused by the Floods of 13,236 million yen, including the disposal or impairment of fixed assets of 7,882 million yen. These losses and expenses were primarily recorded in other operating (income) expense, net in the consolidated statements of income and were offset by insurance recoveries as described below. The restoration costs were recorded when the services were rendered and liabilities incurred. In addition, Sony also incurred other losses and expenses of 13,899 million yen, which included idle facility costs at manufacturing sites and other additional expenses. These losses and expenses were mainly recorded in cost of sales in the consolidated statements of income.

For the fiscal year ended March 31, 2013, Sony incurred other additional expenses of 4,529 million yen which were primarily recorded in cost of sales in the consolidated statements of income.

Sony has insurance policies which cover certain damage directly caused by the Floods for Sony Corporation and certain of its subsidiaries including manufacturing sites. The insurance policies cover the damage and costs associated with fixed assets, inventories and additional expenses including removal and cleaning costs and provide business interruption coverage, including lost profits.

Insurance claims in the amount of 50,416 million yen were agreed to by the insurance carriers and were paid during the fiscal year ended March 31, 2012. Of this amount, Sony received 26,316 million yen for fixed assets, inventories and additional expenses, of which 17,520 million yen represents the portion of insurance recoveries in excess of the carrying value before the damage caused by the Floods of the insured fixed assets and inventories, and were recorded in cost of sales and other operating (income) expense, net in the consolidated statements of income. The remaining amount of the insurance claims paid of 24,100 million yen was for business interruption insurance recoveries, which applied to the lost profit which occurred after the Floods to December 31, 2011, and were recorded in other operating revenue in the consolidated statements of income. The insurance proceeds for fixed assets and for other than fixed assets were included in investing activities and operating activities in the consolidated statements of cash flows, respectively.

As of March 31, 2012, Sony still had pending insurance claims for damage to fixed assets, inventories, additional expenses and business interruption. Sony recorded insurance receivables of 5,788 million yen which represented the portion of the insurance claims that were deemed probable of collection up to the extent of the amount of corresponding losses recognized in the same period and substantially all related to damaged assets and inventories. Sony concluded that the recoveries from these insurance claims were probable based on the coverage under valid policies, communications with the insurance carriers, Sony's past claims history with the insurance carriers, and Sony's assessment that the insurance carriers had the financial ability to pay the claims. These receivables were primarily recorded in prepaid expenses and other current assets in the consolidated balance sheets.

For the fiscal year ended March 31, 2013, insurance claims in the amount of 53,316 million yen were agreed to by the insurance carriers. Of this amount, Sony received 25,284 million yen for fixed assets, inventories and additional expenses, of which 11,961 million yen primarily represented the portion of insurance recoveries in excess of the carrying value before the damage caused by the Floods of the insured fixed assets and inventories, and were recorded in cost of sales and other operating (income) expense, net in the consolidated statements of income. The remaining amount of the insurance claims paid of 28,032 million yen was for business interruption insurance recoveries, which applied to the lost profit which occurred from January 1, 2012 through the end of the indemnity periods in addition to the unsettled portion of insurance claimed in the fiscal year ended

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

March 31, 2012 and was recorded in other operating revenue in the consolidated statements of income. The insurance proceeds for fixed assets and for other than fixed assets were included in investing activities and operating activities in the consolidated statements of cash flows, respectively.

As of March 31, 2013, Sony had pending insurance claims for additional expenses and business interruption. Sony recorded insurance receivables of 2,482 million yen which related to additional expenses and business interruption claims agreed to by the insurance carriers prior to the fiscal year end and paid by April 19, 2013 and advance payments of 3,555 million yen for repairs and other costs to be incurred. These receivables and advance payments were recorded in prepaid expenses and other current assets and other current liabilities in the consolidated balance sheets, respectively.

For the fiscal year ended March 31, 2014, insurance claims in the amount of 12,076 million yen were agreed to by the insurance carriers. Of this amount, Sony received 624 million yen for fixed assets and additional expenses, of which 314 million yen primarily represented the portion of insurance recoveries in excess of the carrying value before the damage caused by the Floods of the insured fixed assets, and were recorded in other operating (income) expense, net in the consolidated statements of income. The remaining amount of the insurance claims paid of 11,452 million yen was for additional business interruption insurance recoveries and was recorded in other operating revenue in the consolidated statements of income. The insurance proceeds for fixed assets and for other than fixed assets were included in investing activities and operating activities in the consolidated statements of cash flows, respectively.

As of March 31, 2014, Sony still had pending insurance claims for additional expenses and business interruption. Sony recorded insurance receivables of 2,937 million yen which related to additional expenses and business interruption claims agreed to by the insurance carriers prior to the fiscal year end and paid by April 14, 2014 and advance payments of 3,204 million yen for repairs and other costs to be incurred. These receivables and advance payments were recorded in prepaid expenses and other current assets and other current liabilities in the consolidated balance sheets, respectively.

19. *Restructuring charges and asset impairments*

As part of its effort to improve the performance of the various businesses, Sony has undertaken a number of restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, such as exiting a business or product category or implementing a headcount reduction program, which are designed to generate a positive impact on future profitability. The restructuring activities are generally short term in nature and are generally completed within one year of initiation. For the fiscal years ended March 31, 2012, 2013 and 2014, Sony recorded total restructuring charges of 52,645 million yen, 74,386 million yen and 75,570 million yen, respectively.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The changes in the accrued restructuring charges for the fiscal years ended March 31, 2012, 2013 and 2014 are as follows:

	Yen in millions			
	Employee termination benefits	Non-cash write-downs and disposals, net*	Other associated costs	Total
Balance at March 31, 2011	15,585	—	4,974	20,559
Sony Ericsson acquisition	8,789	—	2,190	10,979
Restructuring costs	25,453	20,428	6,764	52,645
Non-cash charges	—	(20,428)	—	(20,428)
Cash payments	(24,928)	—	(4,862)	(29,790)
Adjustments	98	—	(1,130)	(1,032)
Balance at March 31, 2012	24,997	—	7,936	32,933
Restructuring costs	62,752	5,161	6,473	74,386
Non-cash charges	—	(5,161)	—	(5,161)
Cash payments	(58,518)	—	(9,722)	(68,240)
Adjustments	3,498	—	988	4,486
Balance at March 31, 2013	32,729	—	5,675	38,404
Restructuring costs	41,820	18,991	14,759	75,570
Non-cash charges	—	(18,991)	—	(18,991)
Cash payments	(46,017)	—	(7,177)	(53,194)
Adjustments	3,312	—	659	3,971
Balance at March 31, 2014	31,844	—	13,916	45,760

* Significant asset impairments excluded from restructuring charges are described below.

Total costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2012, 2013 and 2014 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Mobile Products & Communications*	1,859	5,885	32,485
Game	519	250	371
Imaging Products & Solutions	1,398	11,240	3,422
Home Entertainment & Sound	5,007	11,815	1,537
Devices	26,373	19,096	5,464
Pictures	1,273	1,081	6,722
Music	5,710	2,305	576
Financial Services	1,822	—	—
All Other and Corporate	8,684	22,714	24,993
Total net restructuring charges	52,645	74,386	75,570
Depreciation associated with restructured assets	2,115	3,121	5,019
Total	54,760	77,507	80,589

* Sony acquired Ericsson's shares in Sony Ericsson and it became a wholly-owned subsidiary of Sony. Subsequent to the acquisition, Sony Ericsson was renamed Sony Mobile which is included in the MP&C segment.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Depreciation associated with restructured assets as used in the context of the disclosures regarding restructuring activities refers to the increase in depreciation expense caused by revising the useful life and the salvage value of depreciable fixed assets to coincide with the earlier end of production under an approved restructuring plan. Any impairment of the assets is recognized immediately in the period it is identified.

General — Retirement programs -

Sony has undergone several headcount reduction programs to further reduce operating costs primarily in an effort to improve the performance of certain segments related to the electronics business and reduce cost at the headquarters function. Through measures including the realignment of its manufacturing sites, a review of its development and design structure, and the streamlining of its sales and administrative functions, Sony has continued to implement a company-wide (including headquarters) rationalization. Sony intends to reallocate and optimize its workforce through programs including work reassignments and outplacements.

During the fiscal year ended March 31, 2013, these staff reductions were achieved worldwide mostly through the implementation of early retirement programs, including headcount reductions at Sony Corporation and major consolidated electronics subsidiaries in Japan and the closure of a production facility in Japan to streamline organizations of the electronics business operations and increase operational efficiency as announced on October 19, 2012.

In addition, during the fiscal year ended March 31, 2014, Sony made announcements regarding its exit from the PC business (refer to Note 25) in the MP&C segment, plans to operate the TV business in the HE&S segment as a wholly-owned subsidiary, and plans to optimize the manufacturing, sales, and headquarters functions that indirectly support the electronics businesses.

