SONY CORP
Form 20-F
June 27, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

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

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2012

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: 212-833-6938

(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*	New York Stock Exchange
Common Stock**	New York Stock Exchange

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

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

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

None

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

None

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

Title of Class	Outstanding as of March 31, 2012 (Tokyo Time)	March 31, 2012 (New York Time)
Common Stock	1,004,638,164	
American Depositary Shares		66,940,684

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

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

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

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

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

þ Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer

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

US GAAP þ International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ Other ¨

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

Item 17 ¨ Item 18 ¨

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

Yes ¨ No þ

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Cautionary Statement

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

(i) the global economic environment in which Sony operates and the economic conditions in Sony's markets, particularly levels of consumer spending;

(ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony s assets and liabilities are denominated;

(iii) Sony s ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including liquid crystal display (LCD) televisions, game platforms and smartphones, which are offered in highly competitive markets characterized by intense price competition, 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 business);

(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 (in particular the recent acquisition of Sony Ericsson Mobile Communications AB);

(x) Sony s ability to forecast demands, manage timely procurement and control inventories; (xi) the outcome of pending legal and/or regulatory proceedings;

(xi) 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;

(xii) 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

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(xiii) risks related to catastrophic disasters or similar events, including the Great East Japan Earthquake and its aftermath as well as the floods in Thailand. 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, 2012, Sony Corporation had 1,267 consolidated subsidiaries (including variable interest entities). It has applied the equity accounting method with respect to its 95 affiliated companies.

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Item 1. ***Identity of Directors, Senior Management and Advisers***

Not Applicable

Item 2. ***Offer Statistics and Expected Timetable***

Not Applicable

Item 3. ***Key Information***

A. Selected Financial Data

	Fiscal year ended March 31				
	2008	2009	2010	2011	**2012**
	(Yen in millions, yen per share amounts)				
Income statement data:					
Sales and operating revenue	8,871,414	7,729,993	7,213,998	7,181,273	**6,493,212**
Equity in net income (loss) of affiliated companies	100,817	(25,109)	(30,235)	14,062	**(121,697)**
Operating income (loss)	475,299	(227,783)	31,772	199,821	**(67,275)**
Income (loss) before income taxes	567,134	(174,955)	26,912	205,013	**(83,186)**
Income taxes	203,478	(72,741)	13,958	425,339	**315,239**
Net income (loss) attributable to Sony Corporation s stockholders	369,435	(98,938)	(40,802)	(259,585)	**(456,660)**
Data per share of Common Stock:					
Net income (loss) attributable to Sony Corporation s stockholders*					
Basic	368.33	(98.59)	(40.66)	(258.66)	**(455.03)**
Diluted	351.10	(98.59)	(40.66)	(258.66)	**(455.03)**
Cash dividends declared Interim	12.50	30.00	12.50	12.50	**12.50**
	(11.26 cents)	(31.89 cents)	(14.38 cents)	(14.84 cents)	**(16.08 cents)**
Cash dividends declared Fiscal year-end	12.50	12.50	12.50	12.50	**12.50**
	(11.92 cents)	(13.01 cents)	(13.55 cents)	(15.66 cents)	**(15.70 cents)**
Depreciation and amortization**	428,010	405,443	371,004	325,366	**319,594**
Capital expenditures (additions to fixed assets)	335,726	332,068	192,724	204,862	**295,139**
Research and development costs	520,568	497,297	432,001	426,814	**433,477**
Balance sheet data:					
Net working capital (deficit)***	986,296	(190,265)	64,627	(291,253)	**(775,019)**
Long-term debt	729,059	660,147	924,207	812,235	**762,226**
Sony Corporation s stockholders equity	3,465,089	2,964,653	2,965,905	2,547,987	**2,028,891**
Common stock	630,576	630,765	630,822	630,921	**630,923**
Total assets***	12,515,176	11,983,480	12,862,624	12,911,122	**13,295,667**
Number of shares issued at fiscal year-end (thousands of shares of common stock)	1,004,443	1,004,535	1,004,571	1,004,637	**1,004,638**
Sony Corporation s stockholders equity per share of common stock	3,453.25	2,954.25	2,955.47	2,538.89	**2,021.66**

* Refer to Note 22 to the notes to the consolidated financial statements.

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

*** Total amounts for the previous fiscal years have been revised. Refer to Note 2 to the notes to the consolidated financial statements.

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	Average*	High	Low	Period-end
		(Yen)		
Yen exchange rates per U.S. dollar:				
Fiscal year ended March 31				
2008	114.31	124.09	96.88	99.85
2009	100.62	110.48	87.80	99.15
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**
2012				
January		78.13	76.28	76.34
February		81.10	76.11	81.10
March		83.78	80.86	82.41
April		82.62	79.81	79.81
May		80.36	78.29	78.29
June (through June 22)		**80.52**	**78.21**	**80.52**

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 22, 2012 was 80.52 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

Sony realigned its reportable segments from the first quarter of the fiscal year ended March 31, 2012 to reflect modifications to the organizational structure as of April 1, 2011, primarily repositioning the operations of the previously reported Consumer, Professional & Devices (CPD) and Networked Products & Services (NPS) segments. In connection with this realignment, the operations of the former CPD and NPS segments are included in two newly established segments, the Consumer Products & Services (CPS) segment and the Professional, Device & Solutions (PDS) segment. The CPS segment includes televisions, home audio and video, digital imaging, personal and mobile products, and the game business. The equity results of S-LCD Corporation (S-LCD) through the third quarter ended December 31, 2011 were included within the CPS segment. Sony sold its entire equity interest in S-LCD in January 2012. The PDS segment includes professional solutions, semiconductors and components.

On February 15, 2012, Sony acquired Telefonaktiebolaget LM Ericsson s (Ericsson) 50 percent equity interest in Sony Ericsson Mobile Communications AB (Sony Ericsson), which changed its name to Sony Mobile Communications AB upon becoming a wholly-owned subsidiary of Sony. Accordingly, the Sony Ericsson segment that had been presented as a separate segment was renamed as the Sony Mobile Communications (Sony Mobile) segment during the fourth quarter ended March 31, 2012.

The Pictures, Music, Financial Services and All Other segments remain unchanged.

Sony plans to further change its business segment classification to reflect its reorganization as of April 1, 2012. Sony expects to report its operating results in line with new business segments from the first quarter of the fiscal year ending March 31, 2013. Please note that the following Risk Factors section is based on the business segment classification that applies to the fiscal year ended March 31, 2012.

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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 the CPS segment.

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 such as 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 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 technology innovation and changing consumer demand for its products and services that integrate and enhance functions of existing products and services. In addition, new and upgraded products, semiconductors, components and services have had and may continue to have an adverse impact on the sales of Sony s existing products, semiconductors, components and services in which Sony has competitive strength. For example, innovation in technologies such as high-resolution image sensors, high-speed online and wireless communications, mobile product operating systems (OS), high-capacity data memory and storage and network services has led to consumer demand for products such as smartphones and tablets that combine the functions of multiple existing products and services, including mobile phones, portable music players, compact digital cameras, home video cameras, PCs, portable game hardware, and application software including web browsers. 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.

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 results expected.

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. For example, within Sony s game business, developing and providing products that maintain competitiveness over an extended life cycle require large-scale investment in research and development, particularly during the development and introductory period of a new platform. 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 continued to implement restructuring initiatives in the fiscal year ended March 31, 2012 that focused on a review of the Sony group s 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 54.8 billion yen in restructuring charges has been recorded in the fiscal year ended March 31, 2012. While Sony anticipates recording approximately 75 billion yen of restructuring charges for the fiscal year ending March 31, 2013, 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 to the notes to the consolidated financial statements). Sony plans to continue rationalizing its manufacturing operations, shifting and consolidating manufacturing to lower-cost countries, utilizing outsourced manufacturing, reducing SGA expenses at sales companies, and outsourcing its support functions and information processing operations to external partners. In addition, Sony continues to undertake business process optimization and enhance profitability through horizontal platforms such as global 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 the payment for restructuring charges.

Sony s acquisitions and joint ventures 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

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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 Ericsson s 50 percent equity interest in Sony Ericsson, a joint venture that manufactures and sells mobile handsets, and made the company a wholly-owned subsidiary of Sony. In January 2012, Sony sold its entire equity interest in S-LCD, a liquid crystal display (LCD) panel manufacturing joint venture, to Samsung Electronics Co., Ltd. and terminated the joint venture.

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 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 equipment in the CPS and PDS segments. One example is an additional investment by Sony in image sensor fabrication facilities to meet the increasing demand for image sensors. Sony invested approximately 120 billion yen to increase its image sensor fabrication capacity for the year ended March 31, 2012. If unforeseen market changes and corresponding decline 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.

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 competitor 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 the CPS segment, particularly in the television business. 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 the CPS and PDS segments, 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 may result in sharply higher prices and an increase in the cost of goods sold. Also, shortages of critical parts or components, particularly where Sony is substantially reliant on one supplier, may result in a reduction or suspension of production at Sony s manufacturing sites. Additionally, the prices of parts or components fluctuate with the prices of underlying basic or raw materials, such as petrochemical products, cobalt, copper, and rare earth elements, which can also affect the cost of goods sold.

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 semiconductors and LCD panels, which resulted in Sony s inability to meet consumer demand for its PCs and audio visual 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. More recently, Sony has been faced with shortages of certain parts and components as a result of the damage to its suppliers caused by the Great East Japan Earthquake, the massive earthquake and tsunami that occurred in Japan in March 2011 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, 2012, 32.4 percent, 19.5 percent and 18.7 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, such as the recent debt crises in Europe, 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 due to sales and expenses in different currencies.

Exchange rate fluctuations affect Sony s operating profitability 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 the CPS and PDS segments, research and development and headquarters overhead costs are incurred mainly in yen, and manufacturing costs, including material costs, are mainly incurred 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. Since the currency in which sales are recorded may not be aligned with the currency in which the expenses are incurred, foreign exchange rate fluctuations, particularly fluctuations of the euro exchange rate against the yen and the U.S. dollar may affect Sony s operating results. In addition, as Sony s businesses have expanded in China and other areas, including emerging markets, the impact of fluctuations of foreign currencies in these areas against yen and the U.S. dollar has increased. If the values of foreign currencies including the U.S. dollar and euro fluctuate significantly more than expected in the foreign exchange markets, Sony s operating results and financial condition may be adversely affected. 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 short-term exchange rate fluctuations.

Foreign exchange rate fluctuations can affect financial results because a large portion of Sony s sales and assets are denominated in currencies other than the yen.

Sony s consolidated statements of income are prepared from the local currency denominated financial results of Sony Corporation s subsidiaries around the world, which are then translated into yen at the monthly average currency exchange rate. Sony s consolidated balance sheets are prepared using the local currency denominated assets and liabilities of Sony Corporation s subsidiaries around the world, which are translated into yen at the market exchange rate at the end of each financial period. A large proportion of Sony s consolidated financial results, assets and liabilities is accounted for in currencies other than the Japanese yen. For example, only 32.4 percent of Sony s sales in the fiscal year ended March 31, 2012 were recorded in Japan. Accordingly, Sony s consolidated financial results and the assets and liabilities in Sony s businesses (excluding the Financial Services segment) that operate internationally may be materially affected by changes in the exchange rates of foreign currencies when translating into Japanese yen. Foreign exchange rate fluctuations have had and may in the future have an adverse impact on Sony s operating results and financial condition, especially when the yen strengthens significantly against the U.S. dollar, the euro or other foreign currencies.

The significant volatility and disruption in the global financial markets or a ratings downgrade may adversely affect the availability and cost of Sony s funding.

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. If market disruption and volatility occur, and if Sony cannot raise sufficient funds through the issuance of commercial paper or term debt, Sony may draw down funds from contractually committed lines of credit from financial institutions or seek other sources of funding, including the sale of assets, in order to repay commercial paper and term debt as they become due, and to meet other liquidity needs. There can be no assurance that under such market conditions such funding sources will be available at acceptable terms or sufficient to meet Sony s requirements. In turn, any such funding disruptions could have a material adverse impact on Sony s operating results, financial condition and liquidity.

Similarly, fluctuations in foreign exchange markets and the global financial markets may affect foreign currency translation adjustments and pension liability adjustments, both of which are included in the accumulated other comprehensive income, a component of equity, and the impact of deterioration in equity may have an adverse effect on the assessment of Sony s credit ratings. A downgrade 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, with a corresponding adverse effect 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 the CPS and PDS segments, production and procurement of products, parts and components in China and other Asian countries increases 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 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, taxation laws, 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 interruption 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 in those regions, 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 continuously develop, design, manufacture, market, and sell successful electronics products, including networked products as well as software, including game, video and music content, 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 keep up with future business needs. 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 for differentiating itself in the marketplace and will lead to 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 across Sony s networked products and business groups and industry-wide. 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 be able to provide competitive and differentiated content-based service offerings that include Sony and third-party licensed audio, video and game content from major motion pictures 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 entertainment network services, financial services, and sales and marketing of electronics and entertainment products, and is thus subject to a broad range of related laws and regulations including, for example, those relating to privacy, consumer protection, data retention and data protection, content regulation, defamation, age verification and other online child protections, the installation of cookies (software that allows website providers to target online audiences and track their performance metrics) 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, and 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 necessary 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 business offers a relatively small range of hardware, including PlayStation®2, PSP® (PlayStation Portable), PlayStation®3 and PlayStation®Vita and a significant portion of overall demand 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 business, including network services, depend on the penetration of its gaming platforms which is sensitive to software line-ups, including software produced by third-party developers and publishers.

In Sony s game business, 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 third-party developers and publishers, and network services. Software line-ups and network services affect not only software sales and profitability, as in many other content businesses, but also affect the penetration of gaming platforms, which can affect hardware and network services sales and profitability. There is no assurance that game software developers and publishers will continue to develop and release software regularly or at all, and discontinuance or delay of software development may adversely affect Sony s operating results.

Sony s content businesses, including the Pictures and Music segments, game and other businesses, are subject to digital theft and illegal downloading, which have become increasingly prevalent with the development of new technologies and the availability of high-speed Internet connections.

The development and declining prices of digital technology along with 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 and Music segments, game business 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 product, 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 programs, music, and video 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 primarily 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 that artist and the artist s recordings will be received by the consumer. The commercial success of Sony s Pictures and Music segments products depends upon consumer acceptance of other competing products released at or near the same time, and the availability of alternative forms of entertainment and leisure activities, including many online options. 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. In a similar manner, 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 picture and television products. Competition with other entertainment companies to acquire motion picture and television products 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 online distribution of audio and video content, the deteriorating financial condition of some major retailers 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 newer models for selling entertainment content have emerged, such as kiosk and mail order rentals, legal digital distribution through the Internet, and distribution of entertainment content to mobile phones and other portable electronic devices, these revenue streams have not been sufficient to offset the decline in physical media sales that have affected and may continue to affect the operating results of Sony s Music and Pictures segments and disc manufacturing business.

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 Pictures segment s television operations, including its worldwide television networks, derive substantial revenues from the sale of advertising on a variety of platforms, and a decline in overall spending within the advertising market may have an adverse effect on the segment s sales and operating results. 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 growth rate of the segment s advertising sales. 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 networks, where a decline in the networks ability to generate advertising and subscription revenues may adversely impact the license fees paid by these networks to the Pictures segment. 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 programs. 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 Sony s Financial Services segment may have an adverse

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impact on the overall business reputation of the Financial Services segment. Furthermore, additional compliance costs may adversely affect the operating results of Sony s 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 the operating results and financial condition of 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.

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

Sony engages in asset liability management (ALM) in an effort to manage the investment assets within the Financial Services segment in a manner appropriate to Sony s liabilities, which arise from the insurance policies Sony 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 Sony s ALM activities, or any significant changes in market conditions beyond what Sony s ALM may reasonably address, may have an adverse effect on the financial condition and operating results of its 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 Sony s Financial Services segment, generating stable investment income is important to its operations, and Sony s investments are concentrated in long-term Japanese national government bonds, although Sony 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 Sony 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 89.7 percent of the total loan balance or 39.7 percent of the total assets of Sony Bank Inc. (Sony Bank) as of March 31, 2012. 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.

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

Sony s life insurance and non-life insurance businesses 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 Sony cannot determine with precision the ultimate amounts that Sony 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 Sony assumes 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 Sony s control, including:

- changes in trends underlying Sony s assumptions and estimates, such as mortality and morbidity rates;
- the availability of sufficient reliable data and Sony s ability to correctly analyze the data;
- Sony s 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 Sony s insurance businesses becomes significantly less favorable than its assumptions or estimates, its 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 Sony 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, actual insurance claims that are higher than the estimated provision for policy reserves due to the occurrence of catastrophic events such as earthquakes or pandemic diseases in Japan may have an adverse effect on the operating results and financial condition of the Financial Services segment.

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. In addition, offices and facilities used by Sony, its service providers and business partners, including those used for data center operation, 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.

For example, the Floods and the Great East Japan Earthquake caused damage to certain fixed assets including buildings, machinery and equipment as well as inventories at manufacturing sites and warehouses. In addition, production at several manufacturing facilities was forced to cease temporarily or was reallocated to other facilities. Sony was also adversely impacted by the postponement of certain product launches as well as by significantly lower demand from commercial customers resulting from industry-wide supply chain disruptions.

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Another major earthquake in Japan, especially in Tokyo where Sony headquarters are located, the Tokai area where many of Sony s 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, which may adversely affect 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 increases. Shutdowns may be caused by events similar to those described above or other unforeseen events, such as software or hardware defects, computer viruses and computer hacking. For example, Sony s network services, online game business and websites of certain subsidiaries experienced a series of cyber-attacks that resulted in a temporary interruption in services during the fiscal year ended March 31, 2012.

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 manmade or natural event, or impacted by advertent 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 or its business partners may also be compromised by a malicious third party or a manmade or natural event, or impacted by advertent 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 manmade or natural events, or impacted by advertent 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 alternation 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.

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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 products, such as consumer products, non-consumer products, parts and components, semiconductors, software as well as network services are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur and as demand increases for mobile products and online services. This trend may increase product quality and liability exposure. Sony s efforts to manage the rapid advancements in technologies and increased demand towards mobile products and online services as well as to control product quality may not be successful. As a result, Sony may incur expenses in connection with, for example, product recalls, and after-sales services. In addition, allegations of safety issues related to Sony products, or lawsuits, regardless of merit, may adversely impact Sony s brand image and reputation as a producer of high-quality products and services, and, therefore, its operating results and financial condition may suffer. These issues are relevant to Sony products sold directly to customers 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 the unfunded pension obligation as consisting of (i) the Projected Benefit Obligation (PBO) less (ii) the fair value of pension plan 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 might become an adverse factor on Sony s cash flow for a considerable number of years.

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Further losses in jurisdictions where Sony has established valuation allowances against deferred tax assets, the inability for 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. A large net loss attributable to Sony Corporation s shareholders was recorded in the fiscal year ended March 31, 2012 due to the recording of a non cash tax expense related to the establishment of valuation allowances against deferred tax assets, predominantly in the U.S. As of March 31, 2012, Sony had valuation allowances principally in the following jurisdictions: (1) Sony Corporation and its national filing group in Japan, as well as for local taxes in a number of Japanese subsidiaries; (2) Sony Americas Holding Inc. and its consolidated tax filing group in the U.S.; (3) Sony Mobile Communications AB in Sweden; and (4) Sony Europe Limited in the U.K. In jurisdictions where valuation allowances have been established, no tax benefit will be recorded against any continuing losses and as a result, net income (loss) attributable to Sony Corporation s stockholders and Sony s financial condition could be adversely affected.

Additionally, deferred tax assets could expire unused or otherwise not be realizable, if Sony is unable to implement tax planning strategies or generate sufficient taxable income in the appropriate jurisdiction in the future (from operations and/or tax planning strategies) to utilize them, or if Sony enters into transactions that limit its legal ability to use them. As a result, Sony may lose any associated cash tax reduction available in future periods. If it becomes more likely than not that any of Sony s remaining deferred tax assets without valuation allowances will expire unused and are not available to offset future taxable income, or otherwise will not be realizable, Sony will have to recognize an additional valuation allowance, increasing income tax expense. Net income (loss) attributable to Sony Corporation s stockholders and Sony s financial condition could be adversely affected when the deferred tax assets expire unused or in periods in which an additional valuation allowance is recorded.

A key factor in the evaluation of the deferred tax assets and the valuation allowance is the determination of the uncertain tax positions related to the adjustments for Sony s intercompany transfer pricing. Sony is subject to income taxes in Japan and numerous other jurisdictions, and in the ordinary course of Sony s business there are many transactions, including intercompany charges, where the ultimate tax determination is uncertain. Sony is subject to 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 require 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. 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. 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 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 the 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;

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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;

Cap and trade and other systems for reducing emissions (such as the Tokyo Metropolitan Government s Obligation to Reduce Absolute Green House Gas Emissions and Emissions Trading System); and

Laws and regulations related specifically to purchasing activities, including raw materials procurement, in respect of the environment, human rights, labor and armed conflict.

Additionally, there is growing consumer focus on labor practices, including the working environment, and environmental initiatives at manufacturers of consumer electronics components and products, particularly 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. 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 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.

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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 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 Entertainment Corporation (So-net) in October 2006. Sony Corporation continues to hold a majority of the shares of So-net.

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 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 is 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 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 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 is 7 percent. In June 2012, Sony sold all of its shares in SDP to SDP.

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, 2010, 2011 and 2012, Sony s capital expenditures (additions to Property, plant and equipment on the balance sheets) were 192.7 billion yen, 204.9 billion yen and 295.1 billion yen, respectively. Sony s capital expenditures are expected to be approximately 210 billion yen during the fiscal year ending March 31, 2013. 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 150 billion yen in the semiconductor business during the fiscal year ended March 31, 2012, in addition to 50 billion yen during the fiscal year ended March 31, 2011. In September 2010, Sony announced its investment plan of approximately 40 billion yen in Sony Semiconductor Corporation s Kumamoto Technology Center to increase production capacity for complementary metal-oxide semiconductor (CMOS) image sensors. This investment started in the second half of the fiscal year ended March 31, 2011 and was completed during the fiscal year ended March 31, 2012. During the fiscal year ended March 31, 2012, Sony invested approximately 100 billion yen in Sony Semiconductor Corporation s Nagasaki Technology Center, to further increase the production capacity for CMOS image sensors. As a result of these two investment plans, Sony s total production capacity for charged coupled devices (CCDs) and CMOS image sensors increased to approximately 50,000 wafers per month as of March 31, 2012.

B. Business Overview

Sony is 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 hardware 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

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development, production and acquisition, manufacture, marketing, distribution and broadcasting of image-based software, including motion picture, home entertainment and television products. Sony is also engaged in the development, production and acquisition, manufacture, and distribution of recorded music. Further, Sony is also engaged in various financial services businesses, including life and non-life insurance operations through its Japanese insurance subsidiaries and banking operations through a Japanese Internet-based banking subsidiary. In addition to the above, Sony is engaged in a network services business and an advertising agency business in Japan.

Sony realigned its reportable segments from the first quarter of the fiscal year ended March 31, 2012, to reflect modifications to the organizational structure of its electronics businesses as of April 1, 2011. On February 15, 2012, Sony acquired Ericsson s 50 percent equity interest in Sony Ericsson, and the company became a wholly-owned subsidiary of Sony. Accordingly, the Sony Ericsson segment that had been presented as a separate segment was renamed the Sony Mobile Communications (Sony Mobile) segment during the fourth quarter ended March 31, 2012. The business overview of Sony is presented in accordance with the realigned segments: Consumer Products & Services (CPS), Professional, Device & Solutions (PDS), Pictures, Music, Financial Services, and Sony Mobile and All Other. For further details, please refer to Item 5. *Operating and Financial Review and Prospects*.

Products and Services

Consumer Products & Services

The following table sets forth Sony s CPS 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					
	2010		2011		**2012**	
			(Yen in millions)			
Televisions	1,005,773	(27.6)	1,200,491	(31.8)	**840,359**	**(27.4)**
Home Audio and Video	302,678	(8.3)	285,297	(7.6)	**241,885**	**(7.9)**
Digital Imaging	664,502	(18.3)	642,570	(17.0)	**497,957**	**(16.3)**
Personal and Mobile Products	809,369	(22.3)	828,375	(22.0)	**722,301**	**(23.6)**
Game	840,711	(23.1)	798,405	(21.2)	**744,285**	**(24.3)**
Other	15,104	(0.4)	16,472	(0.4)	**14,427**	**(0.5)**
CPS Total	3,638,137	(100.0)	3,771,610	(100.0)	**3,061,214**	**(100.0)**

Televisions:

Televisions includes LCD televisions.

Home Audio and Video:

Home Audio and Video includes Blu-ray Disc players/recorders, home theater, home audio systems and DVD-Video players.

Digital Imaging:

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

Personal and Mobile Products:

Personal and Mobile Products includes PCs and memory-based portable audio devices.

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Game:

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

Professional, Device & Solutions

The following table sets forth Sony s PDS 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					
	2010		2011		**2012**	
	(Yen in millions)					
Professional Solutions	295,360	(27.3)	287,394	(26.9)	**280,645**	**(29.0)**
Semiconductors	299,715	(27.7)	358,396	(33.6)	**375,891**	**(38.9)**
Components	476,097	(44.1)	410,090	(38.5)	**297,108**	**(30.7)**
Other	9,812	(0.9)	10,694	(1.0)	**13,959**	**(1.4)**
PDS Total	1,080,984	(100.0)	1,066,574	(100.0)	**967,603**	**(100.0)**

Professional Solutions:

Professional Solutions includes broadcast- and professional-use products, and other B2B business.

Semiconductors:

Semiconductors includes CMOS image sensors, CCDs, system LSIs, small- and medium-sized LCD panels and other semiconductors. Sony transferred its small- and medium-sized LCD panels business 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.

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

Pictures

Global operations in the Pictures segment encompass motion picture production, acquisition and distribution; television production, acquisition and distribution; television networks; digital content creation and distribution; operation of studio facilities; and development of new entertainment products, services and technologies, including 3D. SPE distributes entertainment in more than 159 countries.

SPE s motion picture production organizations include Columbia Pictures, TriStar Pictures, Screen Gems and Sony Pictures Classics. Sony Pictures Digital Production operates Sony Pictures Imageworks, a digital production studio, and Sony Pictures Animation, a developer and producer of animated films. SPE also manages a studio facility, Sony Pictures Studios, which includes post production facilities, at SPE s world headquarters in Culver City, California.

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Sony Pictures Television (SPT) develops and produces television programming for broadcast, cable and first-run syndication, including scripted series, unscripted reality or light entertainment, daytime serials, game shows, animated series, made for television movies and miniseries and other programming. SPT also produces content for the Internet and mobile devices and operates Crackle, a multi-platform video entertainment network focusing on premium video content. Internationally, SPT produces local language programming in key markets around the world, some of which are co-produced with local partners, and sells SPE-owned formats in approximately 75 countries. SPT also owns or has investments in television networks with 120 channel feeds, which are available in more than 159 countries worldwide.

Music

Music includes SME, SMEJ, and a 50 percent owned U.S. based joint venture in the music publishing business, Sony/ATV Music Publishing LLC (Sony/ATV). SME, a global entertainment company, excluding Japan, is engaged primarily in the development, production and distribution of recorded music in all commercial formats and genres; SMEJ is a Japanese domestic recorded music business that produces recorded music and music videos through contacts with many artists in all music genres; 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.

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.

Sony 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. Aside from SFH, during the fiscal year ended March 31, 2011, Sony divested a leasing and a portion of its credit card business in Japan conducted through Sony Finance International Inc. (SFI), a wholly-owned subsidiary of Sony Corporation. In November 2010, the leasing business was transferred 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. Of SFI s credit card businesses, some portions were divested during the fiscal year ended March 31, 2011 and the Sony Card business was transferred to Sony Bank in May 2011, completing the restructuring of SFI s credit card businesses.

Sony Mobile Communications

On February 15, 2012, Sony acquired Ericsson s 50 percent equity interest in Sony Ericsson and the company became a wholly-owned subsidiary of Sony and changed its corporate name. Sony Mobile undertakes product research, development, design, marketing, sales, production, distribution and customer services for mobile phones, accessories and applications.

All Other

All Other consists of various operating activities, including a Blu-ray Disc, DVD and CD disc manufacturing business, So-net (a subsidiary operating an Internet service provider business and various medical-related Internet services for healthcare professionals mainly in Japan), and a mobile phone original equipment manufacturing (OEM) business in Japan for wireless device customers. Sony s products and services are generally unique to a single operating segment.

Sales and Distribution

Consumer Products & Services and Professional, Device & Solutions

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 Taiwan Limited, Sony India Private Limited and Sony Electronics of Korea Corporation.

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 Gulf FZE in the United Arab Emirates, Sony Brasil Ltda., Sony de Mexico S.A.de C.V. and Sony of Canada Limited.

PS3, PS Vita, PSP and PS2 hardware and related software are marketed and distributed by SCEI, SCEA, SCEE and subsidiaries in Asia. SEN is mainly operated by SNEI.

Hardware sales in the game business are dependent on the timing of the introduction of attractive software and a significant portion of overall demand is weighted towards the year-end holiday season.

Pictures

SPE generally retains all rights relating to the worldwide distribution of its internally produced motion pictures, including rights for theatrical exhibition, home entertainment distribution, pay and free television exhibition and other markets. SPE also acquires distribution rights to motion pictures produced by other companies and jointly produces and distributes films with other studios or production companies. These rights may be limited to particular geographic regions, specific forms of media or periods of time. SPE uses its own distribution service businesses, Sony Pictures Releasing and Sony Pictures Classics, for the U.S. theatrical release of its films and for the theatrical release of films acquired from and produced by others.

Outside the U.S., SPE generally distributes and markets its films 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 (SPHE), 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 on DVD, Blu-ray, and various digital formats.

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 television programming and motion pictures is licensed to broadcast and cable networks, including free and pay television, first-run and off-network syndication and digital distribution throughout the world.

SPE s television networks are distributed to multiple distribution platforms such as cable, satellite platforms, 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 produce, market, and distribute CDs, DVDs, digital formats and other audio and audio/visual configurations. SME and its affiliates conduct business in countries other than Japan under Columbia Records, Epic Records, RCA Records, Jive Records, and other labels. SMEJ conducts business in Japan under Sony Records, Epic Records, Ki/oon Records, SMEJ Associated Records, Defstar Records, and othe 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.

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 and Partner independent sales agents. Sony Life provides tailor-made life insurance products that are optimized for each customer. As of March 31, 2012, Sony Life employed 4,045 Lifeplanner® sales employees. As of the same date, Sony Life maintained an extensive service network including 91 Lifeplanner® retail offices and 27 regional sales offices in Japan. Sony Life also has one representative office 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. In addition, Sony Life s life insurance business also includes sales in the Philippines through Sony Life s wholly-owned subsidiary, Sony Life Insurance (Philippines) Corporation. 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 according to their life plans over the Internet. As part of its plan to respond to its customers diverse asset management needs, Sony Bank launched online securities brokerage services through its wholly-owned subsidiary, Sony Bank Securities Inc., in October 2007. In May 2011, Sony Bank launched a credit card business in Japan by taking over the Sony Card business from SFI. On June 1, 2011, Sony Bank acquired SFI s entire 57% 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. Sony Bank also has a representative office in Sydney, which opened in August 2011, for the purpose of researching the Australian financial market.

Sony Mobile Communications

Along with certain of its global corporate functions in London, 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, Japan, 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.

All Other

Sony DADC Corporation (Sony DADC) offers Blu-ray Disc, DVD and CD disc 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). For example, it distributes a medical Internet portal service to physicians and healthcare professionals and an online game service via PC and other platforms. The OEM business of Sony EMCS Corporation manufactures mobile phones for wireless device customers.

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					
	2010		2011		**2012**	
	(Yen in millions)					
Japan	2,099,297	(29.1)	2,152,552	(30.0)	**2,104,669**	**(32.4)**
United States	1,595,016	(22.1)	1,443,693	(20.1)	**1,211,849**	**(18.7)**
Europe	1,644,698	(22.8)	1,539,432	(21.4)	**1,268,258**	**(19.5)**
China	485,512	(6.7)	562,048	(7.8)	**495,101**	**(7.6)**
Asia-Pacific	708,061	(9.8)	726,364	(10.1)	**636,489**	**(9.8)**
Other Areas	681,414	(9.5)	757,184	(10.6)	**776,846**	**(12.0)**
Total	7,213,998	(100.0)	7,181,273	(100.0)	**6,493,212**	**(100.0)**

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Sources of Supply

Sony pursues procurement of raw materials, parts and components to be used in the production of its products on a global basis on the most favorable terms that it can achieve. These items are purchased from various suppliers around the world. Sony still maintains its general policy of multiple suppliers for important parts and components and, in the fiscal year ended March 31, 2012, 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

In the CPS and PDS segments, Sony provides repair and servicing functions in the areas where its 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 and game 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. In the case of broadcast- and professional-use products, Sony maintains support contracts with customers in addition to warranties. Warranties outside of Japan generally provide coverage for various periods of time depending on the product and the area in which it is marketed.

To further 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 licenses are important to Sony s business, such as those for optical disc-related and Digital TV products. With respect to optical disc-related products, Sony products that employ DVD player functions, including PS3 and PS2 hardware, are substantially dependent upon certain patents that relate to technologies specified in the DVD specification and are licensed by MPEG LA LLC, Dolby Laboratories Licensing Corporation and Nissim Corp. Sony products that employ Blu-ray Disc player functions, including PS3 hardware, and that also employ DVD player functions, are substantially dependent upon certain patents that relate to technologies specified in the Blu-ray Disc specification 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 the DVD specification, as described above. Sony s Digital TV products are substantially dependent upon certain patents that relate to technologies specified in the Digital TV specification and are licensed by Thomson Licensing Inc. Sony considers its overall license position beneficial to its operations.

Competition

In each of its principal product lines, 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 in which it is engaged, although the strength of its position varies with products and markets. Refer to Risk Factors in Item 3. *Key Information*.

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Consumer Products & Services and Professional, Device & Solutions segments

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, the computational power and reliability of secured systems, and the ability to create new experiences via network services, downloadable content, and peripherals.

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 picture and television products 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 and other outlets both in the U.S. and internationally. 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, 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 by cable, satellite and other distribution systems.

Music

Success 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 who can achieve a high degree of public acceptance.

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 lending services for individuals, and faces significant competition in Japan s retail financial services market. Sony Bank competes with Japan s traditional banking institutions, regional banks, trust banks, non-bank companies, and Japan s full-service and online brokerage firms.

Sony Life, Sony Assurance and Sony Bank may also compete with Japan Post Group, which provides banking and insurance services to individuals. Japan Post Group has numerous post office locations throughout Japan and has enhanced its banking and insurance services in recent years.

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 has maintained a high solvency margin ratio, relative to the Japanese domestic criteria that require the maintenance of a minimum solvency margin ratio. Sony Assurance also has maintained a high solvency margin ratio relative to the above-mentioned Japanese domestic criteria. Sony Bank has maintained an adequate capital adequacy ratio relative to the Japanese domestic criteria concerning this ratio.

Sony Mobile Communications

Sony Mobile manufactures and sells mobile handsets, primarily focusing on the smartphone market, specifically products using the Android operating system as a platform. The smartphone market is growing quickly, with smartphones using the Android operating system outperforming the market in overall volume growth. The smartphone market features a fiercely competitive selling environment from established and multinational vendors and from new suppliers of lower-cost products. 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.

All Other

Sony DADC is facing intense price competition as well as contraction of the worldwide physical media markets, as storage of digital content shifts from physical media to online servers. In such an environment, Sony DADC faces the challenges of expanding its digital media services to meet customers requirements 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. In the medical Internet service and online game service, competition may become more intense due to the possibility of new entrants and drastic changes in the market environment. Some of So-net s current competitors have a stronger financial position, larger customer base, and better name recognition.

Government Regulations

Sony s business activities are subject to various governmental regulations in the 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 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. Particularly, life insurance companies must maintain a premium reserve (for the portion of other than unearned premiums), an unearned premium reserve, a reserve for refunds with respect to certain insurance contracts of life insurance companies specified in such regulations, and a contingency reserve in amounts no lower than the amounts 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. The methods for calculating total solvency margin and total risk were revised to increase the strictness of margin inclusion, and make risk measurement stricter and more sensitive and are mandatory from the end of the fiscal year ended March 31, 2012. Non-life insurance companies are also required to provide a policy reserve. The primary purpose of the Insurance Business Act and related regulations is to protect policyholders, not shareholders. 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 II agreement, and new guidelines to be adopted based on the Basel III agreement in the near future. 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 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 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 and evaluates 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, green house gas emission reduction, carbon taxes and energy efficiency for electronics products. For example, Sony has established an internal risk management system in response to the EU directive on energy-related products and their energy efficiency (ErP). Moreover, Japan has already introduced a regulation for cargo owners such as Sony to exert efforts to control energy consumption and CO_2 emissions from their logistics operations. Additionally, Sony recognizes that emissions reduction programs and trading systems are already established or being considered for legislation in various countries and regions. For example, EU-ETS (European Union), Carbon Price Mechanism (Australia) and CRC (UK) are already established, and although Sony is not subject to the scope of application of EU-ETS and Australia s Carbon Price Mechanism, Sony group companies in the UK are responding to CRC. In Japan, the Tokyo Metropolitan Government s cap and trade system, Obligation to Reduce Absolute Green House Gas Emissions and Emissions Trading System, went into force in April 2010. This regulation requires large-sized sites in the Tokyo metropolitan area to reduce their average emissions over a five-year period to below a certain quantity and establishes an emission trading scheme to allow regulated entities to meet emission quantity targets set by law. Sony Corporation and Sony Life are subject to this regulation.

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. For example, Sony s business activities may be subject to the laws and regulations established by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, when it comes into effect.