Sony will continue to implement programs to reduce headcount by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions.

Mobile Products & Communications segment

In an effort to improve the performance of the MP&C segment, Sony has undergone a number of restructuring efforts to reduce its operating costs. These efforts included headcount reduction programs as described above, initiatives to advance the rationalization of manufacturing operations and shifting and aggregating manufacturing to low-cost areas.

Retirement programs -

As a result of the retirement programs mentioned above, Sony recorded in the MP&C segment restructuring charges related mainly to employee termination benefits totaling 1,812 million yen, 4,959 million yen and 7,051 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively, in selling, general and administrative expenses in the consolidated statements of income.

During the fiscal year ended March 31, 2012, as a result of the acquisition of Sony Ericsson, which was subsequently renamed Sony Mobile, Sony reflected in the consolidated balance sheets 10,979 million yen of restructuring liabilities which related to restructuring activities undertaken by Sony Ericsson prior to Sony's acquisition of Ericsson's 50% equity interest in Sony Ericsson, but which had not yet been paid or settled by Sony Ericsson. The restructuring liabilities related to activities previously accrued by Sony Ericsson, but which were unpaid as of the acquisition date consisted of severance costs of 8,789 million yen and other associated costs of 2,190 million yen.

Asset-impairment and associated costs of PC business -

As described in Note 25, Sony recorded impairment losses of 12,817 million yen for long-lived assets in the PC business during the fiscal year ended March 31, 2014. Sony also recorded 8,019 million yen of expenses to

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

compensate suppliers for unused components in cost of sales in the consolidated statements of income for the fiscal year ended March 31, 2014, which were the incremental costs directly resulting from exiting the PC business.

Game segment

In an effort to improve the performance of the Game segment, Sony has undergone a number of restructuring efforts to reduce its operating costs.

The resulting restructuring charges, included in the table above, were related mainly to employee termination benefits in selling, general and administrative expenses in the consolidated statements of income.

Imaging Products & Solutions segment

In an effort to improve the performance of the IP&S segment, Sony has undergone a number of restructuring efforts to reduce its operating costs. These efforts included headcount reduction programs as described above, initiatives to advance the rationalization of manufacturing operations, shifting and aggregating manufacturing to low-cost areas, and utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs).

Retirement programs -

As a result of the retirement programs mentioned above, Sony recorded in the IP&S segment restructuring charges related mainly to employee termination benefits totaling 3,122 million yen, 9,720 million yen and 3,309 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively, in selling, general and administrative expenses in the consolidated statements of income.

Home Entertainment & Sound segment

In an effort to improve the performance of the HE&S segment, Sony has undergone a number of restructuring efforts to reduce its operating costs. These efforts included headcount reduction programs as described above, initiatives to advance the rationalization of manufacturing operations, shifting and aggregating manufacturing to low-cost areas, and utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs).

Retirement programs -

As a result of the retirement programs mentioned above, Sony recorded in the HE&S segment restructuring charges related mainly to employee termination benefits totaling 4,548 million yen, 10,647 million yen and 1,194 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively, in selling, general and administrative expenses in the consolidated statements of income.

Devices segment

In an effort to improve the performance of the Devices segment, Sony has undergone a number of restructuring efforts to reduce operating costs. These efforts included headcount reduction programs as described above, initiatives to advance the rationalization of manufacturing operations and shifting and aggregating manufacturing to low-cost areas.

Retirement programs -

As a result of the retirement programs mentioned above, Sony recorded in the Devices segment restructuring charges related mainly to employee termination benefits totaling 5,445 million yen, 15,153 million yen and 2,917 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively, in selling, general and administrative expenses in the consolidated statements of income.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Sale and asset-impairment of small- and medium-sized TFT LCD business -

As described in Note 25, Sony sold its small- and medium-sized TFT LCD business to Japan Display Inc. During the fiscal year ended March 31, 2012, Sony recorded an impairment loss of 19,187 million yen in other operating (income) expense, net in the consolidated statements of income, as the long-lived assets used by the business were classified as held for sale and recorded at the lesser of carrying value or fair value.

Pictures segment

In an effort to improve the performance of the Pictures segment, Sony has undergone a number of restructuring efforts to reduce operating costs and rationalize certain operations.

The resulting restructuring charges, included in the table above, were related mainly to employee termination benefits and included in selling, general and administrative expenses in the consolidated statements of income.

Music segment

In an effort to improve the performance of the Music segment due to the continued contraction of the physical music market, Sony has undergone a number of restructuring efforts to reduce operating costs.

The resulting restructuring charges, included in the table above, were related mainly to employee termination benefits and included in selling, general and administrative expenses in the consolidated statements of income.

Financial Services segment

In an effort to improve the performance of the Financial Services segment, Sony has undergone restructuring efforts to reduce operating costs.

All Other and Corporate

The resulting restructuring charges, included in the table above, related mainly to employee termination benefits, regarding headcount reductions described in general retirement programs for the fiscal year ended March 31, 2013. For the fiscal year ended March 31, 2014, restructuring charges of 12,819 million yen were recorded relating to a reduction in the scale of sales companies resulting from the decision to exit the PC business. These costs are primarily included in selling, general and administrative expenses in the consolidated statements of income.

Other asset impairment information

Sony excluded the below losses on impairment from restructuring charges as they were not directly related to Sony's ongoing restructuring initiatives.

Asset-impairment of LCD television business related long-lived assets -

Sony recorded impairment losses of 16,700 million yen, 7,617 million yen and 7,798 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively, included within the HE&S segment, related to the LCD television asset group. These impairment losses primarily reflected a decrease in the estimated fair value of property, plant and equipment and certain intangible assets.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

For the LCD television asset group, the corresponding estimated future cash flows leading to the impairment charge reflected the continued deterioration in LCD television market conditions in Japan, Europe and North America, and unfavorable foreign exchange rates.

Asset-impairment of network business related long-lived assets -

Sony recorded an impairment loss of 12,601 million yen for the fiscal year ended March 31, 2012, included within All Other, related to the network business asset group, which has made investments in network improvements and security enhancements. This impairment loss primarily reflects a decrease in the estimated fair value of certain intangible and other long-lived assets.

During the fiscal year ended March 31, 2012, the corresponding estimated future cash flows leading to the impairment charge reflected management's revised forecast over the limited period applicable to the impairment determination.

Asset-impairment of battery business related long-lived assets -

Sony recorded an impairment loss of 32,107 million yen for the fiscal year ended March 31, 2014, included within the Devices segment, related to long-lived assets in the battery business asset group. In light of a lack of progress towards achieving adequate operating results, Sony conducted a strategic review of the business and the evolving market trends. Following these developments, Sony reduced the corresponding estimated future cash flows and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge.

Asset-impairment of disc manufacturing business related long-lived assets and goodwill -

Sony recorded impairment losses of 12,303 million yen and 13,264 million yen for the fiscal year ended March 31, 2014, included within All Other, related to long-lived assets and goodwill, respectively, in the disc manufacturing business.

The long-lived asset impairment in the disc manufacturing business relates to a lowered forecast of cash flows outside of Japan and the United States, primarily attributable to the manufacturing and distribution operations in Europe, which began additional restructuring activities in March 2014, and reflects the faster than expected contraction of the physical media market. These factors also contributed to a lowered fair value estimate and the goodwill impairment.

20. Supplemental consolidated statements of income information

(1) Other operating (income) expense, net

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

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

	Yen in millions		
	March 31		
	2012	2013	2014
Sony Ericsson remeasurement gain* ¹	(102,331)	—	—
Gain on sale, remeasurement, and issuance of M3 shares* ²	—	(122,160)	(13,758)
Gain on sale of music publishing catalog in Pictures segment	—	—	(10,307)
Gain on sale of the U.S. headquarters building* ³	—	(65,516)	(5,462)
Gain on sale of Sony City Osaki* ³	—	(42,322)	(4,914)
(Gain) loss on sale of interests in subsidiaries and affiliates, net* ^{1,4}	(2,882)	(10,399)	(7,753)
(Gain) loss on sale, disposal or impairment of assets, net* ^{4,5}	45,619	5,178	90,860
	<u>(59,594)</u>	<u>(235,219)</u>	<u>48,666</u>

*1 Refer to Note 24.

*2 Refer to Note 5.

*3 Refer to Note 8.

*4 Refer to Note 25.

*5 Refer to Notes 13, 18 and 19.

(2) Research and development costs

Research and development costs charged to cost of sales for the fiscal years ended March 31, 2012, 2013 and 2014 were 433,477 million yen, 473,610 million yen and 466,030 million yen, respectively.

(3) Advertising costs

Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2012, 2013 and 2014 were 357,106 million yen, 354,981 million yen and 474,372 million yen, respectively.

(4) Shipping and handling costs

Shipping and handling costs for finished goods included in selling, general and administrative expenses for the fiscal years ended March 31, 2012, 2013 and 2014 were 76,644 million yen, 63,160 million yen and 62,871 million yen, respectively, which included the internal transportation costs of finished goods.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

21. *Income taxes*

Domestic and foreign components of income (loss) before income taxes and the provision for current and deferred income taxes attributable to such income are summarized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Income (loss) before income taxes:			
Sony Corporation and all subsidiaries in Japan	(108,634)	182,170	98,152
Foreign subsidiaries	27,723	59,914	(72,411)
	<u>(80,911)</u>	<u>242,084</u>	<u>25,741</u>
Income taxes — Current:			
Sony Corporation and all subsidiaries in Japan	33,921	34,288	41,339
Foreign subsidiaries	76,124	41,446	59,904
	<u>110,045</u>	<u>75,734</u>	<u>101,243</u>
Income taxes — Deferred:			
Sony Corporation and all subsidiaries in Japan	2,808	75,149	(6,330)
Foreign subsidiaries	203,900	(10,485)	(331)
	<u>206,708</u>	<u>64,664</u>	<u>(6,661)</u>
Total income tax expense	<u>316,753</u>	<u>140,398</u>	<u>94,582</u>

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

	Fiscal year ended March 31		
	2012	2013	2014
Statutory tax rate	(41.0%)	38.3%	38.3%
Non-deductible expenses	4.3	1.3	8.9
Income tax credits	(3.7)	(1.4)	(2.1)
Change in statutory tax rate	(37.3)	(2.0)	3.6
Change in valuation allowances	504.9	23.2	365.7
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	(21.8)	(0.7)	0.2
Lower tax rate applied to life and non-life insurance business in Japan	(7.0)	(3.2)	(31.0)
Foreign income tax differential	6.5	3.3	25.7
Adjustments to tax reserves	(16.4)	(3.2)	58.3
Effect of equity in net income (loss) of affiliated companies	61.7	0.1	9.0
Sony Ericsson remeasurement gain	(52.0)	—	—
Insurance recovery tax exemptions related to the Floods	(5.3)	(1.2)	(0.2)
Tax benefit related to intraperiod tax allocation	—	—	(111.9)
Other	(1.4)	3.5	2.9
Effective income tax rate	<u>391.5%</u>	<u>58.0%</u>	<u>367.4%</u>

In November 2011, the Japanese legislature enacted tax law changes which included lowering the national tax rate, limiting the annual use of net operating loss carryforwards to 80% of taxable income and increasing the net operating loss carryforward period from seven to nine years for losses incurred in the tax years ending on or after April 1, 2008. As a result, the statutory tax rate from the fiscal year ended March 31, 2013 to the fiscal year ending March 31, 2015 was set at approximately 38% and from the fiscal year ending March 31, 2016 onward was set at approximately 36%. The limitation on the use of net operating loss carryforwards, however, may result

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

in cash tax payments being due if there is taxable income in Japan even though Sony Corporation and its national tax filing group in Japan have significant net operating loss carryforwards available. Because accounting for income taxes requires the measurement of deferred tax assets and liabilities using the enacted tax rates, the tax law changes resulted in a net deferred tax benefit of 32,729 million yen for the fiscal year ended March 31, 2012.

In March 2014, the Japanese legislature enacted tax law changes which included lowering the national tax rate. As a result, the statutory tax rate from fiscal year ending March 31, 2015 onward is set at approximately 36%, which is one year earlier than the tax law changes in November 2011 described above. This tax law change did not have a material impact on Sony's results of operations.

Under the accounting guidance for intraperiod tax allocation, Sony is required to consider all items of income (including items recorded in other comprehensive income) in determining the amount of tax benefit that should be allocated to a loss from continuing operations. During the fiscal year ended March 31, 2014, Sony Corporation and its national tax filing group in Japan and certain other jurisdictions incurred a loss from continuing operations while also recording other comprehensive income. As a result, Sony allocated a 28,797 million yen tax benefit to continuing operations, which was exactly offset by additional income tax expense in other comprehensive income. The total income tax provision did not change and these jurisdictions continue to be impacted by the full valuation allowance on deferred tax assets.

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

	Yen in millions	
	March 31	
	2013	2014
Deferred tax assets:		
Operating loss carryforwards for tax purposes	546,322	601,065
Accrued pension and severance costs	102,970	87,657
Film costs	90,456	133,050
Warranty reserves and accrued expenses	70,529	88,409
Future insurance policy benefits	24,217	25,187
Inventory	33,232	32,762
Depreciation	38,334	52,994
Tax credit carryforwards	62,599	74,544
Reserve for doubtful accounts	5,629	6,590
Impairment of investments	32,136	34,663
Deferred revenue in the Pictures segment	30,181	26,826
Other	170,865	164,082
Gross deferred tax assets	1,207,470	1,327,829
Less: Valuation allowance	(931,247)	(1,027,530)
Total deferred tax assets	276,223	300,299
Deferred tax liabilities:		
Insurance acquisition costs	(146,507)	(154,474)
Future insurance policy benefits	(79,861)	(98,118)
Unbilled accounts receivable in the Pictures segment	(54,232)	(67,118)
Unrealized gains on securities	(63,730)	(75,467)
Intangible assets acquired through stock exchange offerings	(27,525)	(27,253)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(28,057)	(27,640)
Investment in M3	(46,336)	(38,049)
Other	(61,152)	(78,922)
Gross deferred tax liabilities	(507,400)	(567,041)
Net deferred tax liabilities	(231,177)	(266,742)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The net changes in the total valuation allowance were increases of 394,520 million yen, 63,014 million yen and 96,283 million yen for the fiscal years ended March 31, 2012, 2013 and 2014, respectively.

Based on the weight of the available positive and negative evidence, in the fiscal year ended March 31, 2011, Sony established valuation allowances against the deferred tax assets at Sony Corporation and its national tax filing group in Japan. In the subsequent fiscal years, Sony also established valuation allowances at Sony Americas Holding Inc. (“SAHI”) and its consolidated tax filing group, Sony Mobile Communications in Sweden, Sony Europe Limited (“SEU”) in the U.K. and certain subsidiaries in other tax jurisdictions. 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 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.

The increase during the fiscal year ended March 31, 2012 was primarily due to the additional valuation allowances recorded on deferred tax assets in the U.S. and the U.K. and additional valuation allowances recorded in Japan for Sony Corporation and its national tax filing group in Japan. As of March 31, 2012, Sony had concluded that with respect to SAHI and its consolidated tax filing group in the U.S., and SEU, a subsidiary in the U.K., the cumulative loss position was significant negative evidence that was difficult to overcome. There was positive evidence in the form of tax planning actions and strategies, the long carryforward periods for utilization, as well as a history of taxable income and utilization of assets before expiration. The tax planning strategies included changes in film amortization methods in the U.S., the success of which depends on future forecasts of income. Notwithstanding this positive evidence, the weight given to evidence is commensurate with the extent to which it can be objectively verified. It is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objectively verifiable negative evidence of recent financial reporting losses. Accordingly, Sony, based on the weight of the available positive and negative evidence, established a valuation allowance of 203,025 million yen for SAHI and its consolidated tax filing group in the U.S., and 20,694 million yen for SEU, as of March 31, 2012. Sony Corporation and its national tax filing group in Japan remained in a cumulative loss position as of March 31, 2012, and as a result, during the fiscal year ended March 31, 2012, Sony recorded an additional valuation allowance against certain deferred tax assets at Sony Corporation and its national tax filing group in Japan. In addition, several Japanese subsidiaries were also in a cumulative loss position as of March 31, 2012, and therefore, recorded valuation allowances of 32,631 million yen against their separate deferred tax assets for local tax purposes.

Prior to its acquisition, Sony Ericsson, principally due to its cumulative loss position, had a valuation allowance against deferred tax assets mainly in Sweden in the amount of 78,393 million yen, for which Sony reported the impact of the valuation allowance through its 50% equity interest in Sony Ericsson.

The increase during the fiscal year ended March 31, 2013 was primarily due to continuing losses at Sony Corporation and its national tax filing group in Japan and SEU, partially offset by a decrease in the valuation allowance in the U.S. principally attributable to a gain on the sale of the U.S. headquarters building as described in Note 8.