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

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, 2012) 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 Mobile Communications AB	Sweden	100.0
Sony Electronics Asia Pacific Pte. Ltd.	Singapore	100.0

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

The following table sets forth information as of March 31, 2012 with respect to plants used for the production of products mainly for electronics products and services with floor space of more than 500,000 square feet:

Location	Approximate floor space (square feet)	Principal products produced
In Japan:		
Nagasaki (Sony Semiconductor Corporation Nagasaki TEC)	2,267,000	CMOS image sensors and other semiconductors
Kumamoto (Sony Semiconductor Corporation Kumamoto TEC)	2,122,000	CCDs, CMOS image sensors, LCDs and other semiconductors
Kagoshima (Sony Semiconductor Corporation Kagoshima TEC)	1,767,000	CCDs, LCDs and other semiconductors
Kohda, Aichi (Sony EMCS Corporation Tokai TEC Kohda Site)	877,000	Home-use video cameras, compact digital cameras and Memory Sticks
Inazawa, Aichi (Sony EMCS Corporation Tokai TEC Inazawa Site)	842,000	LCD televisions
Shimotsuke, Tochigi (Sony Energy Devices Corporation Tochigi Plant)	803,000	Magneto-optical disc and batteries
Kanuma, Tochigi (Sony Chemicals & Information Device Corporation Kanuma Plant)	793,000	Magnetic tapes, adhesives and electronic components
Koriyama, Fukushima (Sony Energy Devices Corporation	590,000	Batteries

Koriyama Plant)		
Kosai, Shizuoka (Sony EMCS Corporation Tokai TEC Kosai Site)	548,000	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
Minokamo, Gifu (Sony EMCS Corporation Tokai TEC Minokamo Site)	539,000	Home-use video cameras, compact digital cameras, digital SLR cameras, mobile phones and video conference systems

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Location	Approximate floor space (square feet)	Principal products produced
Outside of Japan:		
Terre Haute, Indiana, U.S.A. (Sony DADC US Inc.)	2,428,000	Blu-ray Disc-ROMs, CDs, DVDs and UMDs (Universal Media Disc)
Huizhou, China (Sony Precision Devices (Huizhou) Co., Ltd.)	1,665,000	Optical pickups and LCDs
Wuxi, China (Sony Electronics (Wuxi) Co., Ltd., Sony Digital Products (Wuxi) Co., Ltd. and Sony (China) Ltd.)	1,380,000	Batteries and compact digital cameras
Penang, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. PG TEC)	1,022,000	Optical disc drives, batteries and audio equipment
Tuas, Singapore (Sony Electronics (Singapore) Pte. Ltd.)	810,000	Batteries
Bangi, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. KL TEC)	797,000	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. 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 affiliates of Sony Corporation and other third parties 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 December 2008, SCA renewed its option under a lease with a variable interest entity which is consolidated by Sony, for its corporate headquarters. Sony has the option to purchase the building at any time during the lease term, which expires in December 2015. The aggregate floor space of this building is approximately 723,000 square feet.

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During the fiscal year ended March 31, 2012, Sony ceased manufacturing at a total of six manufacturing sites, two in Japan and four outside of Japan. Sony Mobile Display Corporation s Tottori Plant and Higashiura Plant were transferred to Japan Display Inc. due to the sale of this business. Sony DADC Americas Pitman Plant was closed. Sony Hungaria kft s Godollo Plant was sold. Operations at the Sony Device Technology (Thailand) Co., Ltd.-Bangkadi Technology Center and Sony Technology (Thailand) Co., Ltd.-Ayuthaya Technology Center ceased operations due to the Floods. Sony Mobile Communications Co., Ltd. s Beijing Plant became affiliated with Sony Corporation as a result of the consolidation of Sony Ericsson due to it becoming a wholly-owned subsidiary of Sony.

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, 2012 compared with the Fiscal Year Ended March 31, 2011

For the fiscal year ended March 31, 2012, consolidated sales decreased year-on-year primarily due to the unfavorable impact of foreign exchange rates, the Great East Japan Earthquake, the floods in Thailand that started in the second half of 2011 (the Floods), and the deterioration in market conditions in developed countries. A consolidated operating loss was recorded compared to income in the previous fiscal year primarily due to lower sales as mentioned above and a significant deterioration in equity in net income (loss) of affiliated companies. A large net loss attributable to Sony Corporation s stockholders was recorded mainly due to a non-cash tax charge that was recorded to establish valuation allowances against deferred tax assets, predominantly in the U.S.

Sony realigned its reportable segments from the first quarter of the fiscal year ended March 31, 2012, to reflect modifications to the organizational structure as of April 1, 2011, primarily repositioning the operations of the previously reported Consumer, Professional & Devices (CPD) and Networked Products & Services (NPS) segments. In connection with this realignment, the operations of the former CPD and NPS segments are included in two newly established segments, namely the Consumer Products & Services (CPS) segment and the Professional, Device & Solutions (PDS) segment. The CPS segment includes televisions, home audio and video, digital imaging, personal and mobile products, and the game business. The equity results of S-LCD Corporation (S-LCD) through the third quarter ended December 31, 2011 were included within the CPS segment. Sony sold its equity interest in S-LCD, a joint venture between Sony and Samsung Electronics Co., Ltd. (Samsung) in January 2012. The PDS segment includes professional solutions, semiconductors and components. Refer to Note 28 to the notes to the consolidated financial statements.

In connection with this realignment, both the sales and operating revenue (sales) and operating income (loss) of each segment in the fiscal year ended March 31, 2011 have been revised to conform to the current fiscal year s presentation.

The Pictures, Music, Financial Services and All Other segments remain unchanged.

On February 15, 2012, Sony acquired Telefonaktiebolaget LM Ericsson s (Ericsson) 50 percent equity interest in Sony Ericsson Mobile Communications AB (Sony Ericsson), which changed its name to Sony Mobile Communications AB upon becoming a wholly-owned subsidiary of Sony. Accordingly, the Sony Ericsson segment that had been presented as a separate segment was renamed as the Sony Mobile Communications (Sony Mobile) segment during the fourth quarter ended March 31, 2012. Financial results of Sony Mobile include Sony s equity earnings (loss) in Sony Ericsson through February 15, 2012 and sales and operating income (loss) from February 16, 2012 through March 31, 2012, as well as a non-cash gain recorded in connection with obtaining control due to the remeasurement of the 50 percent equity interest in Sony Ericsson that Sony owned prior to the acquisition at fair value (a remeasurement gain associated with obtaining control).

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Operating Performance

	Fiscal year ended March 31		
	2011	**2012**	**Percent change**
	(Yen in billions)		
Sales and operating revenue	7,181.3	**6,493.2**	9.6%
Equity in net income (loss) of affiliated companies	14.1	**(121.7)**	
Operating income (loss)	199.8	**(67.3)**	
Income (loss) before income taxes	205.0	**(83.2)**	
Net income (loss) attributable to Sony Corporation s stockholders	(259.6)	**(456.7)**	

Sales

Sales for the fiscal year ended March 31, 2012 were 6,493.2 billion yen, a decrease of 9.6 percent compared to the previous fiscal year (year-on-year). Sales decreased mainly in the CPS and PDS segments, primarily due to unfavorable foreign exchange rates, the impact of the Great East Japan Earthquake and the Floods, and the deterioration in market conditions in developed countries. A further breakdown of sales figures is presented under *Operating Performance by Business Segment* below.

During the fiscal year ended March 31, 2012, the average rates of the yen were 78.1 yen against the U.S. dollar and 107.5 yen against the euro, which were 8.5 percent and 3.9 percent higher, respectively, than the previous fiscal year.

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 business 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, 2012 decreased by 444.9 billion yen, or 9.2 percent year-on-year, to 4,386.4 billion yen, and the ratio of cost of sales to sales deteriorated year-on-year from 75.7 percent to 78.0 percent.

Research and development costs (all research and development costs are included within cost of sales) increased by 6.7 billion yen, or 1.6 percent year-on-year, to 433.5 billion yen, mainly due to the consolidation of Sony Mobile from February 16, 2012. The ratio of research and development costs to sales was 7.7 percent compared to 6.7 percent in the fiscal year ended March 31, 2011.

SGA expenses decreased by 125.9 billion yen, or 8.4 percent year-on-year, to 1,375.9 billion yen, mainly due to the impact of the appreciation of the yen and a decrease in expenses associated with decreased sales in the CPS and PDS segments and advertising costs. The ratio of SGA expenses to sales deteriorated year-on-year from 23.5 percent to 24.5 percent.

Other operating (income) expense, net resulted in income of 59.6 billion yen, compared with income of 13.5 billion yen in the previous fiscal year. This increase was mainly due to the remeasurement gain of 102.3 billion yen associated with obtaining control of Sony Mobile in the fiscal year ended March 31, 2012, compared with a remeasurement gain of 27.0 billion yen associated with obtaining control of Game Show Network, LLC (GSN) in the previous fiscal year. In addition, the loss on sale, disposal or impairment of assets and other (net) was 45.6 billion yen, compared to a net loss of 18.0 billion yen in the fiscal year ended March 31, 2011. This increase in net loss was mainly due to a 19.2 billion yen charge associated with the sale of the small- and medium-sized amorphous thin film transistor (TFT) liquid crystal display (LCD) business, and 29.3 billion yen of

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impairment charges* for long-lived assets in the LCD television and network business asset groups that were recorded in the fiscal year ended March 31, 2012. Refer to Note 19 to the notes to the consolidated financial statements.

* The 29.3 billion yen in non-cash impairment charges of long-lived assets recorded within operating results is related to the fair value of long-lived assets in the LCD television and network business asset groups being lower than net book value, with charges of 16.7 billion yen and 12.6 billion yen, respectively. For the LCD television asset group, the corresponding estimated future cash flows leading to the impairment charge reflect the continued deterioration of LCD television 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 charge, primarily related to certain intangible and other long-lived assets, reflect management s revised forecast over the limited period applicable to the impairment determination. Sony has not included these losses on impairment in restructuring charges. Refer to Note 19 to the notes to the consolidated financial statements.

Equity in Net Income (Loss) of Affiliated Companies

For the fiscal year ended March 31, 2012, equity in net loss of affiliated companies, recorded within operating income (loss), was 121.7 billion yen, compared to equity in net income of 14.1 billion yen in the previous fiscal year. Sony recorded equity in net loss for S-LCD of 64.1 billion yen, compared to equity in net income of 7.2 billion yen in the previous fiscal year. This was primarily due to the recording of a total loss of 60.0 billion yen, including an impairment loss on Sony s shares of S-LCD, which were sold in January 2012, and subsequent foreign currency adjustments. Equity in net loss for Sony Ericsson of 57.7 billion yen was recorded through February 15, 2012, prior to the consolidation of Sony Ericsson by Sony, while equity in net income of 4.2 billion yen was recorded in the previous fiscal year. This decrease was primarily due to Sony Ericsson recording a valuation allowance under U.S. GAAP of 654 million euro against certain of its deferred tax assets. Sony reflected its 50 percent share, or 33.0 billion yen, of this valuation allowance in equity in net loss of affiliated companies in Sony s consolidated financial results. The decrease was also due to a decrease in units shipped, intense smartphone price competition, and higher restructuring charges as described in Sony Mobile Communications under *Operating Performance by Business Segment* below.

Operating Income (Loss)

For the fiscal year ended March 31, 2012, an operating loss of 67.3 billion yen was recorded, compared to operating income of 199.8 billion yen in the previous fiscal year. This was primarily due to lower sales resulting from the above-mentioned factors and a significant deterioration in equity in net income (loss) of affiliated companies, partially offset by a remeasurement gain associated with obtaining control of Sony Mobile of 102.3 billion yen. For further details, see the *Operating Performance by Business Segment* .

Operating results during the fiscal year ended March 31, 2012, included a benefit of 16.5 billion yen due to the reversal of a Blu-ray Disc™ patent royalty accrual, reflecting a retroactive change in the estimated royalty rate based on the latest license status.

For the fiscal year ended March 31, 2012, Sony incurred expenses of 5.9 billion yen, including charges for the disposal of fixed assets and inventories and restoration costs (e.g., repair, removal and cleaning costs) directly related to the damage caused by the Great East Japan Earthquake. In addition, Sony incurred other losses and expenses of 6.3 billion yen, which included idle facility costs at manufacturing sites. These expenses related to direct damages and other charges mentioned above were partially offset by insurance recoveries that Sony received during the fiscal year ended March 31, 2012. Refer to Note 18 to the notes to the consolidated financial statements.

As a result of direct damage from the inundation of Sony s manufacturing facilities starting in October 2011 due to the Floods, Sony incurred expenses of 13.2 billion yen during the fiscal year ended March 31, 2012, including charges for the disposal or impairment of fixed assets and inventories and restoration costs (e.g., repair, removal and cleaning costs) directly related to damages caused by the Floods. In addition to these direct damages, production at several manufacturing facilities temporarily ceased due to the inundation of Sony s manufacturing facilities and the difficulty in procuring parts and components. As a result, Sony incurred charges of 13.9 billion yen during the fiscal year ended March 31, 2012, consisting of idle facility costs at manufacturing sites and other additional expenses. Sony also saw a negative impact from the postponement of certain product launches caused by the temporary cessation of production at several manufacturing facilities, as well as significantly lower demand from commercial customers resulting from the Floods. Sony has insurance policies that 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 50.4 billion yen were agreed to by the insurance carriers and were paid during the fiscal year ended March 31, 2012. Of this amount, Sony received 26.3 billion yen for fixed assets, inventories and additional expenses, of which 17.5 billion 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 24.1 billion yen was for business interruption insurance recoveries, which applies to the lost profit that occurred after the Floods to December 31, 2011, and was recorded in other operating revenue in the consolidated statements of income.

In addition, 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 5.8 billion yen, which represents 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 relate to damaged assets and inventories. Refer to Note 18 to the notes to the consolidated financial statements.

Other Income and Expenses

For the fiscal year ended March 31, 2012, other income decreased by 21.5 billion yen, or 47.8 percent year-on-year, to 23.5 billion yen, while other expenses decreased by 0.4 billion yen, or 1.0 percent year-on-year, to 39.4 billion yen. The net amount of other income and other expenses was an expense of 15.9 billion yen, compared to income of 5.2 billion yen in the fiscal year ended March 31, 2011. The change from other income, net to other expense, net was primarily due to a net foreign exchange loss of 5.1 billion yen for the fiscal year ended March 31, 2012, as compared to a net foreign exchange gain of 9.3 billion yen for the previous fiscal year, as well as a year-on-year decrease in gain on sale of securities investments. A net foreign exchange loss was recorded mainly in relation to Sony s investments, including losses from foreign exchange transactions that partially offset the gain from foreign currency adjustments in equity in net income (loss), while a gain was recorded from routine derivative contracts entered into to reduce the risk caused by foreign exchange rate fluctuations.

Interest and dividends in other income of 15.1 billion yen was recorded in the fiscal year ended March 31, 2012, an increase of 3.3 billion yen, or 28.2 percent year-on-year. Interest recorded in other expenses totaled 23.4 billion yen, a decrease of 0.5 billion yen, or 2.0 percent year-on-year.

Income (Loss) before Income Taxes

For the fiscal year ended March 31, 2012, the loss before income taxes was 83.2 billion yen, compared to income of 205.0 billion yen in the previous fiscal year.

Income Taxes

For the fiscal year ended March 31, 2012, Sony recorded 315.2 billion yen of income taxes, primarily resulting from the recording of a non-cash charge 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.

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Sony evaluates its deferred tax assets on a tax jurisdiction by jurisdiction basis to determine if a valuation allowance is required. In the U.S., Sony s U.S. holding company and its U.S. subsidiaries file a consolidated federal tax return. This consolidated tax filing group incurred cumulative losses in recent fiscal years including the fiscal year ended March 31, 2012. Under U.S. GAAP, a cumulative loss in recent fiscal years is considered significant negative evidence regarding the realizability of deferred tax assets. After comparing this significant negative evidence to objectively verifiable positive factors, Sony recorded a charge of 203.0 billion yen to establish a valuation allowance against the deferred tax assets held by the consolidated tax filing group in the U.S. In addition, Sony established valuation allowances against certain deferred tax assets held by certain subsidiaries in Japan and the U.K. amounting to 57.3 billion yen as a result of evaluating those deferred tax assets. Refer to Note 21 to the notes to the consolidated financial statements.

Net Income (loss) attributable to Sony Corporation s stockholders

For the fiscal year ended March 31, 2012, the net loss attributable to Sony Corporation s stockholders, which excludes net income attributable to noncontrolling interests, was 456.7 billion yen, a deterioration of 197.1 billion yen year-on-year.

Net income attributable to noncontrolling interest of 58.2 billion yen was recorded, an increase of 19.0 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 and diluted net losses per share attributable to Sony Corporation s stockholders were both 455.03 yen compared with basic and diluted net losses per share of 258.66 yen in the previous fiscal year. Refer to Note 22 to the notes to 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 to the notes to the consolidated financial statements.

Business Segment Information

	Fiscal year ended March 31		
	2011	**2012**	**Percent change**
	(Yen in billions)		
Sales and operating revenue			
Consumer Products & Services	3,849.8	**3,136.8**	18.5%
Professional, Device & Solutions	1,503.3	**1,313.8**	12.6
Pictures	600.0	**657.7**	+9.6
Music	470.7	**442.8**	5.9
Financial Services	806.5	**871.9**	+8.1
Sony Mobile Communications*		**77.7**	
All Other	447.8	**442.7**	1.2
Corporate and Elimination	(496.9)	**(450.1)**	
Consolidated	7,181.3	**6,493.2**	9.6

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	Fiscal year ended March 31		Percent change
	2011	**2012**	
	(Yen in billions)		
Operating income (loss)			
Consumer Products & Services	10.8	**(229.8)**	%
Professional, Device & Solutions	27.7	**(20.2)**	
Pictures	38.7	**34.1**	11.7
Music	38.9	**36.9**	5.2
Financial Services	118.8	**131.4**	+10.6
Sony Mobile Communications**	4.2	**31.4**	+655.9
All Other	7.1	**(3.5)**	
Sub-Total	246.2	**(19.7)**	
Corporate and Elimination***	(46.3)	**(47.6)**	
Consolidated	199.8	**(67.3)**	

** The Sony Mobile segment sales include sales from February 16, 2012 through March 31, 2012.*

*** The Sony Mobile segment s operating income (loss) for the fiscal year ended March 31, 2011 includes Sony s equity results for Sony Ericsson. The Sony Mobile segment s operating income (loss) 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, 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 intangible assets acquired from Ericsson at the time of the Sony Mobile acquisition, which are not allocated to segments.*

Consumer Products & Services

For the fiscal year ended March 31, 2012, sales decreased 18.5 percent year-on-year to 3,136.8 billion yen. Sales to outside customers decreased 18.8 percent year-on-year. This was primarily due to a decrease in sales of LCD televisions, PCs, digital imaging products including digital cameras, and the game business. The decrease in LCD television sales reflects lower unit sales and price declines, mainly resulting from market contractions in Japan and the deterioration of market conditions in Europe and North America. LCD television sales in Japan during the previous fiscal year significantly benefited mainly from a program which provided consumers with a subsidy from the Japanese government. The subsidy program ended on March 31, 2011. The decreases in sales of PCs and digital imaging products including digital cameras were mainly due to the impact from the Floods and unfavorable foreign exchange rates, a factor that is analyzed separately. Digital imaging products were also impacted by the Great East Japan Earthquake. The decrease in the game business reflects lower sales of PlayStation®3 (PS3) hardware due to a strategic price reduction and lower sales of PlayStation®2 due to platform migration.

An operating loss of 229.8 billion yen was recorded, compared to operating income of 10.8 billion yen in the fiscal year ended March 31, 2011. The change from operating income to an operating loss was primarily due to a decrease in gross profit from the lower sales noted above (excluding the foreign exchange impact), deterioration in the cost of sales ratio and deterioration in equity in net income (loss) of affiliated companies. Restructuring charges of 9.6 billion yen were recorded in the fiscal year ended March 31, 2012, compared to 28.7 billion yen in the previous fiscal year. This decrease in restructuring charges was primarily due to a recording of expenses of 11.6 billion yen related to the transfer to third parties of the Barcelona factory in Europe and its related asset impairment during the fiscal year ended March 31, 2011.

The CPS segment s operating results include a total loss of 60.0 billion yen including an impairment loss on Sony s shares of S-LCD, which were sold in January 2012, and subsequent foreign currency adjustments. Further, the segment s operating results include additional LCD panel-related expenses of 22.8 billion yen resulting from low capacity utilization of S-LCD, the impairment of LCD television assets of 16.7 billion yen,

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and the impairment of network business assets of 12.6 billion yen, while the fiscal year ended March 31, 2012 benefited from the reversal of a 14.3 billion yen Blu-ray Disc patent royalty accrual, reflecting a retroactive change in the estimated royalty rate based on the latest license status.