The increase during the fiscal year ended March 31, 2014 was primarily due to continuing losses at Sony Corporation and its national tax filing group in Japan and SAHI and its consolidated tax filing group in the U.S. In addition, certain other foreign subsidiaries recorded valuation allowances against their deferred tax assets.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

	Yen in millions	
	March 31	
	2013	2014
Current assets — Deferred income taxes	44,615	53,068
Other assets — Deferred income taxes	107,688	105,442
Current liabilities — Other	(13,561)	(14,356)
Long-term liabilities — Deferred income taxes	(369,919)	(410,896)
Net deferred tax liabilities	<u>(231,177)</u>	<u>(266,742)</u>

At March 31, 2014, deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries and corporate joint ventures not expected to be remitted in the foreseeable future totaling 1,148,782 million yen, and on the gain of 61,544 million yen on a subsidiary's sale of stock arising from the issuance of common stock of Sony Music Entertainment (Japan) Inc. ("SMEJ") in a public offering to third parties in November 1991, as Sony does not anticipate any significant tax consequences on the possible future disposition of its investment based on its tax planning strategies. It is not practicable to determine the amount of unrecognized deferred tax liabilities associated with such temporary differences as of March 31, 2014.

At March 31, 2014, Sony has operating loss carryforwards for tax purposes, the tax effect of which totaled 601,065 million yen, which will be available as an offset against future taxable income on tax returns to be filed in various tax jurisdictions. With the exception of 172,124 million yen with no expiration period, substantially all of the total operating loss carryforwards expire at various periods between the fiscal years ending March 31, 2015 and 2023, and the remaining amounts expire in periods up to 20 years depending on the jurisdiction.

Tax credit carryforwards for tax purposes at March 31, 2014 amounted to 74,544 million yen. With the exception of 22,261 million yen with no expiration period, total available tax credit carryforwards expire at various dates primarily up to 9 years.

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

	Yen in millions		
	March 31		
	2012	2013	2014
Balance at beginning of the fiscal year	225,120	288,311	191,886
Reductions for tax positions of prior years	(25,302)	(11,533)	(19,696)
Additions for tax positions of prior years	59,159	8,980	9,325
Additions based on tax positions related to the current year	44,307	27,849	21,877
Settlements	(4,046)	(140,813)	(6,687)
Lapse in statute of limitations	(3,807)	(7,495)	(4,643)
Foreign currency translation adjustments	<u>(7,120)</u>	<u>26,587</u>	<u>22,733</u>
Balance at end of the fiscal year	<u>288,311</u>	<u>191,886</u>	<u>214,795</u>
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	77,925	72,947	93,098

The major changes, including settlements, in the total gross amount of unrecognized tax benefit balances relate to transfer pricing adjustments, including as a result of the Bilateral Advance Pricing Agreements ("APAs") and competent authority requests filed for certain subsidiaries in the MP&C, Game, IP&S, HE&S, and Devices segments and All Other, with respect to the intercompany cross-border transactions. The APAs include

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

agreements between Sony and two taxing authorities under the authority of the mutual agreement procedure specified in income tax treaties. Sony reviews its estimated tax expense based on the progress made in these procedures, and the progress of transfer pricing audits generally, and makes adjustments to its estimates as necessary. In addition, the APA's are government to government negotiations, and therefore it is possible that the final outcomes of the agreements may differ from Sony's current assessment of the more-likely-than-not outcomes of such agreements.

During the fiscal year ended March 31, 2012, Sony reversed 1,336 million yen of interest expense and 333 million yen of penalties.

During the fiscal year ended March 31, 2013, Sony reversed 3,935 million yen of interest expense and 367 million yen of penalties. At March 31, 2013, Sony had recorded liabilities of 9,252 million yen and 3,707 million yen for the payments of interest and penalties, respectively.

During the fiscal year ended March 31, 2014, Sony reversed 2,699 million yen of interest expense and recorded 352 million yen of penalties. At March 31, 2014, Sony had recorded liabilities of 6,553 million yen and 4,060 million yen for the payments of interest and penalties, respectively.

Sony operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited by Japanese and foreign taxing authorities. As a result of audit settlements, the conclusion of current examinations, the expiration of the statute of limitations in several jurisdictions and other reevaluations of Sony's tax positions, it is expected that the amount of unrecognized tax benefits will change in the next twelve months. Accordingly, Sony believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to 3,510 million yen within the next twelve months.

Sony remains subject to examinations by Japanese taxing authorities for tax years from 2007 through 2013, and by the U.S. and other foreign taxing authorities for tax years from 1998 through 2013.

22. Reconciliation of the differences between basic and diluted EPS

Reconciliation of the differences between basic and diluted EPS for the fiscal years ended March 31, 2012, 2013 and 2014 is as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Net income (loss) attributable to Sony Corporation's stockholders for basic and diluted EPS computation	(455,038)	41,540	(128,369)
	Thousands of shares		
Weighted-average shares outstanding	1,003,578	1,005,417	1,027,024
Effect of dilutive securities:			
Stock acquisition rights	—	67	—
Zero coupon convertible bonds	—	65,308	—
Weighted-average shares for diluted EPS computation	1,003,578	1,070,792	1,027,024
	Yen		
Basic EPS	(453.42)	41.32	(124.99)
Diluted EPS	(453.42)	38.79	(124.99)

Potential shares of common stock which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2012, 2013 and 2014 were 22,417 thousand shares, 17,272 thousand shares and 142,866 thousand shares, respectively. Potential shares were excluded as anti-dilutive for the fiscal years ended

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

March 31, 2012 and 2014 due to Sony incurring a net loss attributable to Sony Corporation's stockholders for those fiscal years. The potential shares related to stock acquisition rights were excluded as anti-dilutive for the fiscal year ended March 31, 2013 as the exercise price for those shares was in excess of the average market value of Sony's common stock for the fiscal year. The zero coupon convertible bonds issued in November 2012 were included in the diluted EPS calculation for the fiscal year ended March 31, 2013 under the if-converted method beginning upon issuance.

23. *Variable interest entities*

Sony has, from time to time, entered into various arrangements with VIEs. These arrangements include several joint ventures in the recorded music business, the U.S. based music publishing business, the financing of film production and the outsourcing of manufacturing operations. In addition, Sony has entered into several accounts receivable sales programs that involve VIEs, which are described in Note 6. For the VIEs that are described below, it has been determined that Sony is the primary beneficiary and, accordingly, these VIEs are consolidated by Sony.

Sony's U.S. subsidiary that is engaged in the recorded music business has entered into several joint ventures with companies involved in the production and creation of recorded music. Sony has reviewed these joint ventures and determined that they are VIEs. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIEs' economic performance, as well as the obligation to absorb the losses of these VIEs as Sony is responsible for providing funding to these VIEs, and in most cases absorbs all losses until the VIEs become profitable. As a result, it has been determined that Sony is the primary beneficiary. The assets of Sony are not available to settle the obligations of these VIEs. On an aggregate basis, the total assets and liabilities for these VIEs at March 31, 2014 were 30,559 million yen and 3,883 million yen, respectively.

Sony's U.S. based music publishing subsidiary is a joint venture with a third-party investor and has been determined to be a VIE. The subsidiary owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. Under the terms of the joint venture, Sony has the obligation to fund any working capital deficits as well as any acquisition of music publishing rights made by the joint venture. In addition, the third-party investor receives a guaranteed annual dividend of up to 23.1 million U.S. dollars through December 15, 2016. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIE's economic performance, as well as the obligation to absorb the losses of the VIE due to its obligation to provide funding to the joint venture. As a result, it has been determined that Sony is the primary beneficiary. At March 31, 2014, the assets and liabilities of the VIE that were included in Sony's consolidated balance sheets were as follows:

	<u>Yen in millions</u>
Assets:	
Cash and cash equivalents	6,495
Account receivables, net	3,315
Other current assets	26,226
Property, plant and equipment, net	1,330
Intangibles, net	61,269
Goodwill	15,570
Other noncurrent assets	6,395
Total assets	<u>120,600</u>
Liabilities:	
Accounts payable and accrued expenses	42,329
Other current liabilities	9,498
Other noncurrent liabilities	3,136
Total liabilities	<u>54,963</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

VIEs in which Sony holds a significant variable interest, but is not the primary beneficiary are described as follows:

In connection with the July 2013 refinancing of the debt obligations of the third-party investor in the music publishing subsidiary described above, Sony has issued a guarantee to a creditor of the third-party investor in which Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 290 million U.S. dollars to the creditor should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony's music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor's rights to the underlying collateral. The assets of the third-party investor that are being used as collateral were placed in a separate trust which is also a VIE in which Sony has significant variable interests. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the trust. The assets held by the trust consist solely of the third-party investor's 50% ownership interest in the music publishing subsidiary. At March 31, 2014, the fair value of the assets held by the trust exceeded 290 million U.S. dollars.

Sony's subsidiary in the Pictures segment entered into a joint venture agreement with a VIE to acquire the international distribution rights, as defined, to 12 pictures. The subsidiary is required to distribute these pictures internationally, for contractually defined fees determined as percentages of gross receipts and is responsible for all distribution and marketing expenses, which are recouped from such distribution fees, each as defined. The VIE was capitalized with total financing of 406 million U.S. dollars. Of this amount, 11 million U.S. dollars was contributed by the subsidiary, 95 million U.S. dollars was provided by unrelated third-party investors and the remaining funding was provided through a 300 million U.S. dollar bank credit facility. Under the agreement, the subsidiary's 11 million U.S. dollars equity investment is the last equity to be repaid. Based on the factors above, it was previously determined that the subsidiary was the primary beneficiary as it had the power to direct the activities of the VIE and was projected to absorb a significant amount of the losses or residual returns of the VIE. As of March 31, 2009, the bank credit facility had been terminated and the third-party investors have been repaid their 95 million U.S. dollar investment. On May 11, 2009, the subsidiary repurchased from the VIE the international distribution rights to the 12 pictures and the VIE received a participation interest in these films on identical financial terms to those described above. As a result of repurchasing the international distribution rights from the VIE, Sony determined that the subsidiary was no longer the primary beneficiary as it no longer had the power to direct the activities of the VIE and was not projected to absorb a significant amount of the losses or residual returns of the VIE. No gain or loss was recognized by the subsidiary on the deconsolidation of the VIE. On April 11, 2012, the subsidiary acquired the VIE's participation interest for 22 million U.S. dollars. As a result of this acquisition, the VIE no longer has any financial interest in these pictures.

In January 2010, Sony sold 90.0% of its interest in a Mexican subsidiary which primarily manufactured LCD televisions, as well as other assets to a contract manufacturer. The continuing entity, which would perform this manufacturing going forward, is a VIE as it is thinly capitalized and dependent on funding from the parent entity. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities that most significantly impact the VIE's economic performance nor does Sony have the obligation to absorb the losses of the VIE. Concurrent with the sale, Sony entered into an agreement with the VIE and its parent company in which Sony agreed to purchase a significant share of the LCD televisions that Sony sells in certain markets, including the U.S. market. As of March 31, 2014, the amounts recorded on Sony's consolidated balance sheets that relate to the VIE include receivables recorded within prepaid expenses and other current assets of 17,817 million yen and accounts payable, trade of 19,453 million yen. Sony's maximum exposure to losses is considered insignificant.

As described in Note 5, on June 29, 2012, an investor group which included a wholly-owned subsidiary of Sony Corporation completed its acquisition of EMI Music Publishing. To effect the acquisition, the investor group formed DH Publishing, L.P. ("DHP") which acquired EMI Music Publishing. In addition, DHP entered into an agreement with Sony's U.S. based music publishing subsidiary in which the subsidiary provides

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

administration services to DHP (the “Administration Agreement”). DHP was determined to be a VIE as many of the decision making rights for the entity do not reside within the entity’s equity interests, but rather are embedded in the Administration Agreement. Under the terms of the Administration Agreement, the largest non-Sony shareholder has approval rights over decisions regarding the activities that most significantly impact DHP, including the acquisition and retention of copyrights and the licensing of songs. These approval rights result in Sony and the largest non-Sony shareholder sharing the power to direct the activities of DHP, and as such, Sony is not the primary beneficiary of the VIE. At March 31, 2014, the only amounts recorded on Sony’s consolidated balance sheet that relate to the VIE is Sony’s net investment of 324 million U.S. dollars and a net receivable balance of 12 million U.S. dollars. Sony’s maximum exposure to losses as of March 31, 2014 is the aggregate amounts recorded on its balance sheet of 336 million U.S. dollars.

As described in Note 6, certain accounts receivable sales programs also involve VIEs. These VIEs are all special purpose entities associated with the sponsor banks. Based on a qualitative assessment, Sony is not the primary beneficiary and therefore does not consolidate these entities as Sony does not have the power to direct the activities, an obligation to absorb losses, or the right to receive the residual returns of these VIEs. Sony’s maximum exposure to losses from these VIEs is considered insignificant.

24. Acquisitions

(1) Game Show Network acquisition

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

(2) Sony Ericsson acquisition

On February 15, 2012, Sony acquired Ericsson’s 50% equity interest in Sony Ericsson, resulting in Sony Ericsson becoming a wholly-owned subsidiary of Sony. The transaction also provided Sony with a broad intellectual property cross-licensing (“IP cross-licensing”) agreement and ownership of five essential patent families relating to wireless handset technology. The total consideration consisted of 107,174 million yen (1,050 million euros) of cash. The agreement with Ericsson also provided for contingent consideration depending on the level of certain specified costs. Based on the estimated level of the specified costs, no amounts were expected to be paid under this arrangement and therefore no amounts were recorded as additional consideration. This acquisition will integrate Sony Ericsson, renamed Sony Mobile, into Sony’s platform of network-connected consumer electronics products with the aim of accelerating convergence.

Prior to the acquisition, Sony’s interest in Sony Ericsson was accounted for under the equity method of accounting. As a result of Sony obtaining a controlling interest in Sony Ericsson, Sony consolidated Sony Ericsson using the acquisition method of accounting and recorded the fair value of the identifiable assets, liabilities assumed, noncontrolling interest and residual goodwill of Sony Ericsson. In accordance with the accounting guidance for business combinations achieved in stages, Sony remeasured the 50% equity interest in Sony Ericsson that it owned prior to the acquisition at a fair value of 71,449 million yen which resulted in the

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

recognition of a gain of 102,331 million yen recorded in other operating (income) expense, net. In addition, accumulated translation adjustments of 11,690 million yen remained as a component of accumulated other comprehensive income.

The following table summarizes the fair values assigned to the assets and liabilities of Sony Ericsson that were recorded in the MP&C segment, and the IP cross-licensing that was assigned to Corporate for segment reporting purposes.

	Yen in millions
	<u>Acquired assets and liabilities recorded at fair value as of the acquisition date</u>
Cash and cash equivalents	35,331
Notes and accounts receivable, trade	54,522
Inventories	54,095
Prepaid expenses and other current assets	28,618
Property, plant and equipment	18,075
Intangibles	123,097
Goodwill	128,522
Other noncurrent assets	22,463
Total assets	464,723
Notes and accounts payable, trade	66,522
Accounts payable, other and accrued expenses	61,467
Other current liabilities	136,938
Other noncurrent liabilities	7,126
Total liabilities	272,053
Noncontrolling interest	14,047
Total	<u>178,623</u>

No value was allocated to in-process research and development in this acquisition as no material amounts were identified; however, certain significant research and development activities were substantially completed as of the acquisition date and included within acquired intangible assets as developed technology. Goodwill represents unidentifiable intangible assets, such as future growth from new revenue streams, increased market share particularly in emerging markets and the U.S., synergies with existing Sony assets and businesses and an assembled workforce, and is calculated as the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the MP&C segment.

The intangible assets are comprised of the following:

	Yen in millions	Years
	<u>Acquired intangibles recorded at fair value</u>	<u>Weighted-average amortization period</u>
Intangibles subject to amortization		
IP cross-licensing	60,834	6
Developed technology	24,599	9
Customer relationships	19,597	14
Trademarks	14,086	7
Other	3,981	7
Total intangibles	<u>123,097</u>	

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following unaudited supplemental pro forma financial information presents the combined results of operations of Sony and Sony Ericsson as though the acquisition had occurred as of the beginning of the fiscal year ended March 31, 2011:

	Yen in millions, except per share data
	Fiscal year ended March 31
	2012
	(Unaudited)
Net sales	5,941,131
Operating income (loss)	(187,725)
Net loss attributable to Sony Corporation's stockholders	(654,833)
Basic EPS	(652.50)
Diluted EPS	(652.50)

The unaudited supplemental pro forma financial information is based on estimates and assumptions, which Sony believes are reasonable and is not intended to represent or be indicative of what Sony's consolidated net loss attributable to Sony Corporation's stockholders would have been had the acquisition been completed at the beginning of the fiscal year ended March 31, 2011 and should not be taken as indicative of Sony's future consolidated net loss attributable to Sony Corporation's stockholders. The unaudited supplemental pro forma financial information includes:

- the elimination of equity in net income (loss) and consolidation of Sony Ericsson;
- the gain from remeasurement of the previously owned equity interest;
- incremental intangible asset amortization, net of the related tax effects;
- certain royalty adjustments; and
- additional debt issuance costs and interest expense, incurred in connection with the acquisition.

(3) Sony Semiconductor acquisitions

On April 1, 2011, Sony Semiconductor Kyushu Corporation, a wholly-owned subsidiary of Sony Corporation, acquired from Toshiba Corporation ("Toshiba") for 57,451 million yen semiconductor fabrication equipment and certain related assets. Sony Semiconductor Kyushu Corporation has subsequently changed its name to Sony Semiconductor Corporation ("SCK"), effective November 1, 2011. Sony's goal in acquiring the assets was to further strengthen its production capacity for CMOS image sensors.