Categories contributing to the deterioration in operating results (excluding restructuring charges and the above-noted loss related to S-LCD, the LCD television asset impairment and the network business asset impairment) include LCD televisions, reflecting the recording of additional LCD panel-related expenses resulting from low capacity utilization of S-LCD as well as the lower sales mentioned above, and the game business, reflecting the lower sales mentioned above.

Below are the sales to outside customers by product category, unit sales of major products and unit sales of each platform within the Game 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				
	2011		**2012**		**Percent change**
		(Yen in millions)			
Televisions	1,200,491	(31.8)	**840,359**	**(27.4)**	30.0%
Home Audio and Video	285,297	(7.6)	**241,885**	**(7.9)**	15.2
Digital Imaging	642,570	(17.0)	**497,957**	**(16.3)**	22.5
Personal and Mobile Products	828,375	(22.0)	**722,301**	**(23.6)**	12.8
Game	798,405	(21.2)	**744,285**	**(24.3)**	6.8
Other	16,472	(0.4)	**14,427**	**(0.5)**	12.4
CPS Total	3,771,610	(100.0)	**3,061,214**	**(100.0)**	18.8

Unit sales of major products

	Fiscal year ended March 31			
	2011	**2012**	**Unit change**	**Percent change**
		(Units in millions)		
LCD televisions within *Televisions*	22.4	**19.6**	2.8	12.5%
Blu-ray Disc players / recorders within *Home Audio and Video*	5.6	**7.0**	+1.4	+25.0
Home-use video cameras within *Digital Imaging*	5.2	**4.4**	0.8	15.4
Compact digital cameras within *Digital Imaging*	24.0	**21.0**	3.0	12.5
PCs within *Personal and Mobile Products*	8.7	**8.4**	0.3	3.4
Flash memory digital audio players within *Personal and Mobile Products*	8.4	**8.2**	0.2	2.4

Unit sales of each platform within the Game category

	Fiscal year ended March 31			
	2011	**2012**	**Unit change**	**Percent change**
		(Units in millions)		
Hardware				
PlayStation®3	14.3	**13.9**	0.4	2.8%
PSP®(PlayStation ®Portable)	8.0	**6.8**	1.2	15.0
PlayStation®2	6.4	**4.1**	2.3	35.9
Software*				
PlayStation®3	147.9	**156.6**	+8.7	+5.9

PSP®(PlayStation ®Portable)	46.6	**32.2**	14.4	30.9
PlayStation®2	16.4	**7.9**	8.5	51.8

* Network downloaded software is not included within unit software sales in the table above.

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Professional, Device & Solutions

For the fiscal year ended March 31, 2012, sales decreased 12.6 percent year-on-year to 1,313.8 billion yen, mainly due to a decrease in component sales. Sales to outside customers decreased 9.3 percent year-on-year. The lower sales of Components were primarily due to the impact of the Great East Japan Earthquake on batteries and storage media, and unfavorable foreign exchange rates.

An operating loss of 20.2 billion yen was recorded, compared to operating income of 27.7 billion yen recorded in the fiscal year ended March 31, 2011. This was primarily due to deterioration in the cost of sales ratio, unfavorable foreign exchange rates and a decrease in gross profit due to lower sales (excluding the foreign exchange impact), partially offset by a decrease in selling, general and administrative expenses. Restructuring charges of 26.5 billion yen were recorded in the fiscal year ended March 31, 2012, compared to 19.9 billion yen in the previous fiscal year. Restructuring charges in the fiscal year ended March 31, 2012 included expenses of 19.2 billion yen associated with the sale of the small- and medium-sized display business to Japan Display Inc. Categories that unfavorably impacted the change in segment operating results (excluding restructuring charges) included Components, reflecting the above-mentioned decrease in sales.

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				
	2011		**2012**		**Percent change**
	(Yen in millions)				
Professional Solutions	287,394	(26.9)	**280,645**	**(29.0)**	2.3%
Semiconductors	358,396	(33.6)	**375,891**	**(38.9)**	+4.9
Components	410,090	(38.5)	**297,108**	**(30.7)**	27.6
Other	10,694	(1.0)	**13,959**	**(1.4)**	+30.5
PDS Total	1,066,574	(100.0)	**967,603**	**(100.0)**	9.3

Total for the CPS and PDS Segments

Inventory

Total inventory for the CPS and PDS segments, as of March 31, 2012, was 564.3 billion yen, which represents a 43.6 billion yen, or 7.2 percent decrease compared with the level as of March 31, 2011.

Sales to Outside Customers by Geographic Area

Combined sales to outside customers by geographic area for the CPS and PDS segments for the fiscal year ended March 31, 2012 decreased year-on-year by 26 percent in the U.S., by 25 percent in Europe, by 11 percent in Japan and by 23 percent in Asia-Pacific areas other than Japan and China (the Asia-Pacific Area). Sales in China and in other geographic areas (Other Areas) were almost flat year-on-year. Total combined sales in all areas decreased year-on-year by 17 percent.

In the U.S., sales of products such as LCD televisions and PCs and sales in the game business decreased. In Europe, sales of products such as LCD televisions decreased. In Japan, sales of products such as LCD televisions and home video products including Blu-ray Disc recorders decreased. In China, sales of products such as small- and medium-sized LCD panels and sales in the game business increased while sales of products such as optical disc drive products, LCD televisions and compact digital cameras decreased. In the Asia-Pacific Area, sales of products such as batteries, optical disc drive products, photonic device modules, image sensors, LSIs, and compact digital cameras decreased. In Other Areas, sales of products such as compact digital cameras, home-use video cameras and PCs and sales in the game business decreased.

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Manufacturing by Geographic Area

Approximately 55 percent of the CPS and PDS segments combined total annual production during the fiscal year ended March 31, 2012 was in-house production and approximately 45 percent was outsourced production.

Approximately 50 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 60 percent of the annual in-house production in Japan was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 25 percent of the annual in-house production, with approximately 60 percent destined for the Americas, Japan, Europe and China. Production in China accounted for approximately 20 percent of the annual in-house production, approximately 55 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

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, 2012, sales increased 9.6 percent year-on-year to 657.7 billion yen, despite the appreciation of the yen. On a U.S. dollar basis, sales for the fiscal year ended March 31, 2012 increased approximately 18 percent year-on-year. Motion picture revenues, also on a U.S. dollar basis, increased approximately 10 percent year-on-year. The fiscal year ended March 31, 2012 benefited from the sale of a participation interest in *Spider-Man* merchandising rights and higher pay television and video-on-demand sales of motion picture product. Television revenues, on a U.S. dollar basis, increased approximately 39 percent year-on-year primarily due to higher revenues from the licensing of U.S. network and made-for-cable television product, revenues recognized from the consolidation of GSN, which was accounted for under the equity method in the previous fiscal year, and higher advertising revenues from SPE s television networks in India.

Operating income decreased by 4.5 billion yen year-on-year to 34.1 billion yen. Operating income decreased by approximately 7 percent on a U.S. dollar basis. The decrease is primarily due to a combined 30.3 billion yen gain recognized in the fiscal year ended March 31, 2011, consisting of a remeasurement gain associated with obtaining control of GSN (27.0 billion yen) and a gain on the sale of SPE s remaining equity interest in a Latin American premium pay television business (HBO Latin America), 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 appreciation of the yen and higher marketing costs in support of a greater number of upcoming major theatrical releases also had a negative impact on the operating income for the fiscal year ended March 31, 2012. These negative factors were partially offset by the higher revenues from the licensing of U.S. network and made-for-cable television product and higher advertising revenues from SPE s television networks in India. The fiscal year ended March 31, 2012 reflects the strong theatrical performance of *The Smurfs* and *Bad Teacher* offset by the theatrical underperformance of *Arthur Christmas*.

As of March 31, 2012, unrecognized license fee revenue at SPE was approximately 1.5 billion U.S. dollars. SPE expects to record this amount in the future, having entered into contracts with television broadcasters to provide those broadcasters with completed motion picture and television products. The license fee revenue will be recognized in the fiscal year in which the product is made available for broadcast.

Music

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

For the fiscal year ended March 31, 2012, sales decreased 5.9 percent year-on-year to 442.8 billion yen. The decrease in sales is primarily due to the negative impact of the appreciation of the yen against the U.S. dollar and the continued contraction of the physical music market, offset by the strong performance of a number of key releases during the year. Best selling titles during the year included Adele s *21*, Beyoncè s *4*, Pitbull s *Planet Pit*, Foo Fighters *Wasting Light*, One Direction s *Up All Night*, and music from the hit U.S. television show *Glee*.

Operating income decreased 2.0 billion yen year-on-year to 36.9 billion yen. The decrease reflects the impact of the lower sales mentioned above and higher restructuring costs, partially offset by lower overhead costs, a benefit from the recognition of digital revenues and a favorable legal settlement concerning copyright infringement.

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), as well as the results for Sony Finance International Inc. (SFI). 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.

Financial services revenue for the fiscal year ended March 31, 2012 increased 8.1 percent year-on-year to 871.9 billion yen mainly due to a significant increase in revenue at Sony Life. Revenue at Sony Life increased 11.6 percent year-on-year to 777.7 billion yen primarily due to an increase in insurance premium revenue, reflecting a higher policy amount in force.

Operating income increased 12.6 billion yen year-on-year to 131.4 billion yen, mainly due to an increase in operating income at Sony Life, partially offset by a deterioration in operating results at Sony Bank, reflecting a foreign exchange loss on foreign-currency denominated customer deposits compared to a gain in the previous fiscal year. Operating income at Sony Life increased 17.2 billion yen year-on-year to 134.8 billion yen. This increase was primarily due to higher insurance premium revenue and a partial reversal of an incremental provision for insurance policy reserves in the fiscal year ended March 31, 2012, which was recorded in the fiscal year ended March 31, 2011 due to the Great East Japan Earthquake.

While Sony Life had realized net gains on sales of securities in the first six months of the fiscal year ended March 31, 2011 reflecting changes in its investment portfolio to further increase the duration of the assets (according to the asset liability management (ALM) viewpoint), such an operation to increase the duration was not carried out in the first six months of the fiscal year ended March 31, 2012. This resulted in a year-on-year decrease in the segment profits as such net gains on sales of securities were absent in the six months ended September 30, 2011. However, during the six months ended March 31, 2012, net gains on sales of securities from ordinary fund management operations were greater than the same period of the previous fiscal year. As a result, the segment profits for the full fiscal year increased year-on-year. There were no material changes made to the investment portfolio during the fiscal year ended March 31, 2012.

Information of Operations Separating Out the Financial Services Segment

The following charts show Sony s information of 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

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the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, then eliminated in the consolidated figures shown below.

Financial Services segment	Fiscal year ended March 31 2011	2012
	(Yen in millions)	
Financial services revenue	806,526	**871,895**
Financial services expenses	685,747	**739,222**
Equity in net loss of affiliated companies	(1,961)	**(1,252)**
Operating income	118,818	**131,421**
Other income (expenses), net	868	**1,069**
Income before income taxes	119,686	**132,490**
Income taxes and other	48,570	**18,380**
Net income of Financial Services	71,116	**114,110**

Sony without the Financial Services segment	Fiscal year ended March 31 2011	2012
	(Yen in millions)	
Net sales and operating revenue	6,388,759	**5,627,893**
Costs and expenses	6,326,233	**5,708,607**
Equity in net income (loss) of affiliated companies	16,023	**(120,445)**
Operating income (loss)	78,549	**(201,159)**
Other income (expenses), net	10,790	**(9,181)**
Income (loss) before income taxes	89,339	**(210,340)**
Income taxes and other	387,375	**309,486**
Net loss of Sony without Financial Services	(298,036)	**(519,826)**

Consolidated	Fiscal year ended March 31 2011	2012
	(Yen in millions)	
Financial services revenue	798,495	**868,971**
Net sales and operating revenue	6,382,778	**5,624,241**
	7,181,273	**6,493,212**
Costs and expenses	6,995,514	**6,438,790**
Equity in net income (loss) of affiliated companies	14,062	**(121,697)**
Operating income (loss)	199,821	**(67,275)**
Other income (expenses), net	5,192	**(15,911)**
Income (loss) before income taxes	205,013	**(83,186)**
Income taxes and other	464,598	**373,474**
Net loss attributable to Sony Corporation s Stockholders	(259,585)	**(456,660)**

Sony Mobile Communications

The following euro-based discussions present financial results at Sony Mobile, a Sweden-based operation that aggregates the results of its worldwide subsidiaries on a euro basis, which do not include the impact of the acquisition, principally excluding the impact of purchase accounting adjustments and the remeasurement gain of 102.3 billion yen associated with obtaining control. Although the results of Sony Ericsson were not consolidated in Sony s consolidated financial statements up to and including February 15, 2012, Sony believes that the following euro-based discussions provide useful analytical information to investors regarding Sony Mobile s operating performance for the full year ended March 31, 2012.

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Sales for the year ended March 31, 2012 decreased 12.4 percent year-on-year to 5,289 million euros. This decline reflects certain component shortages resulting from the Great East Japan Earthquake and the Floods, in addition to the lower number of feature phones shipped as a result of focusing on smartphones. A loss before taxes of 536 million euros was recorded compared to income of 133 million euros in the previous year. This was due to a decrease in units shipped, intense smartphone price competition, and higher restructuring charges. Restructuring charges were 88 million euros compared to 51 million euros in the previous year. A net loss of 1,145 million euros was recorded, compared to income of 74 million euros in the previous year. This was primarily due to Sony Ericsson recording a valuation allowance of 654 million euros against certain of its deferred tax assets in Sweden in the quarter ended December 31, 2011, as well as deterioration in its income (loss) before taxes.

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The financial results of the Sony Mobile segment included in Sony s consolidated financial statements include Sony s equity results in Sony Ericsson through February 15, 2012 and the sales, operating revenue and operating income (loss) of Sony Mobile from February 16, 2012 through March 31, 2012, as well as a remeasurement gain associated with obtaining control. The following table provides a reconciliation of the Sony Mobile segment results.

	Fiscal year ended March 31		
	2011	**2012**	**Percent change**
	(Yen in billions)		
Sales and operating revenue from consolidation to March 31, 2012		**77.7**	%
(I) Sony s equity earnings (loss) in Sony Ericsson prior to consolidation	4.2	**(57.7)**	
(II) Remeasurement gain		**102.3**	
(III) Operating income (loss) from consolidation to March 31, 2012		**(13.2)**	
Operating income (I+II+III)	4.2	**31.4**	+655.9

Sony recorded sales and operating revenue of 77.7 billion yen in the Sony Mobile segment following the consolidation of Sony Ericsson.

For the full fiscal year ended March 31, 2012, the Sony Mobile segment recorded operating income of 31.4 billion yen, consisting of the three elements described below.

For the period through February 15, 2012 in the current fiscal year, Sony recorded equity in net loss of Sony Ericsson of 57.7 billion yen, while it recorded equity in net income of 4.2 billion yen for the previous full fiscal year. Under the equity method, in the quarter ended December 31, 2011, Sony reflected its 50 percent share, or 33.0 billion yen, of the valuation allowance recorded by Sony Ericsson against certain of its deferred tax assets in equity in net loss of affiliated companies in its consolidated financial results on a U.S. GAAP basis.

The Sony Mobile segment operating income includes a non-cash gain of 102.3 billion yen recorded in connection with obtaining control, due to the remeasurement of Sony s 50 percent equity interest in Sony Ericsson that Sony owned prior to the acquisition, at fair value. Also included in the segment s operating results was an operating loss of 13.2 billion yen recorded from February 16, 2012 through March 31, 2012 following the consolidation of Sony Mobile in the current fiscal year.

All Other

Sales for the fiscal year ended March 31, 2012 decreased 1.2 percent year-on-year, to 442.7 billion yen. The decrease in sales is mainly due to significantly lower sales in the mobile phone original equipment manufacturing (OEM) business in Japan and unfavorable foreign exchange rates.

An operating loss of 3.5 billion yen was recorded for the fiscal year ended March 31, 2012, compared to income of 7.1 billion yen in the previous fiscal year. This deterioration was mainly due to the manufacturing

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system business in Sony Manufacturing Systems reflecting significantly lower sales, inventory devaluation and asset impairments, partially offset by an increase in profit in the disc manufacturing business, primarily due to the reversal of a patent royalty accrual. Sony Manufacturing Systems was merged into Sony EMCS Corporation in April 2012.

Restructuring

As the global economy experienced a sharp downturn following the autumn of 2008, Sony announced major restructuring initiatives in January 2009. Sony continued to implement its restructuring initiatives during the fiscal year ended March 31, 2012. These initiatives included a review of Sony s investment plan, the realignment of its manufacturing sites, the reallocation of its workforce, and headcount reductions, in order to reform Sony s operational structure and achieve improvements in competitiveness and profitability.

In the fiscal year ended March 31, 2012, Sony recorded restructuring charges of 54.8 billion yen, which includes 2.1 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 67.1 billion yen of restructuring charges recorded in the previous fiscal year. There were 4.8 billion yen of non-cash charges related to depreciation associated with restructured assets in the previous fiscal year. Restructuring charges decreased by 12.3 billion yen or 18.4 percent year-on-year. Of the total 54.8 billion yen incurred in the fiscal year ended March 31, 2012, 25.5 billion yen were personnel related costs, primarily included in SGA expenses in the consolidated statements of income. These personnel-related costs decreased 33.5 percent, compared to the previous fiscal year. Sony s total manufacturing sites were reduced from 57 sites as of December 31, 2008 to 41 sites as of March 31, 2011, and then to 38 sites as of March 31, 2012. As a result, Sony has been consolidating its manufacturing operations and increasingly utilizing the services of third-party OEMs and third-party original design manufacturing (ODMs).

Restructuring charges for the fiscal year ended March 31, 2012 were recorded mainly in the PDS segment. In the PDS segment, restructuring charges amounted to 26.5 billion yen, which include 0.9 billion yen of non-cash charges related to depreciation associated with restructured assets for the fiscal year ended March 31, 2012, compared to 19.9 billion yen of restructuring charges recorded in the previous fiscal year. Charges in the previous fiscal year included 0.4 billion yen of non-cash charges related to depreciation associated with restructured assets. The PDS segment s restructuring charges included an impairment of 19.2 billion yen related to the sale of the small- and medium-sized TFT LCD business to Japan Display Inc. in March 2012.

In all segments, excluding the PDS segment, restructuring charges were recorded mainly due to headcount reductions through early retirement programs, which are expected to reduce operating costs in the future.

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

Foreign Exchange Fluctuations and Risk Hedging

During the fiscal year ended March 31, 2012, the average rates of the yen were 78.1 yen against the U.S. dollar and 107.5 yen against the euro, which was 8.5 percent and 3.9 percent higher, respectively, than the previous fiscal year.

For the fiscal year ended March 31, 2012, consolidated sales were 6,493.2 billion yen, a decrease of 9.6 percent year-on-year, while on a constant currency basis, sales decreased approximately 5 percent year-on-year. For references to information on a constant currency basis, see Note at the bottom of this section.

Consolidated operating loss of 67.3 billion yen was recorded in the fiscal year ended March 31, 2012, compared to operating income of 199.8 billion yen in the previous fiscal year. Operating results deteriorated by 267.1 billion year-on year, while it would have deteriorated by approximately 235 billion yen compared to the previous fiscal year on a constant currency basis.