The assets were operated by Nagasaki Semiconductor Manufacturing Corporation, a joint venture among Toshiba, Sony Corporation and Sony Computer Entertainment Inc., a wholly-owned subsidiary of Sony Corporation. Subsequent to the acquisition, Sony initially entered into a three year sale and leaseback transaction regarding certain of the acquired machinery and equipment with its equity interest affiliate, SFIL, and received proceeds of 50,537 million yen based on the amounts recorded at fair value in the acquisition. The sale and lease back term was extended to five years during the fiscal year ended March 31, 2014. These transactions were included within other in the investing activities of the consolidated statements of cash flows.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following table summarizes the fair values assigned to the assets acquired at the acquisition date.

	<u>Yen in millions</u>
	<u>Acquired assets recorded at fair value</u>
Inventories	4,370
Other current assets	82
Machinery and equipment	51,083
Intangibles	1,223
Other noncurrent assets	<u>693</u>
Total	<u>57,451</u>

On March 31, 2014, SCK acquired from Renesas Electronics Corporation (“Renesas”) semiconductor fabrication equipment and certain related assets (“Transferred Assets”) for 7,510 million yen. SCK is utilizing the Transferred Assets to establish a new technology center and further strengthen its production capacity for CMOS image sensors. The purchase price was allocated and recorded primarily to machinery and equipment. SCK also entered into a supply arrangement with Renesas to manufacture and supply system LSIs for a certain period following the acquisition. In connection with this, SCK also acquired related inventories from Renesas.

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

(4) Other acquisitions

During the fiscal year ended March 31, 2012, Sony completed other acquisitions for total consideration of 7,914 million yen which were paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of the acquisitions, Sony recorded 5,853 million yen of goodwill and 3,345 million yen of intangible assets.

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

During the fiscal year ended March 31, 2014, Sony completed other acquisitions for total consideration of 19,373 million yen which were paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of the acquisitions, Sony recorded 10,243 million yen of goodwill and 10,965 million yen of intangible assets.

No significant amounts have been allocated to in-process research and development and all of the entities described above have been consolidated into Sony’s results of operations since their respective acquisition dates. Pro forma results of operations have not been presented because the effects of other acquisitions, individually and in aggregate, were not material.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

25. *Divestitures*

(1) **Small- and medium-sized TFT LCD business**

In March 2012, Sony sold the small- and medium-sized TFT LCD business, which was included in the Devices segment, to Japan Display Inc. (“JDI”). In connection with the sale, Sony transferred legal ownership of a certain subsidiary within the former small-and medium-sized TFT LCD business to JDI during the fiscal year ended March 31, 2013. During the fiscal year ended March 31, 2012, Sony recorded an impairment loss of 19,187 million yen in other operating (income) expense, net in the consolidated statements of income, as the disposal group was classified as held for sale and recorded at the lesser of carrying value or fair value. Following the sale, Sony purchased an equity interest in JDI which Sony initially accounted for under the cost method. In March 2014, JDI completed an initial public offering and Sony sold a portion of its shares. The remaining shares were reclassified as available-for-sale equity securities following the initial public offering.

(2) **S-LCD Corporation**

In the fiscal year ended March 31, 2012, Sony sold all of its shares of S-LCD, the LCD panel manufacturing joint venture. Refer to Note 5.

(3) **Chemical products related business**

On September 28, 2012, Sony sold the chemical products related business, which was included in the Devices segment, to the Development Bank of Japan (“DBJ”). As a result of the transaction, the transfer of Sony’s domestic and overseas operations of the chemical products related business, including all shares in Sony Chemical & Information Device Corporation, to DBJ has been completed. The sale resulted in net cash proceeds of 52,756 million yen, and a gain of 9,050 million yen, recorded in other operating (income) expense, net in the consolidated statements of income, for the fiscal year ended March 31, 2013.

(4) **Gracenote**

On January 31, 2014, Sony sold all the shares of Gracenote, Inc., a wholly-owned subsidiary within All Other, to the Tribune Company for 170 million U.S. dollars subject to certain adjustments. The sale resulted in net cash proceeds of 156 million U.S. dollars and a gain of 54 million U.S. dollars, recorded within other operating (income) expense, net in the consolidated statements of income.

(5) **PC business**

On February 6, 2014, Sony announced an updated strategic plan to concentrate the mobile business on smartphones and tablets and ultimately exit the PC business, which is included in the MP&C segment, following continued challenges in the PC market. As a result, Sony recorded an impairment loss of 12,817 million yen for long-lived assets in the fiscal year ended March 31, 2014, based on the present value of estimated net cash flows. Additionally, for the fiscal year ended March 31, 2014, Sony recorded charges of 8,019 million yen in cost of sales in the consolidated statements of income for expenses to compensate suppliers for unused components reflecting the termination of future manufacturing and charges of 7,278 million yen primarily for employee termination benefits which are included in selling, general and administrative expenses in the consolidated statements of income. These incremental costs directly resulted from Sony’s decision to exit the PC business and were recorded as restructuring charges. Sony also recorded charges of 17,391 million yen for the fiscal year ended March 31, 2014, primarily for the write-down of excess components in inventory which are included in cost of sales in the consolidated statements of income. In All Other, Sony recorded restructuring charges of 12,819 million yen primarily in selling, general and administrative expenses in the consolidated statements of income for the fiscal year ended March 31, 2014 relating to a reduction in the scale of sales companies resulting from Sony’s decision to exit the PC business.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Also, on February 6, 2014, Sony and Japan Industrial Partners, Inc. (“JIP”) entered into a memorandum of understanding to sell Sony’s PC business to a new company to be established by JIP. As of March 31, 2014, the corresponding assets and liabilities were not classified as held for sale because significant terms and conditions were still under negotiation.

26. Collaborative arrangements

Sony’s collaborative arrangements primarily relate to arrangements entered into, through a subsidiary in the Pictures segment, with one or more active participants to jointly finance, produce and/or distribute motion pictures or television programming under which both the subsidiary and the other active participants share in the risks and rewards of ownership. These arrangements are referred to as co-production and distribution arrangements.

Sony typically records an asset for only the portion of the motion pictures or television programming it owns and finances. Sony and the other participants typically distribute the product in different media or markets. Revenues earned and expenses incurred for the media or markets in which Sony distributes the product are typically recorded on a gross basis. Sony typically does not record revenues earned and expenses incurred when the other participants distribute the product. Sony and the other participants typically share in the profits from the distribution of the product in all media or markets. For motion pictures, if Sony is a net receiver of (1) Sony’s share of the profits from the media or markets distributed by the other participants less (2) the other participants’ share of the profits from the media or markets distributed by Sony then the net amount is recorded as net sales. If Sony is a net payer then the net amount is recorded in cost of sales. For television programming, Sony records its share of the profits from the media or markets distributed by the other participants as sales, and the other participants’ share of the profits from the media or markets distributed by Sony as cost of sales.

For the years ended March 31, 2012, 2013 and 2014, 10,990 million yen, 31,587 million yen and 16,359 million yen, respectively, were recorded as cost of sales for amounts owed to the other participants and 14,625 million yen, 12,538 million yen and 17,291 million yen, respectively, were recorded as net sales for amounts due from the other participants in these collaborative arrangements.

27. Commitments, contingent liabilities and other

(1) Loan commitments

Subsidiaries in the Financial Services segment have entered into loan agreements with their customers in accordance with the condition of the contracts. As of March 31, 2014, the total unused portion of the lines of credit extended under these contracts was 24,171 million yen. The aggregate amounts of future year-by-year payments for these loan commitments cannot be determined.

(2) Purchase commitments and other

Purchase commitments and other outstanding as of March 31, 2014 amounted to 311,884 million yen. The major components of these commitments are as follows:

Certain subsidiaries in the Pictures segment have entered into agreements with creative talent for the development and production of motion pictures and television programming as well as agreements with third parties to acquire completed motion pictures, or certain rights therein, and to acquire the rights to broadcast certain live action sporting events. These agreements cover various periods mainly within five years. As of March 31, 2014, these subsidiaries were committed to make payments under such contracts of 125,268 million yen.

Certain subsidiaries in the Music segment have entered into long-term contracts with recording artists, songwriters and companies for the future production, distribution and/or licensing of music product. These contracts cover various periods mainly within five years. As of March 31, 2014, these subsidiaries were committed to make payments of 60,121 million yen under such long-term contracts.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Sony has entered into long-term sponsorship contracts related to advertising and promotional rights. These contracts cover various periods mainly within ten years. As of March 31, 2014, Sony has committed to make payments of 52,389 million yen under such long-term contracts.

The schedule of the aggregate amounts of year-by-year payment of purchase commitments during the next five fiscal years and thereafter is as follows:

<u>Fiscal year ending March 31</u>	<u>Yen in millions</u>
2015	121,470
2016	67,998
2017	50,680
2018	26,986
2019	15,285
Later fiscal years	<u>29,465</u>
Total	<u><u>311,884</u></u>

In addition to the above, Sony has other commitments as follows:

During the fiscal year ended March 31, 2012, there was a receipt of an advance payment from a commercial customer. The advance payment amounts are recouped through product sales to the commercial customer during the period specified in the contract. As of March 31, 2014, Sony recorded 28,432 million yen in other current liabilities and 7,108 million yen in other long-term liabilities based on the anticipated recoupment period. The advance payment is subject to reimbursement under certain contingent conditions including a downgrade of Sony's credit rating by either Standard & Poor's Ratings Services (lower than "BBB-") or Moody's Investors Service ("Moody's") (lower than "Ba1"). The condition related to the credit rating by Moody's was eased through an amendment in March 2014 to allow for a downgrade from Baa3 to Ba1.

(3) Litigation

In May 2011, Sony Corporation's U.S. subsidiary, Sony Electronics Inc., received a subpoena from the U.S. Department of Justice ("DOJ") Antitrust Division seeking information about its secondary batteries business. Sony understands that the DOJ, the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the secondary batteries market. The DOJ has notified Sony that it has closed its investigation, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser class action lawsuits have been filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

Beginning in early 2011, the network services of PlayStation®Network, Qriocity™, Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of May 29, 2014, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from such cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including formal and/or informal requests for information from Attorneys General from a number of states in the United States. Additionally, Sony Corporation and/or certain of its subsidiaries have been named in a number of purported class actions in certain jurisdictions, including the United States. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

In October 2009, Sony Corporation's U.S. subsidiary, Sony Optiarc America Inc., received a subpoena from the DOJ seeking information about its optical disk drive business. Sony understands that the European

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Commission and certain other governmental agencies outside the United States also opened investigations of competition in the optical disk drives market. The DOJ has notified Sony that it has closed its investigation, and Sony understands that the investigations by several other agencies have now ended, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser lawsuits, including class actions, have been filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

In November 2013, trial was set for September 2014 on a complaint by a former customer of Sony Corporation's U.S. subsidiary, Sony Electronics Inc., seeking recovery in connection with the former customer's bankruptcy filing. Based on the stage of this proceeding and information currently available, Sony believes that any reasonably possible loss would not have a material impact on Sony's results of operations and financial position.

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

(4) Guarantees

Sony has issued guarantees that contingently require payments to guaranteed parties if certain specified events or conditions occur. The maximum potential amount of future payments under these guarantees as of March 31, 2014 amounted to 41,282 million yen. The major components of these guarantees are as follows:

As discussed in Note 23, Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 290 million U.S. dollars to the creditor of the third-party investor of Sony's U.S. based music publishing subsidiary should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony's music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor's rights to the underlying collateral. As of March 31, 2014, the fair value of the collateral exceeded 290 million U.S. dollars.

In addition to the above, Sony issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The changes in product warranty liability for the fiscal years ended March 31, 2012, 2013 and 2014 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Balance at beginning of the fiscal year	54,940	67,860	66,776
Additional liabilities for warranties	60,073	55,880	83,959
Settlements (in cash or in kind)	(39,954)	(55,327)	(72,230)
Changes in estimate for pre-existing warranty reserve	(4,397)	(8,198)	(6,070)
Translation adjustment	(2,802)	6,561	7,283
Balance at end of the fiscal year	<u>67,860</u>	<u>66,776</u>	<u>79,718</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

28. Business segment information

The reportable segments presented below are the segments of Sony for which separate financial information is available and for which operating profit or loss amounts are evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The CODM does not evaluate segments using discrete asset information. Sony’s CODM is its Chief Executive Officer and President.

Due to certain changes in the organizational structure during the fiscal year ended March 31, 2014, sales and operating revenue of the IP&S segment and All Other and operating income (loss) of the IP&S segment, All Other and Corporate and elimination for the comparable periods have been reclassified to conform to the current fiscal year’s presentation.

The MP&C segment includes Mobile Communications, and Personal and Mobile Products. On February 15, 2012, Sony acquired Ericsson’s 50% equity interest in Sony Ericsson, which changed its name to Sony Mobile Communications upon becoming a wholly-owned subsidiary of Sony. The financial results of the MP&C segment include Sony’s equity in net income (loss) of Sony Ericsson through February 15, 2012 and sales, operating revenue and operating income (loss) from February 16, 2012 through March 31, 2013. Refer to Note 24. The IP&S segment includes Digital Imaging Products, and Professional Solutions. The HE&S segment includes Televisions, and Audio and Video. The equity results of S-LCD were also included within the HE&S segment until the termination of the joint venture in January 2012. Refer to Note 5. The Devices segment includes Semiconductors and Components. The Pictures segment includes Motion Pictures, Television Productions and Media Networks. The Music segment includes Recorded Music, Music Publishing and Visual Media and Platform. The Financial Services segment primarily represents individual life insurance and non-life insurance businesses in the Japanese market and a bank business in Japan. All Other consists of various operating activities, including So-net Corporation, an Internet-related service business subsidiary operating mainly in Japan, the network business, the medical business and the disc manufacturing business. Sony’s products and services are generally unique to a single operating segment.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Sales and operating revenue:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Sales and operating revenue:			
Mobile Products & Communications —			
Customers	622,415	1,220,013	1,629,525
Intersegment	262	37,605	536
Total	622,677	1,257,618	1,630,061
Game —			
Customers	679,899	527,110	750,448
Intersegment	125,067	179,968	228,799
Total	804,966	707,078	979,247
Imaging Products & Solutions —			
Customers	780,422	752,603	737,474
Intersegment	4,694	3,598	3,729
Total	785,116	756,201	741,203
Home Entertainment & Sound —			
Customers	1,285,833	993,822	1,166,007
Intersegment	428	1,005	2,572
Total	1,286,261	994,827	1,168,579
Devices —			
Customers	677,208	583,968	589,194
Intersegment	349,360	264,607	204,996
Total	1,026,568	848,575	794,190
Pictures —			
Customers	656,097	732,127	828,668
Intersegment	1,624	612	916
Total	657,721	732,739	829,584
Music —			
Customers	430,751	431,719	492,058
Intersegment	12,038	9,989	11,230
Total	442,789	441,708	503,288
Financial Services —			
Customers	865,737	999,276	988,944
Intersegment	2,924	3,113	4,902
Total	868,661	1,002,389	993,846
All Other —			
Customers	441,948	506,729	532,936
Intersegment	64,596	56,283	61,675
Total	506,544	563,012	594,611
Corporate and elimination	(508,220)	(508,643)	(467,343)
Consolidated total	6,493,083	6,795,504	7,767,266

Game intersegment amounts primarily consist of transactions with All Other. Devices intersegment amounts primarily consist of transactions with the Game segment and the IP&S segment. All Other intersegment amounts primarily consist of transactions with the Pictures segment, the Music segment and the Game segment. Corporate and elimination includes certain brand and patent royalty income.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Segment profit or loss:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Operating income (loss):			
Mobile Products & Communications	7,246	(97,170)	(75,037)
Game	29,302	1,735	(8,058)
Imaging Products & Solutions	19,641	1,442	26,327
Home Entertainment & Sound	(199,461)	(84,315)	(25,499)
Devices	(22,126)	43,895	(12,981)
Pictures	34,130	47,800	51,619
Music	36,887	37,218	50,208
Financial Services	129,283	142,209	170,292
All Other	(34,004)	101,480	(58,641)
Total	898	194,294	118,230
Corporate and elimination	(66,561)	32,209	(91,735)
Consolidated operating income (loss)	(65,663)	226,503	26,495
Other income	23,478	68,656	42,453
Other expenses	(38,726)	(53,075)	(43,207)
Consolidated income (loss) before income taxes	(80,911)	242,084	25,741

Operating income (loss) is sales and operating revenue less costs and expenses, and includes equity in net income (loss) of affiliated companies.

The MP&C segment includes the fair value remeasurement gain on Sony's previously held 50% equity interest in Sony Ericsson upon obtaining control through the acquisition of Ericsson's 50% equity interest in Sony Ericsson. Refer to Note 24.

All Other includes the gains on sale and remeasurement related to the shares in M3. Refer to Note 5.

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. In addition, Corporate and elimination includes gains on the sale of the U.S. headquarters building and Sony City Osaki. Refer to Note 8.