Most of the unfavorable foreign exchange rate impact on the consolidated operating loss was attributable to the CPS and PDS segments. In the CPS segment, sales decreased 18.5 percent year-on-year to 3,136.8 billion yen, while sales decreased approximately 14 percent on a constant currency basis. An operating loss of 229.8 billion yen was recorded in the fiscal year ended March 31, 2012, compared to profit of 10.8 billion yen in the previous fiscal year. The impact of foreign exchange rate changes was a decrease of approximately 6 billion yen in operating income. In the PDS segment, sales decreased 12.6 percent year-on-year to 1,313.8 billion yen, while sales decreased approximately 8 percent on a constant currency basis. An operating loss of 20.2 billion yen was recorded in the fiscal year ended March 31, 2012, compared to profit of 27.7 billion yen in the previous fiscal year. The impact of foreign exchange rate changes during the fiscal year was a decrease of approximately 28 billion yen in operating income. For a detailed analysis of segment performance that discusses the impact of foreign exchange rates separately within categories when material, please refer to Consumer Products & Services and Professional, Device & Solutions segments under *Operating Performance by Business Segment*.

During the fiscal year ended March 31, 2012, Sony estimated that a one yen appreciation against the U.S. dollar decreased consolidated sales by approximately 47 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 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 9.6 percent year-on-year to 657.7 billion yen, while sales increased approximately 18 percent on a constant currency (U.S. dollar) basis. In the Music segment, sales decreased 5.9 percent year-on-year to 442.8 billion yen, while sales decreased approximately 1 percent on a constant currency basis. For a detailed analysis of segment performance, please refer to Pictures and Music segments under *Operating Performance by Business Segment*. Sony s Financial Services segment consolidates the yen-based results of SFH and the yen-based results for SFI. 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 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 on average three months before the actual transactions take place. However, in certain cases SGTS partially hedges the projected exposures one month before the actual transactions take place when business requirements such as shorter production-sales cycles for certain products arise. 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 CPS and PDS 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, 2012 were 1,805.3 billion yen and a liability of 3.3 billion yen, respectively. Refer to Note 14 to the notes to 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 previous fiscal year to local currency-denominated monthly sales in the current fiscal year. 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 previous fiscal year to the corresponding local currency-denominated monthly cost of sales and SGA expenses in the current fiscal year. 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 measures 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, 2011 compared with the Fiscal Year Ended March 31, 2010

Sony realigned its segments from the first quarter of the fiscal year ended March 31, 2012 to reflect the company s reorganization as of April 1, 2011. In connection with this realignment, both the sales and operating income (loss) of each segment in the fiscal year ended March 31, 2011 and in the fiscal year ended March 31, 2010 have been revised to conform to the presentation for the fiscal year ended March 31, 2012.

Operating Performance

	Fiscal year ended March 31		
	2010	**2011**	**Percent change**
	(Yen in billions)		
Sales and operating revenue	7,214.0	**7,181.3**	0.5%
Equity in net income (loss) of affiliated companies	(30.2)	**14.1**	
Operating income	31.8	**199.8**	+528.9
Income before income taxes	26.9	**205.0**	+661.8
Net loss attributable to Sony Corporation s stockholders	(40.8)	**(259.6)**	

Sales

Sales for the fiscal year ended March 31, 2011 were 7,181.3 billion yen, a decrease of 0.5 percent year-on-year, primarily due to a decrease in sales in all segments except the CPS segment. Unfavorable foreign exchange rates significantly affected sales in all segments except the Financial Services segment. A further breakdown of sales figures is presented under *Operating Performance by Business Segment* below.

During the fiscal year ended March 31, 2011, the average rates of the yen were 84.7 yen against the U.S. dollar and 111.6 yen against the euro, which were 8.4 percent and 16.2 percent higher, respectively, than the previous fiscal year.

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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 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 business segments include intersegment transactions.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for the fiscal year ended March 31, 2011 decreased by 61.2 billion yen, or 1.3 percent year-on-year, to 4,831.4 billion yen, and improved from 76.7 percent to 75.7 percent as a percentage of sales.

Research and development costs (all research and development costs are included within cost of sales) decreased by 5.2 billion yen, or 1.2 percent year-on-year, to 426.8 billion yen. The ratio of research and development costs to sales was 6.7 percent compared to 6.8 percent in the previous fiscal year.

SGA expenses decreased by 43.1 billion yen, or 2.8 percent year-on-year, to 1,501.8 billion yen, mainly due to the impact of the appreciation of the yen and a decrease in personnel related costs, partially offset by an increase in advertising and publicity expenses. The ratio of SGA expenses to sales improved year-on-year from 24.2 percent to 23.5 percent.

Other operating (income) expenses, net resulted in income of 13.5 billion yen, compared with a loss of 43.0 billion yen in the previous fiscal year. This improvement was mainly due to a 27.0 billion yen gain recognized as a result of Sony acquiring an additional 5 percent equity interest and a controlling interest including certain management rights in GSN, which operates a U.S. cable network and online business. As a result, Sony remeasured its previously owned 35 percent equity interest in GSN which resulted in the recognition of the gain. Additionally, the previous fiscal year included impairment charges such as a 27.1 billion yen charge related to the impairment of LCD television assets* and a 7.8 billion yen charge related to the impairment of the small- and medium-sized amorphous TFT LCD fixed assets, which were partially offset by a 30.3 billion yen gain recognized from the sales of equity interests in certain television businesses in the Pictures segment. Refer to Notes 19, 24 and 25 to the notes to the consolidated financial statements.

* The loss of 27.1 billion yen on impairment, a non-cash charge recorded within operating income, primarily reflects a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. Management s strategic plans updated in the fourth quarter of the fiscal year ended March 31, 2010 resulted in decreases in the assets estimated service periods and corresponding estimated future cash flows leading to the impairment charge. Sony has excluded the loss on impairment from restructuring charges as it is not directly related to Sony s ongoing 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.

Equity in Net Income (Loss) of Affiliated Companies

Equity in net income of affiliated companies, recorded within operating income, was 14.1 billion yen compared to equity in net loss of 30.2 billion yen in the previous fiscal year. Sony recorded equity in net income for Sony Ericsson of 4.2 billion yen compared to equity in net loss of 34.5 billion yen in the previous fiscal year. Equity in net income for S-LCD increased 6.8 billion yen to 7.2 billion yen.

Operating Income (Loss)

Operating income increased 168.0 billion yen year-on-year to 199.8 billion yen despite the large unfavorable impact of foreign exchange rates. The significant increase in operating income was mainly due to an improvement in operating results in the CPS and PDS segments. For a further breakdown of operating income (loss) for each segment, please refer to *Operating Performance by Business Segment* below.

During the fiscal year ended March 31, 2011, Sony recorded charges of 11.9 billion yen, consisting principally of idle facility costs at manufacturing sites and an incremental provision for life insurance policy reserves, caused by the Great East Japan Earthquake. Furthermore, Sony incurred incremental expenses, including restoration costs (e.g., repair, removal and cleaning costs) directly related to the damages caused by the disaster to certain fixed assets including buildings, machinery and equipment as well as inventories at manufacturing sites and warehouses, in addition to charges for the disposal or impairment of fixed assets and inventories. These expenses amounted to 10.9 billion yen; however, Sony has insurance policies that cover certain damages to fixed assets and inventories as well as the associated restoration costs, which are expected to offset almost all of these losses and expenses in the fiscal year ended March 31, 2011, as the recoveries from insurance claims are deemed probable.

Other Income and Expenses

For the fiscal year ended March 31, 2011, other income increased by 1.1 billion yen, or 2.6 percent, to 45.0 billion yen, while other expenses decreased by 8.9 billion yen, or 18.3 percent year-on-year, to 39.8 billion yen. The net amount of other income and other expenses was income of 5.2 billion yen, an improvement of 10.1 billion yen year-on-year, primarily due to a net foreign exchange gain of 9.3 billion yen for the fiscal year ended March 31, 2011, as compared to a net foreign exchange loss of 10.9 billion yen for the previous fiscal year. A net foreign exchange gain was recorded mainly due to gains related to the period end valuation on derivative contracts entered into by Sony for the purpose of effective global cash management.

Interest and dividends in other income of 11.8 billion yen was recorded in the fiscal year ended March 31, 2011, a decrease of 1.4 billion yen, or 10.7 percent year-on-year. On the other hand, interest recorded in other expenses totaled 23.9 billion yen, an increase of 1.4 billion yen, or 6.2 percent year-on-year.

Income (Loss) before Income Taxes

For the fiscal year ended March 31, 2011, income before income taxes increased 178.1 billion yen year-on-year to 205.0 billion yen, mainly as a result of the above-mentioned increase in operating income.

Income Taxes

For the fiscal year ended March 31, 2011, Sony recorded 425.3 billion yen of income taxes, primarily resulting from recording a non-cash charge to establish a valuation allowance of 362.3 billion yen against deferred tax assets at Sony Corporation and its national tax filing group in Japan. Carrying amounts of deferred tax assets are evaluated on a tax jurisdiction basis and require a reduction by a valuation allowance if, based on the available positive and negative evidence, it is more likely than not that such assets will not be realized. In Japan, Sony Corporation files a standalone tax filing for local tax purposes and a consolidated national tax filing with its wholly-owned Japanese subsidiaries for national tax purposes. Sony Corporation and its national tax filing group in Japan are in a three year cumulative loss position for the fiscal year ended March 31, 2011. Under U.S. GAAP, a three year cumulative loss position is considered significant negative evidence in assessing the realizability of deferred tax assets, which is difficult to overcome, particularly given the relatively short tax loss carryforward period of seven years in Japan and the anticipated impact of the Great East Japan Earthquake on the near-term forecast for entities in Japan. Accordingly, Sony determined in the fourth quarter of the fiscal year ended March 31, 2011 that it was required under U.S. GAAP to establish a valuation allowance against certain deferred tax assets in Japan. Refer to Note 21 to the notes to consolidated financial statements.

The non-cash charge to establish a valuation allowance does not have any impact on Sony s consolidated operating income or cash flow, nor does such an allowance preclude Sony from using the loss carryforwards or other deferred tax assets in the future. It is also important to note that the establishment of this valuation allowance does not reflect a change in Sony s view of its long-term corporate strategy.

Net Income (loss) attributable to Sony Corporation s stockholders

For the fiscal year ended March 31, 2011, net loss attributable to Sony Corporation s stockholders, which excludes net income attributable to noncontrolling interests, was 259.6 billion yen, a deterioration of 218.8 billion yen year-on-year.

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Net income attributable to noncontrolling interest of 39.3 billion yen was recorded, a decrease of 14.5 billion yen year-on-year. This was mainly due to the income recorded at 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 and diluted net losses per share attributable to Sony Corporation s stockholders were both 258.66 yen compared with basic and diluted net losses per share of 40.66 yen in the previous fiscal year. Refer to Note 22 to the notes to 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 to the notes to the consolidated financial statements.

Business Segment Information

	Fiscal year ended March 31 2010	2011	Percent change
	(Yen in billions)		
Sales and operating revenue			
Consumer Products & Services	3,712.4	**3,849.8**	+3.7%
Professional, Device & Solutions	1,519.0	**1,503.3**	1.0
Pictures	705.2	**600.0**	14.9
Music	522.6	**470.7**	9.9
Financial Services	851.4	**806.5**	5.3
All Other	460.8	**447.8**	2.8
Corporate and Elimination	(557.4)	**(496.9)**	
Consolidated	7,214.0	**7,181.3**	0.5

	Fiscal year ended March 31 2010	2011	Percent change
	(Yen in billions)		
Operating income (loss)			
Consumer Products & Services	(101.4)	**10.8**	%
Professional, Device & Solutions	(35.4)	**27.7**	
Pictures	42.8	**38.7**	9.7
Music	36.5	**38.9**	+6.6
Financial Services	162.5	**118.8**	26.9
Equity in net income (loss) of Sony Ericsson	(34.5)	**4.2**	
All Other	(5.0)	**7.1**	
Sub-Total	65.5	**246.2**	+275.9
Corporate and Elimination	(33.7)	**(46.3)**	
Consolidated	31.8	**199.8**	+528.9

Consumer Products & Services

Sales for the fiscal year ended March 31, 2011 increased 3.7 percent year-on-year to 3,849.8 billion yen. Sales to outside customers increased 3.7 percent year-on-year. This was primarily due to higher LCD television sales resulting from a significant increase in unit sales that came mostly from the Asia-Pacific Area, Other Areas, and Japan and higher PC sales, which saw increased unit sales and an expanding market share in all regions. The sales increase was partially offset by unfavorable foreign currency exchange rates. LCD television sales in Japan increased primarily due to both a program which provided consumers with a subsidy from the Japanese government and enhanced demand resulting from the transition from analog to digital television broadcasting in Japan which was completed in July 2011. The subsidy program ended on March 31, 2011.

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Operating income of 10.8 billion yen was recorded, compared to a loss of 101.4 billion yen in the fiscal year ended March 31, 2010. This improvement was driven primarily by an increase in gross profit due to higher sales (excluding the foreign exchange impact), an improvement in the cost of sales ratio, and a decrease in other operating loss, net. The impact of foreign exchange rates, a factor that is analyzed separately, was unfavorable, along with an increase in SGA expenses primarily associated with higher marketing expenses partially offset by the improvement factors noted above. A product category contributing to the increase in gross profit due to higher sales (excluding the foreign exchange impact) included LCD televisions as mentioned in the paragraph above. In the fiscal year ended March 31, 2010, a 27.1 billion yen non-cash charge related to the impairment of LCD television assets, which were not included in restructuring charges, was recorded. (Refer to Note 19 to the notes to the consolidated financial statements.) Restructuring charges were 28.7 billion yen, compared with 37.3 billion yen recorded in the fiscal year ended March 31, 2010. The restructuring charges recorded in the fiscal year ended March 31, 2011 included expenses of 11.6 billion yen related to the transfer to third parties of the Barcelona factory in Europe (executed in January 2011) and the impairment of related assets.

A category that favorably impacted the change in segment operating results (excluding restructuring charges and the above-mentioned LCD television asset impairment) was the game business, reflecting significant cost reductions of PS3 hardware and higher unit sales of PS3 software. A category that unfavorably impacted the change in segment operating results (excluding restructuring charges and the above-mentioned LCD television asset impairment) was LCD televisions, reflecting a decline in unit selling prices and unfavorable foreign exchange rates, despite rising unit sales.

Below are the sales to outside customers by product category, unit sales of major products and unit sales of each platform within the Game 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				
	2010		**2011**		**Percent change**
	(Yen in millions)				
Televisions	1,005,773	(27.6)	**1,200,491**	**(31.8)**	+19.4%
Home Audio and Video	302,678	(8.3)	**285,297**	**(7.6)**	5.7
Digital Imaging	664,502	(18.3)	**642,570**	**(17.0)**	3.3
Personal and Mobile Products	809,369	(22.3)	**828,375**	**(22.0)**	+2.3
Game	840,711	(23.1)	**798,405**	**(21.2)**	5.0
Other	15,104	(0.4)	**16,472**	**(0.4)**	+9.1
CPS Total	3,638,137	(100.0)	**3,771,610**	**(100.0)**	+3.7

Unit sales of major products

	Fiscal year ended March 31			
	2010	**2011**	**Unit change**	**Percent change**
	(Units in millions)			
LCD televisions within *Televisions*	15.6	**22.4**	+6.8	+43.6%
Blu-ray Disc recorders within *Home Audio and Video*	0.7	**1.0**	+0.3	+42.9
Blu-ray Disc players within *Home Audio and Video*	3.3	**4.6**	+1.3	+39.4
DVD players within *Home Audio and Video*	11.5	**10.0**	1.5	13.0
Home-use video cameras within *Digital Imaging*	5.3	**5.2**	0.1	1.9
Compact digital cameras within *Digital Imaging*	21.0	**24.0**	+3.0	+14.3
PCs within *Personal and Mobile Products*	6.8	**8.7**	+1.9	+27.9
Flash memory digital audio players within *Personal and Mobile Products*	8.0	**8.4**	+0.4	+5.0

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Unit sales of each platform within the Game category

	Fiscal year ended March 31			
	2010	**2011**	**Unit change**	**Percent change**
		(Units in millions)		
Hardware				
PlayStation®3	13.0	**14.3**	+1.3	+10.0%
PSP®(PlayStation ®Portable)	9.9	**8.0**	1.9	19.2
PlayStation®2	7.3	**6.4**	0.9	12.3
Software*				
PlayStation®3	115.6	**147.9**	+32.3	+27.9
PSP®(PlayStation ®Portable)	44.4	**46.6**	+2.2	+5.0
PlayStation®2	35.7	**16.4**	19.3	54.1

* Network downloaded software is not included within unit software sales in the table above.

Professional, Device & Solutions

Sales for the fiscal year ended March 31, 2011 decreased 1.0 percent year-on-year, to 1,503.3 billion yen. Sales to outside customers decreased 1.3 percent year-on-year. This was primarily due to unfavorable foreign exchange rates and lower sales of Components resulting from a decrease in sales of storage media affected by market contraction and a decrease in sales of optical disc drives driven by price competition, partially offset by higher semiconductor sales resulting from strong performances of small- and medium-sized LCD panels and image sensors.

Operating income of 27.7 billion yen was recorded, compared to a loss of 35.4 billion yen in the fiscal year ended March 31, 2010. This improvement was mainly due to an improvement in the cost of sales ratio, a decrease in restructuring charges, and an increase in gross profit from higher sales, partially offset by unfavorable foreign exchange rates. A category that favorably impacted the change in segment operating results (excluding restructuring charges) was Semiconductors, reflecting higher sales of image sensors, and Professional Solutions, reflecting an increase in sales of products such as digital cinema projectors.

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				
	2010		**2011**		**Percent change**
		(Yen in millions)			
Professional Solutions	295,360	(27.3)	**287,394**	**(26.9)**	2.7%
Semiconductors	299,715	(27.7)	**358,396**	**(33.6)**	+19.6
Components	476,097	(44.1)	**410,090**	**(38.5)**	13.9
Other	9,812	(0.9)	**10,694**	**(1.0)**	+9.0
PDS Total	1,080,984	(100.0)	**1,066,574**	**(100.0)**	1.3

Total for the CPS and PDS Segments

Inventory

Total Inventory for the CPS and PDS segments, as of March 31, 2011, was 608.0 billion yen.

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Sales to Outside Customers by Geographic Area

Regarding sales to outside customers by geographic area for the CPS and PDS segments, combined sales decreased year-on-year by 8 percent in the U.S. and by 1 percent in Europe, and increased year-on-year by 8 percent in Japan, by 15 percent in China, by 3 percent in the Asia-Pacific Area, and by 13 percent in Other Areas. Total combined sales in all areas increased year-on-year by 2 percent.

In the U.S., sales of products such as small- and medium-sized LCD panels and digital cinema projectors increased while sales of products such as LCD televisions, storage media and digital ebook readers decreased. In Europe, sales of products such as LCD televisions and PCs increased while sales in the game business and sales of products such as home-use video cameras decreased. In Japan, sales of products such as LCD televisions, interchangeable single lens cameras, and small- and medium-sized LCD panels increased, while sales of products such as storage media decreased. In China, sales of products such as LCD televisions, optical disc drive products and PCs increased. In the Asia-Pacific Area, sales of products such as small- and medium-sized LCD panels and LCD televisions increased while sales of products such as optical disc drive products decreased. In Other Areas, sales of products such as LCD televisions increased.

Sony s LCD television sales in Japan increased approximately 42 percent in the fiscal year ended March 31, 2011. The increase was primarily as a result of both a program that provided consumers with a subsidy directly from the Japanese government after the purchase of qualifying products and enhanced demand resulting from the transition from analog to digital television broadcasting in Japan which was completed in July 2011. The contribution of these factors to the growth in television sales was partially offset by continued price competition. The government subsidy program expired on March 31, 2011.

Manufacturing by Geographic Area

Approximately 55 percent of the CPS and PDS segments combined total annual production during the fiscal year ended March 31, 2011 was in-house production and approximately 45 percent was outsourced production.

Approximately 50 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 60 percent of the annual in-house production in Japan was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 25 percent of the annual in-house production, with approximately 60 percent destined for Japan, the Americas, Europe and China. Production in China accounted for approximately 15 percent of the annual in-house production, approximately 50 percent of which was destined for other countries. Production in the Americas and Europe together accounted for approximately 10 percent of the annual in-house production, most of which was destined for local distribution and sale.

Pictures

Pictures segment results presented below are a yen-translation of the results of 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.

Sales for the fiscal year ended March 31, 2011 decreased 14.9 percent year-on-year, to 600.0 billion yen, primarily due to lower motion picture revenues and the appreciation of the yen against the U.S. dollar. On a U.S. dollar basis, sales for the fiscal year ended March 31, 2011 decreased approximately 8 percent. Motion picture revenues, also on a U.S. dollar basis, decreased approximately 13 percent year-on-year. While the fiscal year ended March 31, 2011 benefitted from the strong performances of *The Karate Kid*, *Grown Ups* and *Salt*, international theatrical and worldwide home entertainment revenues declined significantly in comparison to the fiscal year ended March 31, 2010 which included *2012*, *Angels & Demons* and *Michael Jackson s This Is It*. Television revenues, on a U.S. dollar basis, increased approximately 8 percent year-on-year, primarily due to higher subscription and advertising revenues from a number of SPE s television networks and higher U.S. revenues from the licensing of made-for-cable and syndication television product.

Operating income decreased 4.1 billion yen year-on-year, to 38.7 billion yen primarily due to the appreciation of the yen against the U.S. dollar. Operating income decreased by less than 1 percent on a U.S. dollar basis. This decrease was due to lower home entertainment revenues from motion picture catalog product and the theatrical underperformance of *How Do You Know*, substantially offset by the higher television revenues mentioned above.

In March 2011, SPE acquired an additional 5 percent equity interest and a controlling interest, including certain management rights, in GSN, which operates a U.S. cable network and online business. As a result, SPE s total equity interest in GSN increased to 40 percent. In accordance with the accounting guidance for business combinations achieved in stages, Sony remeasured the 35 percent equity interest in GSN that it owned prior to the acquisition at the fair value of such interest at the time control was obtained. This resulted in the recognition of a gain of 27.0 billion yen, which is included in operating income for the fiscal year ended March 31, 2011. Operating income for the fiscal year ended March 31, 2011 also includes a gain on the sale of SPE s remaining equity interest in a Latin American premium pay television business (HBO Latin America). The total gain recognized from these two transactions was 30.3 billion yen. Refer to Notes 24 and 25 to the notes to the consolidated financial statements.

In the fiscal year ended March 31, 2010, there were gains recognized from the sale of a portion of SPE s equity interest in both HBO Latin America and GSN, as well as from the sale of all of its equity interest in a Central European premium pay television business (HBO Central Europe). The total gain recognized from these sales was 30.3 billion yen.

As of March 31, 2011, unrecognized license fee revenue at SPE was approximately 1.5 billion U.S. dollars. SPE expects to record this amount in the future, having entered into contracts with television broadcasters to provide those broadcasters with completed motion picture and television products. The license fee revenue will be recognized in the fiscal year in which the product is made available for broadcast.

Music

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

Sales for the fiscal year ended March 31, 2011 decreased 9.9 percent year-on-year to 470.7 billion yen. This decrease was primarily due to the negative impact of the appreciation of the yen against the U.S. dollar, the especially strong performance of Michael Jackson product in the previous fiscal year and the continued contraction of the physical music market. Best selling titles during the fiscal year ended March 31, 2011 included ikimono-gakari s *IKIMONO BAKARI: MEMBERS BEST SELECTION*, Susan Boyle s *The Gift*, P!nk s *Greatest Hits So Far!!!*, Michael Jackson s *Michael* and music from the cast of the hit television show *Glee*.

Operating income increased 2.4 billion yen year-on-year to 38.9 billion yen. Despite the decrease in sales, operating income increased due to decreases in marketing, restructuring and overhead costs.

Financial Services

In Sony s Financial Services segment, the results include SFH and SFH s consolidated subsidiaries such as Sony Life, Sony Assurance Inc. and Sony Bank, as well as the results for SFI. Unless otherwise specified, all amounts are reported on a U.S. GAAP basis. 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.

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Financial services revenue for the fiscal year ended March 31, 2011 decreased 5.3 percent year-on-year to 806.5 billion yen, primarily due to a decrease in revenue at Sony Life. Revenue at Sony Life decreased 5.9 percent year-on-year to 696.7 billion yen, primarily due to a decrease in investment income. The decrease in revenue at Sony Life was partially offset by an increase in revenue from insurance premiums, reflecting a steady increase in policy amount in force.

Operating income decreased 43.7 billion yen year-on-year to 118.8 billion yen, primarily due to a decrease in operating income at Sony Life. Operating income at Sony Life decreased 48.9 billion yen year-on-year to 117.7 billion yen. The decrease was mainly due to recording of net valuation gains from investments in convertible bonds in the general account in the fiscal year ended March 31, 2010 resulting from a significant rise in the Japanese stock market, and an increase in the provision of policy reserves for variable insurance in the separate account in the fiscal year ended March 31, 2011, driven primarily by a decline in the Japanese stock market.

Information of Operations Separating Out the Financial Services Segment

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

	Fiscal year ended March 31	
Financial Services segment	2010	**2011**
	(Yen in millions)	
Financial services revenue	851,396	**806,526**
Financial services expenses	687,559	**685,747**
Equity in net loss of affiliated companies	(1,345)	**(1,961)**
Operating income	162,492	**118,818**
Other income (expenses), net	(966)	**868**
Income before income taxes	161,526	**119,686**
Income taxes and other	54,721	**48,570**
Net income of Financial Services	106,805	**71,116**

	Fiscal year ended March 31	
Sony without the Financial Services segment	2010	**2011**
	(Yen in millions)	
Net sales and operating revenue	6,381,094	**6,388,759**
Costs and expenses	6,484,642	**6,326,233**
Equity in net income (loss) of affiliated companies	(28,890)	**16,023**
Operating income (loss)	(132,438)	**78,549**
Other income, net	1,836	**10,790**
Income (loss) before income taxes	(130,602)	**89,339**
Income taxes and other	(34,081)	**387,375**
Net loss of Sony without Financial Services	(96,521)	**(298,036)**

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Consolidated	Fiscal year ended March 31 2010	2011
	(Yen in millions)	
Financial services revenue	838,300	**798,495**
Net sales and operating revenue	6,375,698	**6,382,778**
	7,213,998	**7,181,273**
Costs and expenses	7,151,991	**6,995,514**
Equity in net income (loss) of affiliated companies	(30,235)	**14,062**
Operating income	31,772	**199,821**
Other income (expenses), net	(4,860)	**5,192**
Income before income taxes	26,912	**205,013**
Income taxes and other	67,714	**464,598**
Net loss attributable to Sony Corporation s Stockholders	(40,802)	**(259,585)**

Sony Mobile Communications

As noted above, On February 15, 2012, Sony acquired Ericsson s 50 percent equity interest in Sony Ericsson and it became a wholly-owned subsidiary of Sony. Through that date, Sony Ericsson s operating results were accounted for under the equity method and were not consolidated in Sony s consolidated financial statements, as Sony Corporation s ownership percentage of Sony Ericsson was 50 percent. Sony Mobile aggregates the results of its worldwide subsidiaries on a euro basis. The following euro-based results of Sony Mobile do not include the impact of the acquisition, principally excluding the impact of purchase accounting adjustments Sony believes that the following euro-based discussions provide additional useful analytical information to investors regarding Sony s operating performance.

Sales for the year ended March 31, 2011 decreased 6.5 percent year-on-year to 6,034 million euro. This decrease was due to a decline in unit shipments as a result of a focus on high-end smartphones and a reduction in the size of the product portfolio. Income before taxes of 133 million euro was recorded for the current year, compared to a loss before taxes of 654 million euro in the previous year. This improvement was mainly due to the positive impact of a rise in the average selling price, a favorable product mix and improved cost structure. In addition, there was a benefit relating to the reversal of warranty reserves.

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As a result, Sony recorded equity in net income of Sony Ericsson of 4.2 billion yen for the current fiscal year, compared to equity in net loss of 34.5 billion yen in the previous fiscal year.

All Other

Sales for the fiscal year ended March 31, 2011 decreased 2.8 percent year-on-year, to 447.8 billion yen. The decrease in sales is mainly due to unfavorable foreign exchange rates and lower sales in the disc manufacturing business.

Operating income of 7.1 billion yen was recorded for the fiscal year ended March 31, 2011, compared to a loss of 5.0 billion yen in the previous fiscal year. This improvement was mainly due to the fact that there were charges related to the withdrawal from the property management operation of an entertainment complex in Japan and the termination payments of the property lease contract in the previous fiscal year. In addition, losses from an unprofitable measuring systems business that were incurred in the previous fiscal year were not incurred in the fiscal year ended March 31, 2011 due to the sale of that business, which also contributed to the segment results improvement. The sale was completed at the end of March 2010.

Restructuring

As the global economy experienced a sharp downturn following the autumn of 2008, Sony announced major restructuring initiatives in January 2009. Sony continued to implement its restructuring initiatives during the

fiscal year ended March 31, 2011. These initiatives included a review of Sony group s investment plan, the realignment of its manufacturing sites, the reallocation of its workforce, and headcount reductions, in order to reform Sony s operational structure and achieve improvements in competitiveness and profitability.

In the fiscal year ended March 31, 2011, Sony recorded restructuring charges of 67.1 billion yen, which includes 4.8 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 124.3 billion yen of restructuring charges recorded in the previous fiscal year. There were 7.9 billion yen of non-cash charges related to depreciation associated with restructured assets in the previous fiscal year. Restructuring charges decreased by 57.3 billion yen or 46.1 percent year-on-year, as Sony implemented the major part of its fixed cost and total asset reduction plan in the previous fiscal year. Of the total 67.1 billion yen incurred in the fiscal year ended March 31, 2011, 38.3 billion yen were personnel related costs, primarily included in SGA expenses in the consolidated statements of income. These personnel related costs decreased 41.3 percent, compared to the previous fiscal year. Sony s total manufacturing sites were reduced from 57 sites as of December 31, 2008 to 46 sites as of March 31, 2010, and then to 41 sites as of March 31, 2011. As a result, Sony has been consolidating its manufacturing operations and increasingly utilizing the services of third-party OEMs and third-party ODMs.

Restructuring charges for the fiscal year ended March 31, 2011 were recorded mainly in the CPS segment. In the CPS segment, restructuring charges amounted to 28.7 billion yen, which includes 3.2 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 37.3 billion yen of restructuring charges recorded in the fiscal year ended March 31, 2010. Charges in the fiscal year ended March 31, 2010 included 7.9 billion yen of non-cash charges related to depreciation associated with restructured assets. In the fiscal year ended March 31, 2011, the CPS segment recorded 14.0 billion yen of restructuring charges related to personnel costs, comprising 36.7 percent of the total 38.3 billion yen personnel costs recorded on a consolidated basis. The CPS segment s restructuring charges included expenses of 11.6 billion yen related to the transfer to third parties of the Barcelona factory in Europe and the impairment of related assets (executed in January 2011). With respect to television operations, Sony ceased manufacturing operations during the previous fiscal year at its Sony EMCS Corporation s Ichinomiya TEC and at its Sony Baja California, S.A. de C.V. s Mexicali factory and completed the transfer to the Hon Hai Group of 90.0 percent of Sony s equity interest in Sony Baja California and certain manufacturing assets related to LCD televisions at Sony Baja California s Tijuana Factory in Mexico, which mainly manufactures LCD televisions for the Americas region. The Tijuana Factory remains a key manufacturing site of Sony LCD televisions for the Americas region. In the fiscal year ended March 31, 2011, Sony completed the transfer to the Hon Hai Group of 90.1 percent of Sony s equity interest in the Nitra Factory in Slovakia and the transfer to Ficosa International, S.A. and COMSA EMTE SL of Sony Espana S.A. s Barcelona Technology Center. The Nitra plant remains a key manufacturing site of LCD televisions for the European region.

In all segments, excluding the CPS segment, restructuring charges were recorded mainly due to headcount reductions through early retirement programs.

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

Foreign Exchange Fluctuations and Risk Hedging

During the fiscal year ended March 31, 2011, the average rates of the yen were 84.7 yen against the U.S. dollar and 111.6 yen against the euro, which were 8.4 percent and 16.2 percent higher, respectively, than the previous fiscal year.

For the fiscal year ended March 31, 2011, consolidated sales were 7,181.3 billion yen, a decrease of 0.5 percent year-on-year, while on a constant currency basis, sales increased 6 percent year-on-year. For references to information on a constant currency basis, see Note at the bottom of this section.

Consolidated operating income increased 168.0 billion yen year-on-year to 199.8 billion yen in the fiscal year ended March 31, 2011 despite the large unfavorable impact of foreign exchange rates of approximately

98 billion yen. Operating income increased by approximately 6.3 times the operating income in the fiscal year ended March 31, 2010, while it would have increased by approximately 9.4 times the operating income in the fiscal year ended March 31, 2010 on a constant currency basis.

Most of the unfavorable foreign exchange rate impact on consolidated operating income was attributable to the CPS and PDS segments. In the CPS segment, sales increased 3.7 percent year-on-year to 3,849.8 billion yen, while sales increased approximately 11 percent on a constant currency basis. Operating income of 10.8 billion yen was recorded in the fiscal year ended March 31, 2011, compared to a loss of 101.4 billion yen in the fiscal year ended March 31, 2010. The impact of foreign exchange rate changes was a decrease of approximately 55 billion yen in operating income. In the PDS segment, sales decreased 1.0 percent year-on-year to 1,503.3 billion yen, while sales increased approximately 8 percent on a constant currency basis. Operating income of 27.7 billion yen was recorded in the fiscal year ended March 31, 2011, compared to a loss of 35.4 billion yen in the fiscal year ended March 31, 2010. The impact of foreign exchange rate changes during the fiscal year was a decrease of approximately 51 billion yen in operating income. For a detailed analysis of segment performance that discusses the impact of foreign exchange rates separately within categories when material, please refer to Consumer, Products & Services and Professional & Device Solution segments under *Operating Performance by Business Segment*.

During the fiscal year ended March 31, 2011, Sony estimated that a one yen appreciation against the U.S. dollar decreased consolidated sales by approximately 44 billion yen, with a corresponding decrease in operating income of approximately 2 billion yen. 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 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 7 billion yen.

In addition, sales for the Pictures segment decreased 14.9 percent year-on-year to 600.0 billion yen, while sales decreased approximately 8 percent on a constant currency (U.S. dollar) basis. In the Music segment, sales decreased 9.9 percent year-on-year to 470.7 billion yen, while sales decreased approximately 5 percent on a constant currency basis. For a detailed analysis of segment performance, please refer to Pictures and Music segments under *Operating Performance by Business Segment*. Sony s Financial Services segment consolidates the yen-based results of SFH and the yen-based results for Sony SFI. 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.

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. The concentration of foreign exchange exposures at SGTS means that, in effect, SGTS hedges most of the net foreign exchange exposure of Sony Corporation, its subsidiaries and affiliated companies. SGTS in turn 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 on average three months before the actual transactions take place. However, in certain cases SGTS partially hedges the projected exposures one month before the actual transactions take place when business requirements such as shorter production-sales cycles for certain products arise. 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 CPS and PDS 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, 2011 were 1,533.6 billion yen and a liability of 5.1 billion yen, respectively.

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 previous fiscal year to local currency-denominated monthly sales in the current fiscal year. The impact of foreign exchange rate fluctuations on operating income (loss) described herein is estimated by deducting cost 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 previous fiscal year to the corresponding local currency-denominated monthly cost of sales and SGA expenses in the current fiscal year. 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, 2012 increased by 384.5 billion yen, or 3.0 percent year-on-year, to 13,295.7 billion yen. Total assets as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased by 269.4 billion yen, or 4.5 percent year-on-year, to 5,781.9 billion yen. This decrease is primarily due to a decrease in deferred tax assets due to the recording of valuation allowances and a decrease in cash and cash equivalents due to lower net cash inflow in operating activities, partially offset by an increase in assets due to the consolidation of Sony Ericsson as a wholly-owned subsidiary from February 16, 2012. Total assets as of March 31, 2012 in the Financial Services segment increased by 617.0 billion yen, or 8.7 percent year-on-year, to 7,679.4 billion yen mainly as a result of the expansion of business at Sony Life.

Current Assets

Current assets as of March 31, 2012 decreased by 89.1 billion yen, or 2.3 percent year-on-year, to 3,755.0 billion yen. Current assets as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased by 140.8 billion yen, or 4.8 percent, year-on-year to 2,766.3 billion yen.

Cash and cash equivalents as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased 128.0 billion yen, or 15.1 percent year-on-year, to 719.4 billion yen. This was primarily due to lower net cash inflow in operating activities and to higher net cash outflow in investing activities in the fiscal year ended March 31, 2012. Refer to Cash Flows below.

Notes and accounts receivable, trade (net of allowances for doubtful accounts and sales returns) as of March 31, 2012, excluding the Financial Services segment, increased 26.4 billion yen, or 3.6 percent year-on-year, to 768.7 billion yen, mainly due to the consolidation of Sony Ericsson, partially offset by lower sales in the CPS and PDS segments.

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Other current assets as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased 39.6 billion yen, or 3.0 percent year-on-year, to 1,274.8 billion yen, mainly due to a decrease in deferred tax assets as a result of a valuation allowance recorded against certain deferred tax assets. Refer to Note 21 to the notes to consolidated financial statements.

Inventories as of March 31, 2012 increased by 3.0 billion yen, or 0.4 percent year-on-year, to 707.1 billion yen. This increase was primarily due to the consolidation of Sony Ericsson, partially offset by adjustments in production, mainly in LCD televisions resulting from lower sales.

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, 2012 was 1.93 months compared to 1.68 months at the end of the previous fiscal year.

Current assets as of March 31, 2012 in the Financial Services segment increased by 45.5 billion yen, or 4.8 percent year-on-year, to 1,002.3 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, 2012 increased by 426.8 billion yen, or 7.2 percent year-on-year, to 6,319.5 billion yen.

Investments and advances as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased by 169.4 billion yen, or 49.0 percent year-on-year, to 176.3 billion yen primarily due to sales of Sony s shares of S-LCD, as well as the elimination of Sony s investment account in Sony Ericsson in accordance with the consolidation of Sony Ericsson which was previously accounted for under the equity method.

Investments and advances as of March 31, 2012 in the Financial Services segment increased by 594.4 billion yen, or 10.7 percent year-on-year, to 6,174.8 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, 2012 increased by 6.1 billion yen, or 0.7 percent year-on-year, to 931.0 billion yen.

Property, plant and equipment as of March 31, 2012 in all segments, excluding the Financial Services segment, increased by 23.6 billion yen, or 2.6 percent year-on-year, to 918.4 billion yen. The increase in property, plant and equipment was mainly due to the consolidation of Sony Ericsson.

Capital expenditures (additions to property, plant and equipment) for the fiscal year ended March 31, 2012 increased by 90.2 billion yen, or 44.1 percent year-on-year, to 295.1 billion yen mainly due to investments in the semiconductor business.

Property, plant and equipment as of March 31, 2012 in the Financial Services segment decreased by 17.5 billion yen, or 58.2 percent year-on-year, to 12.6 billion yen mainly due to the sale of the leasing business at SFI.