Within the HE&S segment, the operating losses of Televisions, which primarily consists of LCD televisions, for the fiscal years ended March 31, 2012, 2013 and 2014 were 203,720 million yen, 69,602 million yen and 25,705 million yen, respectively. The operating losses of Televisions exclude restructuring charges which are included in the overall segment results and not allocated to product categories.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Other significant items:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Equity in net income (loss) of affiliated companies:			
Mobile Products & Communications	(57,680)	—	—
Game	—	—	—
Imaging Products & Solutions	(154)	743	188
Home Entertainment & Sound	(64,078)	—	—
Devices	(44)	—	—
Pictures	(516)	(601)	(1,829)
Music	(372)	(4,766)	2,338
Financial Services	(1,252)	(2,303)	(2,336)
All Other	2,399	(21)	(5,735)
Consolidated total	<u>(121,697)</u>	<u>(6,948)</u>	<u>(7,374)</u>
Depreciation and amortization:			
Mobile Products & Communications	11,799	25,777	31,365
Game	12,112	11,870	15,346
Imaging Products & Solutions	39,438	39,605	38,080
Home Entertainment & Sound	31,305	26,968	25,806
Devices	119,511	112,486	106,472
Pictures	16,007	15,428	18,078
Music	12,345	13,209	14,414
Financial Services, including deferred insurance acquisition costs	60,782	62,633	54,348
All Other	22,376	24,190	21,716
Total	<u>325,675</u>	<u>332,166</u>	<u>325,625</u>
Corporate	<u>40,595</u>	<u>44,569</u>	<u>51,070</u>
Consolidated total	<u>366,270</u>	<u>376,735</u>	<u>376,695</u>

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

The following table includes a breakdown of sales and operating revenue to external customers by product category for certain segments. Sony management views each segment as a single operating segment.

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Sales and operating revenue:			
Mobile Products & Communications			
Mobile Communications	77,732	733,622	1,191,787
Personal and Mobile Products	538,816	480,132	431,378
Other	5,867	6,259	6,360
Total	622,415	1,220,013	1,629,525
Game	679,899	527,110	750,448
Imaging Products & Solutions			
Digital Imaging Products	489,526	449,724	413,255
Professional Solutions	280,645	285,698	306,885
Other	10,251	17,181	17,334
Total	780,422	752,603	737,474
Home Entertainment & Sound			
Televisions	843,464	581,475	754,308
Audio and Video	433,800	405,024	400,828
Other	8,569	7,323	10,871
Total	1,285,833	993,822	1,166,007
Devices			
Semiconductors	377,177	301,915	336,845
Components	295,822	271,654	249,856
Other	4,209	10,399	2,493
Total	677,208	583,968	589,194
Pictures			
Motion Pictures	393,602	446,254	422,255
Television Productions	145,817	159,794	247,568
Media Networks	116,678	126,079	158,845
Total	656,097	732,127	828,668
Music			
Recorded Music	311,979	307,788	347,684
Music Publishing	48,095	52,764	66,869
Visual Media and Platform	70,677	71,167	77,505
Total	430,751	431,719	492,058
Financial Services	865,737	999,276	988,944
All Other	441,948	506,729	532,936
Corporate	52,773	48,137	52,012
Consolidated total	6,493,083	6,795,504	7,767,266

Mobile Communications includes sales and operating revenue of Sony Mobile from February 16, 2012 through March 31, 2014.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Geographic Information:

Sales and operating revenue attributed to countries based on location of external customers for the fiscal years ended March 31, 2012, 2013 and 2014 and property, plant and equipment, net as of March 31, 2013 and 2014 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2012	2013	2014
Sales and operating revenue:			
Japan	2,101,435	2,197,881	2,199,099
United States	1,211,849	1,064,765	1,302,052
Europe	1,268,258	1,362,488	1,753,526
China	495,101	464,784	520,539
Asia-Pacific	636,489	806,205	1,013,635
Other Areas	779,951	899,381	978,415
Total	<u>6,493,083</u>	<u>6,795,504</u>	<u>7,767,266</u>

	Yen in millions	
	March 31	
	2013	2014
Property, plant and equipment, net:		
Japan	617,581	526,472
United States	74,359	74,302
Europe	53,460	48,055
China	48,689	45,346
Asia-Pacific	48,977	39,815
Other Areas	18,484	16,020
Total	<u>861,550</u>	<u>750,010</u>

Major areas in each geographic segment excluding Japan, United States and China are as follows:

- (1) Europe: United Kingdom, France, Germany, Russia, Spain and Sweden
- (2) Asia-Pacific: India, South Korea and Oceania
- (3) Other Areas: The Middle East/Africa, Brazil, Mexico and Canada

There are not any individually material countries with respect to the sales and operating revenue and property, plant and equipment, net included in Europe, Asia-Pacific and Other Areas.

Transfers between reportable business segments or geographic areas are made at amounts which Sony's management believes approximate arms-length transactions.

There were no sales and operating revenue with any single major external customer for the fiscal years ended March 31, 2012, 2013 and 2014.

29. Subsequent events

(1) Sale of buildings and premises at the Gotenyama Technology Center

On April 30, 2014, Sony sold buildings and premises at the Gotenyama Technology Center with a total sales price of 23,163 million yen. Sony expects to recognize a gain on sale totaling 14,776 million yen in other

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

operating (income) expense, net in the consolidated statements of income and will include proceeds from the sales of fixed assets within investing activities of the consolidated statements of cash flows for the first quarter of the fiscal year ending March 31, 2015.

(2) Sale of PC business

On May 2, 2014, Sony entered into agreements to sell its PC business and certain related assets to VAIO Corporation, to be established by JIP, with a targeted closing date of July 1, 2014. Although Sony expects to continue to incur certain costs related to exiting the PC business, no further significant gain or loss is expected to be recorded as a direct result of the sale. Refer to Note 25.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Yen in millions				
	Balance at beginning of period	Additions charged to costs and expenses	Deductions (Note 1)	Other (Note 2)	Balance at end of period
Fiscal year ended March 31, 2012:					
Allowance for doubtful accounts and sales returns	90,531	33,441	(49,509)	(3,454)	71,009
Fiscal year ended March 31, 2013:					
Allowance for doubtful accounts and sales returns	71,009	26,960	(37,823)	7,479	67,625
Fiscal year ended March 31, 2014:					
Allowance for doubtful accounts and sales returns	67,625	42,450	(42,180)	7,618	75,513

Notes:

1. Reversal including amounts written off.
2. Translation adjustment.

	Balance at beginning of period	Additions (Note 1)	Deductions	Other (Note 2)	Balance at end of period
Fiscal year ended March 31, 2012:					
Valuation allowance — Deferred tax assets	473,713	469,788	(22,904)	(52,364)	868,233
Fiscal year ended March 31, 2013:					
Valuation allowance — Deferred tax assets	868,233	86,215	(59,179)	35,978	931,247
Fiscal year ended March 31, 2014:					
Valuation allowance — Deferred tax assets	931,247	112,533	(57,914)	41,664	1,027,530

Note:

1. Including a valuation allowance against deferred tax assets which Sony Ericsson had prior to its acquisition during the fiscal year ended March 31, 2012. Refer to Note 21 of the consolidated financial statements.
2. Translation adjustment and the effect of changes in statutory tax rate.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kazuo Hirai, Chief Executive Officer and President, certify that:

1. I have reviewed this annual report on Form 20-F of Sony Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2014

/s/ Kazuo Hirai

Kazuo Hirai
Chief Executive Officer and President

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kenichiro Yoshida, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 20-F of Sony Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

/s/ Kenichiro Yoshida

Kenichiro Yoshida

Executive Vice President and Chief Financial Officer

Date: June 26, 2014

Exhibit 13.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Sony Corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the fiscal year ended March 31, 2014 (the “Form 20-F”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kazuo Hirai

Kazuo Hirai
Chief Executive Officer and President

/s/ Kenichiro Yoshida

Kenichiro Yoshida
Executive Vice President and Chief Financial Officer

Date: June 26, 2014

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-123687, 333-129808, 333-138765, 333-147402, 333-155448, 333-163616, 333-170714, 333-178115, 333-185261 and 333-192436) of Sony Corporation of our report dated May 29, 2014 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 20-F.

/s/ PricewaterhouseCoopers Aarata
Tokyo, Japan
June 26, 2014

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-123687, 333-129808, 333-138765, 333-147402, 333-155448, 333-163616, 333-170714, 333-178115, 333-185261 and 333-192436) of Sony Corporation of our report dated June 15, 2012 relating to the financial statements of Sony Mobile Communications AB (formerly known as Sony Ericsson Mobile Communications AB), which is incorporated by reference in this Annual Report on Form 20-F.

/s/ PricewaterhouseCoopers AB
Malmo, Sweden
June 26, 2014