Other Assets

Other assets as of March 31, 2012 increased by 46.0 billion yen, or 2.3 percent year-on-year, to 2,020.2 billion yen primarily due to a significant increase in intangible assets and goodwill as a result of the consolidation of Sony Ericsson, partially offset by a significant decrease in deferred tax assets due to the recording of valuation allowances. Refer to Note 24 to the notes to the consolidated financial statements.

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Liabilities

Total current and long-term liabilities as of March 31, 2012 increased by 830.3 billion yen, or 8.3 percent year-on-year, to 10,785.5 billion yen. Total current and long-term liabilities as of March 31, 2012 in all segments, excluding the Financial Services segment, increased by 274.6 billion yen, or 7.4 percent year-on-year, to 3,984.4 billion yen. Total current and long-term liabilities in the Financial Services segment as of March 31, 2012 increased by 518.8 billion yen, or 8.2 percent year-on-year, to 6,852.0 billion yen.

Current Liabilities

Current liabilities as of March 31, 2012 increased by 394.7 billion yen, or 9.5 percent year-on-year, to 4,530.0 billion yen.

Current liabilities as of March 31, 2012 in all segments, excluding the Financial Services segment, increased by 307.2 billion yen, or 13.5 percent year-on-year, to 2,580.5 billion yen.

Short-term borrowings and the current portion of long-term debt as of March 31, 2012 in all segments, excluding the Financial Services segment, increased by 247.2 billion yen, or 161.9 percent year-on-year, to 399.9 billion yen, primarily due to the transfer from long-term liabilities of the current portion of straight bonds that will mature during the fiscal year ending March 31, 2013.

Notes and accounts payable, trade as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased by 32.9 billion yen, or 4.2 percent year-on-year, to 758.7 billion yen primarily due to a decrease in procurement of raw materials resulting from the decrease in sales in the CPS and PDS segments.

Current liabilities as of March 31, 2012 in the Financial Services segment increased by 81.3 billion yen, or 4.3 percent year-on-year, to 1,963.1 billion yen, mainly due to an increase in deposits from customers at Sony Bank.

Long-term Liabilities

Long-term liabilities as of March 31, 2012 increased by 435.6 billion yen, or 7.5 percent year-on-year, to 6,255.6 billion yen.

Long-term liabilities as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased by 32.7 billion yen, or 2.3 percent year-on-year, to 1,403.9 billion yen. Long-term debt as of March 31, 2012 in all segments, excluding the Financial Services segment, decreased by 50.7 billion yen, or 6.3 percent year-on-year, to 748.7 billion yen. This decrease was primarily due to the above-mentioned transfer of the current portion of straight bonds to current liabilities, partially offset by the unsecured bank loan used to acquire Sony Ericsson. For further detail about the unsecured bank loan, please refer to Liquidity and Capital Resources in Item 5. *Operating and Financial Review and Prospects* ,

Long-term liabilities as of March 31, 2012 in the Financial Services segment increased by 437.5 billion yen, or 9.8 percent year-on-year, to 4,888.9 billion yen. This increase was primarily due to an 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, 2012 increased by 197.0 billion yen, or 20.2 percent year-on-year, to 1,172.6 billion yen. Total interest-bearing debt as of March 31, 2012 in all segments, excluding the Financial Services segment, increased by 196.5 billion yen, or 20.6 percent year-on-year, to 1,148.6 billion yen.

Redeemable Noncontrolling Interest

In March 2011, Sony acquired an additional 5 percent equity interest in GSN, resulting in Sony owning a 40 percent equity interest. As part of the acquisition, Sony obtained a controlling interest in GSN and as a result,

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consolidated GSN. Sony granted a put right to the other investor (the Current Investor) in GSN for an additional 18 percent interest in GSN. The put right is exercisable during three windows starting on April 1 of each of 2012, 2013 and 2014 and lasting for 60 business days (each such period, a Trigger Window). In the event that GSN s audited financial statements for the most recent completed calendar year are not available on April 1, the Trigger Window shall commence on the day when GSN s audited financial statements are delivered to the Current Investor. As of June 26, 2012, GSN s audited financial statements for the year ended December 31, 2011 had not been delivered to the Current Investor. The exercise price of the put is calculated using a formula based on an agreed upon multiple of the earnings of GSN with a minimum price of 234 million U.S. dollars and a maximum price of 288 million U.S. dollars. The portion of the noncontrolling interest that can be put to Sony is accounted for as redeemable securities because redemption is outside of Sony s control and is reported in the mezzanine equity section in the consolidated balance sheet. Refer to Notes 24 and 27 to the notes to the consolidated financial statements.

Sony Corporation s Stockholders Equity

Sony Corporation s stockholders equity as of March 31, 2012 decreased by 519.1 billion yen, or 20.4 percent year-on-year, to 2,028.9 billion yen. Retained earnings decreased by 481.8 billion yen, or 30.8 percent year-on-year, to 1,084.5 billion yen as a result of the recording of 456.7 billion yen in net loss attributable to Sony Corporation s stockholders. Accumulated other comprehensive income deteriorated by 37.9 billion yen, or 4.7 percent year-on-year, to a loss of 842.1 billion yen primarily due to the recording of 34.7 billion yen of pension liability adjustments. The ratio of Sony Corporation s stockholders equity to total assets decreased 4.5 percentage points year-on-year, from 19.7 percent to 15.3 percent.

Information of Financial Position Separating Out the Financial Services Segment

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

Financial Services segment

	March 31	
	2011	**2012**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	167,009	**175,151**
Marketable securities	643,171	**677,543**
Notes and accounts receivable, trade	5,933	**5,678**
Other	140,633	**143,903**
	956,746	**1,002,275**
Investments and advances	5,580,418	**6,174,810**
Property, plant and equipment	30,034	**12,569**
Other assets:		
Deferred insurance acquisition costs	428,262	**441,236**
Other	66,944	**48,472**
	495,206	**489,708**
	7,062,404	**7,679,362**

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	March 31	
	2011	**2012**
	(Yen in millions)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	23,191	**18,781**
Notes and accounts payable, trade	1,705	
Deposits from customers in the banking business	1,647,752	**1,761,137**
Other	209,168	**183,172**
	1,881,816	**1,963,090**
Long-term liabilities:		
Long-term debt	16,936	**17,145**
Accrued pension and severance costs	13,925	**15,340**
Future insurance policy benefits and other	4,225,373	**4,658,487**
Other	195,115	**197,894**
	4,451,349	**4,888,866**
Stockholders equity of Financial Services	727,955	**825,499**
Noncontrolling interests	1,284	**1,907**
	7,062,404	**7,679,362**

Sony without the Financial Services segment

	March 31	
	2011	**2012**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	847,403	**719,425**
Marketable securities	3,000	**3,370**
Notes and accounts receivable, trade	742,297	**768,697**
Other	1,314,419	**1,274,826**
	2,907,119	**2,766,318**
Film costs	275,389	**270,048**
Investments and advances	345,660	**176,270**
Investments in Financial Services, at cost	115,806	**115,773**
Property, plant and equipment	894,834	**918,429**
Other assets	1,512,523	**1,535,075**
	6,051,331	**5,781,913**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	152,664	**399,882**
Notes and accounts payable, trade	791,570	**758,680**
Other	1,329,061	**1,421,947**
	2,273,295	**2,580,509**
Long-term liabilities:		
Long-term debt	799,389	**748,689**
Accrued pension and severance costs	257,395	**294,035**

Other	379,752	**361,161**
	1,436,536	**1,403,885**
Redeemable noncontrolling interest	19,323	**20,014**
Stockholders equity of Sony without Financial Services	2,217,106	**1,651,856**
Noncontrolling interests	105,071	**125,649**
	6,051,331	**5,781,913**

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Consolidated

	March 31	
	2011	**2012**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	1,014,412	**894,576**
Marketable securities	646,171	**680,913**
Notes and accounts receivable, trade	743,690	**769,915**
Other	1,439,773	**1,409,558**
	3,844,046	**3,754,962**
Film costs	275,389	**270,048**
Investments and advances	5,892,655	**6,319,476**
Property, plant and equipment	924,868	**930,998**
Other assets:		
Deferred insurance acquisition costs	428,262	**441,236**
Other	1,545,902	**1,578,947**
	1,974,164	**2,020,183**
	12,911,122	**13,295,667**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	163,351	**410,361**
Notes and accounts payable, trade	793,275	**758,680**
Deposits from customers in the banking business	1,647,752	**1,761,137**
Other	1,530,921	**1,599,803**
	4,135,299	**4,529,981**
Long-term liabilities:		
Long-term debt	812,235	**762,226**
Accrued pension and severance costs	271,320	**309,375**
Future insurance policy benefits and other	4,225,373	**4,658,487**
Other	510,993	**525,477**
	5,819,921	**6,255,565**
Redeemable noncontrolling interest	19,323	**20,014**
Sony Corporation s stockholders equity	2,547,987	**2,028,891**
Noncontrolling interests	388,592	**461,216**
	12,911,122	**13,295,667**

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Investments

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

	March 31, 2012			
	Cost	Unrealized gain	Unrealized loss	Fair market value
	(Yen in millions)			
Financial Services Business:				
Available-for-sale				
Debt securities				
Sony Life	864,620	54,827		919,447
Sony Bank	884,430	8,128	(8,140)	884,418
Other	9,583	68	(16)	9,635
Equity securities				
Sony Life	30,304	6,516	(141)	36,679
Sony Bank				
Other	719		(119)	600
Held-to-maturity				
Debt securities				
Sony Life	3,407,776	157,410	(4,499)	3,560,687
Sony Bank	12,940	615		13,555
Other	73,765	1,502		75,267
Total Financial Services	5,284,137	229,066	(12,915)	5,500,288
Non-Financial Services:				
Available-for-sale securities	35,374	46,767	(1,270)	80,871
Held-to-maturity securities				
Total Non-Financial Services	35,374	46,767	(1,270)	80,871
Consolidated	5,319,511	275,833	(14,185)	5,581,159

At March 31, 2012, Sony Life had debt and equity securities which had gross unrealized losses of 4.5 billion yen and 0.1 billion yen, respectively. Of the unrealized loss, 97.0 percent related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2012. Sony Life principally invests in debt securities in various industries. Almost all of the debt securities in which Sony Life invested were rated BBB or higher by Standard & Poor s Ratings Services (S&P), Moody s Investors Service (Moody s) or other rating agencie

At March 31, 2012, Sony Bank had debt securities which had gross unrealized losses of 8.1 billion yen. Of the unrealized loss, 12.3 percent related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2012. Sony Bank principally invests in Japanese government bonds, Japanese corporate bonds and foreign bonds. Almost all of these securities were rated BBB or higher 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 declines in value were observed to be small both in amounts and percentage, and therefore, the decline in value for those investments was still determined to be temporary in nature.

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For fixed maturity securities with unrecognized losses held by Sony Life as of March 31, 2012 (4.5 billion yen), all of which are long-term Japanese national government bonds, maturity dates vary as follows:

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

For fixed maturity securities with unrecognized losses held by Sony Bank as of March 31, 2012 (8.1 billion yen), maturity dates vary as follows:

Within 1 year:	39.2 percent
1 to 5 years:	47.0 percent
5 to 10 years:	13.8 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, 2012 was 93.1 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, 2010, 2011 and 2012, total realized impairment losses were 5.5 billion yen, 9.8 billion yen and 5.5 billion yen, respectively, of which 2.6 billion yen, 2.1 billion yen and 1.9 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. Sony Life and Sony Bank account for approximately 82 percent and 16 percent of the investments in the Financial Services segment, respectively.

Cash Flows

(The fiscal year ended March 31, 2012 compared with the fiscal year ended March 31, 2011)

Operating Activities: For the fiscal year ended March 31, 2012, there was a net cash inflow of 519.5 billion yen from operating activities, a decrease of 96.7 billion yen, or 15.7 percent year-on-year.

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For all segments excluding the Financial Services segment, there was a net cash inflow of 176.1 billion yen for the fiscal year ended March 31, 2012, a decrease of 79.7 billion yen, or 31.2 percent year-on-year. This decrease was mainly due to the negative impact of a deterioration in cash from net loss after taking into account adjustments (including depreciation and amortization, deferred income taxes, equity in net income (loss) of affiliated companies and other operating (income) expenses) and a smaller decrease in notes and accounts receivable, trade. This decrease was partially offset by the positive impact of a decrease in inventories as compared to an increase in the previous fiscal year. During the third quarter ended December 31, 2011, there was a receipt of a 50.6 billion yen advance payment from a commercial customer, and during the fourth quarter ended March 31, 2012 there was a receipt of insurance proceeds related primarily to business interruption claims of 6.0 billion yen related to the Great East Japan Earthquake and of 26.9 billion yen related to the Floods.

The Financial Services segment had a net cash inflow of 350.9 billion yen, a decrease of 18.6 billion yen, or 5.0 percent year-on-year. This decrease was primarily due to an increase in receivables, other, included in other current assets, as a result of outsourcing the collection of Sony Life insurance premiums to a third-party agency. This was partially offset by an increase in receipts from insurance premiums, reflecting higher policy amounts in force at Sony Life.

Investing Activities: During the fiscal year ended March 31, 2012, Sony used 882.9 billion yen of net cash in investing activities, an increase of 168.4 billion yen, or 23.6 percent year-on-year.

For all segments excluding the Financial Services segment, 321.5 billion yen was used, an increase of 184.0 billion yen, or 133.7 percent year-on-year. This increase was primarily due to an increase in the purchase of semiconductor manufacturing equipment in the fiscal year ended March 31, 2012 and a payment for the purchase of Ericsson s equity interest in Sony Ericsson. This was partially offset by proceeds from the sale of Sony s shares of S-LCD. During the fourth quarter ended March 31, 2012, there was a receipt of insurance proceeds related to fixed assets of 9.0 billion yen related to the Great East Japan Earthquake and of 23.5 billion yen related to the Floods.

The Financial Services segment used 555.3 billion yen of net cash, an increase of 2.4 billion yen, or 0.4 percent year-on-year. This increase was mainly due to proceeds from the deconsolidation of a leasing and rental business at SFI in the previous fiscal year, partially offset by a smaller increase year-on-year in net payments for investments associated with portfolio changes in the securities investments held by 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, 2012 was 145.4 billion yen, a 263.7 billion yen deterioration from cash generated in the fiscal year ended March 31, 2011.

Financing Activities: During the fiscal year ended March 31, 2012, 257.3 billion yen of net cash was generated by financing activities, compared to 10.1 billion yen of net cash used in the previous fiscal year.

For all segments excluding the Financial Services segment, there was a 31.3 billion yen net cash inflow, compared to a 186.9 billion yen net cash outflow in the previous fiscal year. This was primarily due to borrowings from banks, including 111.0 billion yen of unsecured bank loans which were used for acquiring Ericsson s 50 percent equity interest in Sony Ericsson, and the issuance of long-term corporate bonds during the fiscal year ended March 31, 2012. In the Financial Services segment, financing activities generated 212.6 billion yen of net cash, an increase of 68.9 billion yen, or 47.9 percent year-on-year. This increase was primarily due to smaller repayments of long-term debt and an increase in short-term borrowings compared to a decrease in the previous fiscal year. During the fiscal year ended March 31, 2012, there was an issuance of 10.0 billion yen of corporate bonds of SFH.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2012 was 894.6 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 719.4 billion yen at March 31, 2012, a decrease of 128.0 billion yen, or 15.1 percent, compared to the balance as of March 31, 2011. Sony believes it continues to maintain sufficient liquidity through access to a total, translated into yen, of 771.7

billion yen of unused committed lines of credit with financial institutions. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 175.2 billion yen at March 31, 2012, an increase of 8.1 billion yen, or 4.9 percent, compared to the balance as of March 31, 2011.

* 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 of 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	
	2011	2012
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	616.2	**519.5**
Net cash used in investing activities reported in the consolidated statements of cash flows	(714.4)	**(882.9)**
	(98.2)	**(363.3)**
Less: Net cash provided by operating activities within the Financial Services segment	369.5	**350.9**
Less: Net cash used in investing activities within the Financial Services segment	(552.9)	**(555.3)**
Eliminations**	33.1	**13.6**
Cash flow from operating and investing activities combined excluding the Financial Services segment s activities	118.3	**(145.4)**

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

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Information of Cash Flows Separating Out the Financial Services Segment

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

	Fiscal year ended March 31	
Financial Services segment	2011	**2012**
	(Yen in millions)	
Net cash provided by operating activities	369,458	**350,863**
Net cash used in investing activities	(552,889)	**(555,283)**
Net cash provided by financing activities	143,698	**212,562**
Net increase (decrease) in cash and cash equivalents	(39,733)	**8,142**
Cash and cash equivalents at beginning of the fiscal year	206,742	**167,009**
Cash and cash equivalents at end of the fiscal year	167,009	**175,151**

	Fiscal year ended March 31	
Sony without the Financial Services segment	2011	**2012**
	(Yen in millions)	
Net cash provided by operating activities	255,849	**176,120**
Net cash used in investing activities	(137,561)	**(321,547)**
Net cash provided by (used in) financing activities	(186,861)	**31,274**
Effect of exchange rate changes on cash and cash equivalents	(68,890)	**(13,825)**
Net increase (decrease) in cash and cash equivalents	(137,463)	**(127,978)**
Cash and cash equivalents at beginning of the fiscal year	984,866	**847,403**
Cash and cash equivalents at end of the fiscal year	847,403	**719,425**

	Fiscal year ended March 31	
Consolidated	2011	**2012**
	(Yen in millions)	
Net cash provided by operating activities	616,245	**519,539**
Net cash used in investing activities	(714,439)	**(882,886)**
Net cash provided by (used in) financing activities	(10,112)	**257,336**
Effect of exchange rate changes on cash and cash equivalents	(68,890)	**(13,825)**
Net increase (decrease) in cash and cash equivalents	(177,196)	**(119,836)**
Cash and cash equivalents at beginning of the fiscal year	1,191,608	**1,014,412**
Cash and cash equivalents at end of the fiscal year	1,014,412	**894,576**

Cash Flows

(The fiscal year ended March 31, 2011 compared with the fiscal year ended March 31, 2010)

Operating Activities: During the fiscal year ended March 31, 2011, there was a net cash inflow of 616.2 billion yen, a decrease of 296.7 billion yen, or 32.5 percent year-on-year.

For all segments, excluding the Financial Services segment, there was a net cash inflow of 255.8 billion yen for the fiscal year ended March 31, 2011, a decrease of 314.4 billion yen, or 55.1 percent year-on-year. This net cash inflow was mainly due to a cash contribution from net income after taking into account depreciation, amortization and deferred income taxes as well as a decrease in notes and accounts receivable, trade. The inflow was partially offset by an increase in inventories. The year-on-year decrease in net cash inflow was mainly due to a decrease in notes and accounts payable, trade and an increase of inventories, partially offset by an improvement in net income (loss) after taking into account depreciation, amortization and deferred income taxes and a decrease in notes and accounts receivable, trade.

The Financial Services segment had a net cash inflow of 369.5 billion yen, an increase of 21.4 billion yen, or 6.2 percent year-on-year. This net cash inflow was generated primarily due to an increase in revenue from insurance premiums as a result of a steady increase in policy amount in force at Sony Life. Compared with the previous fiscal year, net cash inflow increased primarily due to an increase in cash contribution from net income after excluding the impact of gains or losses on the revaluation of marketable securities held for trading purposes as well as on the revaluation or impairment of securities investments.

Investing Activities: During the fiscal year ended March 31, 2011, Sony used 714.4 billion yen of net cash in investing activities, a decrease of 31.6 billion yen, or 4.2 percent year-on-year.

For all segments, excluding the Financial Services segment, there was a use of 137.6 billion yen, a decrease of 110.3 billion yen, or 44.5 percent year-on-year. During the fiscal year ended March 31, 2011, net cash was used mainly for purchases of manufacturing equipment. The net cash used in investing activities decreased year-on-year primarily due to smaller purchases of manufacturing equipment.

The Financial Services segment used 552.9 billion yen of net cash, an increase of 77.2 billion yen, or 16.2 percent year-on-year. During the fiscal year ended March 31, 2011, payments for investments and advances, carried out primarily at Sony Life and Sony Bank, where operations are expanding, exceeded proceeds from the maturities of marketable securities, sales of securities investments and collections of advances. The net cash outflow during the fiscal year ended March 31, 2011 was partially offset by proceeds from the deconsolidation of a lease and rental business at SFI. The net cash used within the Financial Services segment increased year-on-year primarily due to a decrease in proceeds from the maturities of marketable securities, sales of securities investments and collections of advances.

In all segments, excluding the Financial Services segment, net cash generated by operating and investing activities combined* for the fiscal year ended March 31, 2011 was 118.3 billion yen, a decrease of 204.0 billion yen, or 63.3 percent year-on-year.

Financing Activities: During the fiscal year ended March 31, 2011, 10.1 billion yen of net cash was used in financing activities, compared to 365.0 billion yen generated in the previous fiscal year. For all segments, excluding the Financial Services segment, there was 186.9 billion yen of net cash outflow, compared to a net cash inflow of 98.6 billion yen in the previous fiscal year. This was primarily due to significantly higher levels of both issuances of long-term corporate bonds and borrowings from banks in the previous fiscal year. There were no comparable issuances or borrowings during the fiscal year ended March 31, 2011; in addition, there was 104.9 billion yen redemption of domestic straight bonds and a 52.0 billion yen repayment of a syndicated loan during the fiscal year ended March 31, 2011. In the Financial Services segment, financing activities generated 143.7 billion yen of net cash, a decrease of 94.9 billion yen, or 39.8 percent year-on-year, primarily due to a smaller increase in deposits from customers at Sony Bank and increased repayments of long-term debt.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2011 was 1,014.4 billion yen. Cash and cash equivalents of all segments, excluding the Financial Services segment, was 847.4 billion yen at March 31, 2011, a decrease of 137.5 billion yen, or 14.0 percent, compared with the balance as of March 31, 2010. Sony believes it continues to maintain sufficient liquidity through access to a total, translated into yen, of 755.2 billion yen of unused committed lines of credit with financial institutions in addition to the cash and cash equivalents balance at March 31, 2011. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 167.0 billion yen at March 31, 2011, a decrease of 39.7 billion yen, or 19.2 percent, compared with the balance as of March 31, 2010.

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* Sony has included the information for cash flow from operating and investing activities combined excluding the Financial Services segment s activities, as 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 of 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, secure liquidity on their 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	
	2010	**2011**
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	912.9	**616.2**
Net cash used in investing activities reported in the consolidated statements of cash flows	(746.0)	**(714.4)**
	166.9	**(98.2)**
Less: Net cash provided by operating activities within the Financial Services segment	348.0	**369.5**
Less: Net cash used in investing activities within the Financial Services segment	(475.7)	**(552.9)**
Eliminations**	27.7	**33.1**
Cash flow from operating and investing activities combined excluding the Financial Services segment s activities	322.3	**118.3**

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

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Information of Cash Flows Separating Out the Financial Services Segment

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

Financial Services segment	**Fiscal year ended March 31** 2010	**2011**
	(Yen in millions)	
Net cash provided by operating activities	348,033	**369,458**
Net cash used in investing activities	(475,720)	**(552,889)**
Net cash provided by financing activities	238,635	**143,698**
Net increase (decrease) in cash and cash equivalents	110,948	**(39,733)**
Cash and cash equivalents at beginning of the fiscal year	95,794	**206,742**
Cash and cash equivalents at end of the fiscal year	206,742	**167,009**

Sony without the Financial Services segment	**Fiscal year ended March 31** 2010	**2011**
	(Yen in millions)	
Net cash provided by operating activities	570,222	**255,849**
Net cash used in investing activities	(247,897)	**(137,561)**
Net cash provided by (used in) financing activities	98,644	**(186,861)**
Effect of exchange rate changes on cash and cash equivalents	(1,098)	**(68,890)**
Net increase (decrease) in cash and cash equivalents	419,871	**(137,463)**
Cash and cash equivalents at beginning of the fiscal year	564,995	**984,866**
Cash and cash equivalents at end of the fiscal year	984,866	**847,403**

Consolidated	**Fiscal year ended March 31** 2010	**2011**
	(Yen in millions)	
Net cash provided by operating activities	912,907	**616,245**
Net cash used in investing activities	(746,004)	**(714,439)**
Net cash provided by (used in) financing activities	365,014	**(10,112)**
Effect of exchange rate changes on cash and cash equivalents	(1,098)	**(68,890)**
Net increase (decrease) in cash and cash equivalents	530,819	**(177,196)**
Cash and cash equivalents at beginning of the fiscal year	660,789	**1,191,608**
Cash and cash equivalents at end of the fiscal year	1,191,608	**1,014,412**

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 and So-net, which secure liquidity on their own. Furthermore, the Financial Services segment is described separately at the end of this section.

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Liquidity Management and Market Access

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

Funding requirements that arise from maintaining liquidity are principally covered by cash flow from operating and investing activities 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 became 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 March 2012, Sony Corporation executed a 1,365 million U.S. dollar unsecured loan (having six and ten-year maturity terms) in connection with acquiring Ericsson s 50 percent equity interest in Sony Ericsson and other payments to Ericsson. In addition, Sony Corporation issued domestic straight bonds in Japan totaling 55 billion yen (having five and ten- year maturity terms) for redemption of domestic bonds. For further details, please refer to Note 11 to the notes to the consolidated financial statements.

In order to meet working capital requirements, Sony Corporation and SGTS maintain CP programs which have the ability to access the Japanese, the U.S. and European CP markets, subject to prevailing market conditions. As of March 31, 2012, the CP program limit amounts, translated into yen, were 746.6 billion yen in total for Sony Corporation and SGTS. There were no amounts outstanding under the CP programs as of March 31, 2012, although the largest month-end outstanding balance of CP during the fiscal year ended March 31, 2012 was 150.0 billion yen in November 2011.

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 771.7 billion yen in unused committed lines of credit, as of March 31, 2012. 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 2014, a 1.5 billion U.S. dollar multi-currency committed line of credit also with a syndicate of Japanese banks, effective until December 2013, and a 1.87 billion U.S. dollar multi-currency committed line of credit contracted with a syndicate of foreign banks, effective until April 2012, in all of which Sony Corporation and SGTS are defined as borrowers. On April 3, 2012, the latter committed line was renewed and will remain effective until April 2015 and the amount of the line of credit was increased to 2.02 billion U.S. dollars. These contracts are aimed at securing sufficient liquidity in a quick and stable manner even in the event of turmoil within the financial and capital markets.

In the event of a downgrade in Sony s credit ratings, even though the cost of some of those borrowings could increase, there are no financial covenants in any of Sony s material financial agreements with financial institutions that would cause an acceleration of the obligation or any impairment on the ability to drawdown 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 to the notes to 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 and S&P. In addition, Sony maintains a rating from Rating and Investment Information, Inc. (R&I), a rating agency in Japan, for access to the Japanese capital markets.

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 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, and semiconductor, device, and software technologies, which are essential for product differentiation and for creating value-added products.

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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 Ericsson due to the consolidation of the amounts previously accounted for under the equity method. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) increased from 6.7 percent to 7.7 percent. Expenses in the CPS segment increased 2.3 billion yen, or 1.1 percent year-on-year, to 218.5 billion yen and expenses in the PDS segment decreased 9.4 billion yen, or 5.6 percent year-on-year, to 157.7 billion yen. Consolidated research and development costs for the fiscal year ending March 31, 2013 are expected to increase by 10.7 percent to 480 billion yen.

Research and development costs for the fiscal year ended March 31, 2011 decreased by 5.2 billion yen, or 1.2 percent year-on-year, to 426.8 billion yen. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) decreased from 6.8 percent to 6.7 percent.

Research and development costs for the fiscal year ended March 31, 2010 decreased by 65.3 billion yen, or 13.1 percent year-on-year, to 432.0 billion yen. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) decreased from 6.9 percent to 6.8 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 economies of developed countries suffered a major setback during 2011 due to the Great East Japan Earthquake, the Floods and disruptions of the euro zone financial markets. While there were some signs of recovery in the U.S. and Japan, the economic recovery in developed countries in general remains uncertain, mainly due to the continuing euro zone crisis. In contrast, the economies of emerging countries continue to experience economic growth, though at a slower pace.

The most pressing issue that Sony faces is managing the turnaround of its electronics businesses. Under the new management team established on April 1, 2012, Sony developed a plan to revitalize and grow its electronics businesses in order to place those businesses on the same stable business foundations as the entertainment and financial service businesses. Sony plans to proactively execute the following five key initiatives.

1. Strengthening core areas (digital imaging, game, mobile)

Sony is positioning digital imaging, game and mobile as the three main focus areas of its electronics businesses and plans to concentrate investment and technology development resources in these areas.

Digital Imaging Sony is reinforcing its development of image sensors, signal processing technologies, lenses and other key digital imaging technologies, and plans to leverage these technologies in both its consumer electronics products (e.g., compact digital cameras, video cameras, and interchangeable single lens cameras) and broadcast and professional-use products (e.g., cameras for television broadcast networks and security cameras) in order to further strengthen and differentiate Sony s overall product line. Sony also plans to extend the use of these key technologies across a wide range of business applications, from security to medical, to further expand the scope of its digital imaging-related business areas.

Game In the game business, Sony continues to expand the hardware and software offerings of the PS3 and PS Vita, as well as expand the PlayStation®Network (PSN) and the range of accessories and peripherals. With respect to PSN, Sony aims to expand services by enriching its catalog of downloadable game software and constant fee subscription services and by expanding the lineup of PlayStation®Suite compatible devices and content.

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Mobile In the mobile businesses, Sony is integrating the R&D, design engineering and sales and marketing operations of its smartphone business, which is operated by Sony Mobile, with the tablet and PC businesses in order to quickly develop and deliver compelling products to market. Sony also plans to leverage its technologies in areas such as digital imaging and the game business, its content including pictures, music and game software, its Sony Entertainment Network (SEN) network service platform, and its communications technology expertise and knowledge accumulated through its experience in the mobile phone industry, to launch new mobile products and establish new business models. Sony will also pursue efficient and optimum operations for mobile products through the integration mentioned above.

2. Turning around the television business

Sony is already engaged in a comprehensive television profitability improvement plan (announced on November 2, 2011), which aims to return the television business to profitability in the fiscal year ending March 31, 2014, and Sony intends to accelerate these measures going forward. The sale of Sony s share in its LCD panel manufacturing joint venture with Samsung has been completed, resulting in panel-related cost reductions. Additionally, Sony is taking measures to change the business structure, such as improving the efficiency of design engineering and reducing the number of product models. With regards to LCD televisions, Sony is taking additional steps to enhance the image and audio quality and to tailor its product offering to meet specific regional market needs and establish attractive product lines. Going forward, Sony intends to advance the development and commercialization of next-generation display technologies such as OLED, as well as enhance the integration of televisions with Sony s mobile products, with content such as movies and music, and with other assets across Sony to improve product competitiveness, drive hardware differentiation and enhance the attractiveness of Sony s television lineup.

3. Expanding business in emerging markets

Sony plans to leverage its global operations and brand strength to drive sales growth in rapidly expanding emerging markets. Sony has already established strong foundations in emerging markets. For instance, in India and Mexico, among others, Sony has secured large shares of the regional consumer AV/IT markets. Sony will continue to concentrate its sales and marketing resources, and expects to strengthen sales operations, introduce products tailored to local needs and leverage Sony s entertainment assets, including its pictures and music businesses, to further enhance Sony s market presence in emerging markets.

4. Creating new businesses and accelerating innovation

Sony will continue to aggressively promote innovation intended to deliver mid- to long-term growth, as well as the development of differentiating technologies that enhance core product value. For example, Sony is targeting mid- to long-term growth in the medical and 4K businesses. In the medical business Sony has already launched a range of medical peripherals such as printers, monitors, cameras, recorders. Sony also plans to enter the medical equipment business, where its strengths in various core digital imaging technologies offer significant competitive advantages in applications such as endoscopes. Furthermore, Sony plans to enter the life science business where it can leverage its expertise in technologies such as semiconductor lasers, image sensors and micro fabrication. Sony is also drawing on its comprehensive strengths in audio and visual technologies to aggressively promote the growth of 4K technology, which delivers more than four times the resolution of Full HD. Incorporation of Sony-developed technologies, such as image sensors, image processing compression LSIs and high-speed optical transmission modules into its professional-use and high-end consumer products will pave the way for Sony to continue to expand and enrich its 4K-compatible product lineup.

5. Realigning the business portfolio and optimizing resources

Sony is accelerating its ongoing process of business selection and focus, and is concentrating its investments in expanding manufacturing capacity of core areas such as image sensors and aggressive strategic investment in development or M&A relating to new business areas such as the medical business. Sony will determine the best strategy for other existing businesses, including proactive consideration of alliances and business transfers in order to optimize its overall business portfolio.

In addition to this business portfolio realignment, as Sony moves to strengthen its core areas and shift resources to growth areas, it will also restructure its headquarters, subsidiaries and sales company organizations as appropriate in order to further enhance operational efficiencies.

Sony s operating results for the fiscal year ended March 31, 2012 saw a significant negative impact from the Great East Japan Earthquake and the Floods. These events caused direct damage to Sony s manufacturing sites, disruptions in industry-wide supply chains due to shortages of raw materials, parts and components, as well as lower demand from commercial customers. However, the impact of these events was almost completely mitigated by the end of March 2012, primarily due to rapid restoration of manufacturing operations within the Sony Group and resolution of supply chain disruptions. The negative impact from these events to Sony s operating results for the fiscal year ending March 31, 2013 is expected to be limited. Sony expects to receive a portion of proceeds from insurance claims against damages caused by the Floods in the fiscal year ending March 31, 2013. Refer to Note 18 to the notes to the consolidated financial statements.

In the pictures business, Sony faces intense competition, rising costs, including production, advertising and promotion expenses, a mature home entertainment market with a continuing industry-wide decline in physical media sales worldwide, limited access to third-party financing, and digital theft. To meet these challenges, Sony is working to produce and acquire a diversified portfolio of motion picture and television product with broad worldwide appeal and is exploring new distribution methods for its product, including digital distribution. Sony also plans to continue exploring alternative avenues for financing its motion picture and television product, combating the digital theft of its copyrighted content and expanding its worldwide television networks.

The music business has been operating in a challenging market environment for several years, with the ongoing decline in physical sales not yet offset by the continued growth in the digital market. This trend is expected to continue in the medium term. The digital business holds significant potential, with current digital platforms continuing overall growth in the U.S. and expanding globally, as well as with new digital platforms and innovative products being introduced in the digital marketplace. Against this market backdrop, Sony continues to invest in and develop new and existing artist talent, and continues to pursue growing new business revenue streams such as sponsorships and music-based television programming.

In the financial services businesses, Sony recognizes that it must provide fair and stable financial services, while consistently executing growth strategies in an unpredictable business environment. The Sony Financial Holdings Group (the SFH Group) seeks to become the most highly trusted financial services group in the industry. To this end, the SFH Group has redoubled its internal control efforts focused on compliance, risk management, eradicating anti-social influences and ensuring the protection of personal information. The SFH Group has also combined many different financial functions (savings, investment, borrowing, and protection) to provide high-value-added financial products and high-quality services that meet every customer s financial needs. The SFH Group is working to realize its vision and achieve ongoing increases in corporate value by executing the above management strategies. At the same time, the SFH Group recognizes its social role and mission as a publically-listed financial institution and aims to fulfill its responsibilities for contributing to the realization of a sustainable society to all of its stakeholders.

Global Environmental Plan Road to Zero

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

- Climate change: Reduction of energy consumption in pursuit of zero greenhouse gas emissions.

Resource conservation: Reduction in the use of virgin materials of priority resources by minimizing waste generation, appropriate water consumption, and continuous increase of waste recycling.

Control of chemical substances: Minimization of the risks that certain chemical substances pose to the environment through preventative measures, reduction in the use of specific chemicals defined by Sony, and promotion of the use of alternative materials.

Biodiversity: Conservation and recovery of biodiversity through Sony s own business operations and local social contribution programs.

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

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

Target a reduction in power consumption per product of 30 percent by the end of the fiscal year ending March 31, 2016, compared to the level of the fiscal year ended March 31, 2009.

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

E. Off-balance Sheet Arrangements

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

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. In each case, losses from these transactions 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. In addition to the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, in the fiscal years ended March 31, 2010, 2011 and 2012 were insignificant.

Sony has established several accounts receivable sales programs in Japan whereby Sony can sell up to 50.2 billion yen of eligible trade accounts receivable in the aggregate at any one time. Through these programs, Sony can sell receivables to special purpose entities owned and operated by 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, 2010, 2011 and 2012 were 109.3 billion yen, 136.2 billion yen and 126.5 billion yen, respectively.

A subsidiary of the Financial Services segment has established several receivables sales programs whereby the subsidiary can sell up to 24.0 billion 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 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, 2010, 2011 and 2012 were 183.8 billion yen, 166.0 billion yen and 130.1 billion yen, respectively.

During the fiscal year ended March 31, 2010, Sony established an accounts receivable sales program in the United States. Through this program, a bankruptcy-remote entity, which is consolidated by a U.S. subsidiary, can sell up to 450 million U.S. dollars of eligible trade accounts receivables in the aggregate at any one time to a commercial bank. Total trade accounts receivables sold during the fiscal year ended March 31, 2010 were 258.1 billion yen. Subsequent to its establishment, Sony amended this program. While the transactions continued to qualify as sales under the new accounting guidance for transfers of financial assets, the amended program requires 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 is initially recorded at estimated fair value, is included in other current assets and was 32.8 billion yen at March 31, 2011 and 16.3 billion yen at March 31, 2012. Sony includes collections on such receivables 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 year ended March 31, 2011 were 414.1 billion yen, 185.6 billion yen and 153.6 billion yen, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal year ended March 31, 2012 were 476.9 billion yen, 117.3 billion yen and 132.6 billion yen, respectively.

The accounts receivable sales programs in Japan and in the Financial Services segment above involved qualifying special-purpose entities (QSPEs) under the accounting guidance effective prior to April 1, 2010 for transfers of financial assets. Since the QSPEs met certain criteria, they were not consolidated by Sony. From April 1, 2010, the entities that formerly met the criteria to be a qualifying special-purpose entity (QSPE) are subject to the same consolidation accounting guidance as other variable interest entities (VIEs), which is discussed further below.

Sony has, from time to time, entered into various arrangements with VIEs. These arrangements include facilities which provide for the leasing of certain property, 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 above. In several of the arrangements in which Sony holds significant variable interests, Sony is the primary beneficiary and therefore consolidates these VIEs. Arrangements in which Sony holds significant variable interests in VIEs but Sony is not the primary beneficiary and therefore does not consolidate are described as follows:

In connection with the September 2010 refinancing of the debt obligations of the third-party investor in the U.S. based music publishing business, 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 303 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 percent 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 percent ownership interest in the music publishing subsidiary. At March 31, 2012, the fair value of the assets held by the trust exceeded 303 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