

SONY CORP
Form 6-K
May 20, 2016

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of May 2016
Commission File Number: 001-06439

SONY CORPORATION
(Translation of registrant's name into English)

1-7-1 KONAN, MINATO-KU, TOKYO, 108-0075, JAPAN
(Address of principal executive offices)

The registrant files annual reports under cover of Form 20-F.

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F,

Form 20-F X

Form 40-F __

Indicate by check mark whether the registrant by furnishing the information contained in this Form
is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities
Exchange Act of 1934, Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule
12g3-2(b):82-_____

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to
be signed on its behalf by the undersigned, thereunto duly authorized.

SONY CORPORATION
(Registrant)

By: /s/ Kenichiro Yoshida
(Signature)
Kenichiro Yoshida
Executive Deputy President and
Chief Financial Officer

Date: May 20, 2016

Consolidated Financial Statements

For the fiscal year ended March 31, 2016

Sony Corporation

TOKYO, JAPAN

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Management's Annual Report on Internal Control over Financial Reporting

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

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

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

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2016 based on the criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2016.

Sony's independent registered public accounting firm, PricewaterhouseCoopers Aarata, has issued an audit report on Sony's internal control over financial reporting as of March 31, 2016, presented on page 3.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Sony Corporation (Sony Kabushiki Kaisha)

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity present fairly, in all material respects, the financial position of Sony Corporation and its subsidiaries (the "Company") at March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers Aarata

Tokyo, Japan

May 20, 2016

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**Consolidated Balance Sheets**

March 31

	Yen in millions	
	2015	2016
ASSETS		
Current assets:		
Cash and cash equivalents	949,413	983,612
Marketable securities	936,731	946,397
Notes and accounts receivable, trade	986,500	926,375
Allowance for doubtful accounts and sales returns	(86,598)	(72,783)
Inventories	665,432	683,146
Other receivables	231,947	206,058
Deferred income taxes	47,788	40,940
Prepaid expenses and other current assets	466,688	482,982
Total current assets	4,197,901	4,196,727
Film costs	305,232	301,228
Investments and advances:		
Affiliated companies	171,063	164,874
Securities investments and other	8,360,290	9,069,209
	8,531,353	9,234,083
Property, plant and equipment:		
Land	123,629	121,707
Buildings	679,125	655,379
Machinery and equipment	1,764,241	1,795,991
Construction in progress	35,786	69,286
	2,602,781	2,642,363
Less – Accumulated depreciation	1,863,496	1,821,545
	739,285	820,818
Other assets:		
Intangibles, net	642,361	615,754
Goodwill	561,255	606,290
Deferred insurance acquisition costs	520,571	511,834
Deferred income taxes	89,637	97,639
Other	246,736	289,017
	2,060,560	2,120,534
Total assets	15,834,331	16,673,390

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2015	2016
LIABILITIES		
Current liabilities:		
Short-term borrowings	62,008	149,272
Current portion of long-term debt	159,517	187,668
Notes and accounts payable, trade	622,215	550,964
Accounts payable, other and accrued expenses	1,374,099	1,367,115
Accrued income and other taxes	98,414	88,865
Deposits from customers in the banking business	1,872,965	1,912,673
Other	556,372	574,193
Total current liabilities	4,745,590	4,830,750
Long-term debt	712,087	556,605
Accrued pension and severance costs	298,753	462,384
Deferred income taxes	445,876	450,926
Future insurance policy benefits and other	4,122,372	4,509,215
Policyholders' account in the life insurance business	2,259,514	2,401,320
Other	316,422	330,302
Total liabilities	12,900,614	13,541,502
Redeemable noncontrolling interest	5,248	7,478
Commitments and contingent liabilities		
EQUITY		
Sony Corporation's stockholders' equity:		
Common stock, no par value –		
2015 – Shares authorized: 3,600,000,000; shares issued: 1,169,773,260	707,038	
2016 – Shares authorized: 3,600,000,000; shares issued: 1,262,493,760		858,867
Additional paid-in capital	1,185,777	1,325,719
Retained earnings	813,765	936,331
Accumulated other comprehensive income –		
Unrealized gains on securities, net	154,153	140,736
Unrealized losses on derivative instruments, net	—	(1,198)
Pension liability adjustment	(201,131)	(371,739)
Foreign currency translation adjustments	(338,305)	(421,117)
	(385,283)	(653,318)
Treasury stock, at cost		
Common stock		
2015 – 1,031,323 shares	(4,220)	
2016 – 1,047,745 shares		(4,259)
	2,317,077	2,463,340
Noncontrolling interests	611,392	661,070
Total equity	2,928,469	3,124,410
Total liabilities and equity	15,834,331	16,673,390

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**Consolidated Statements of Income**

Fiscal year ended March 31

	Yen in millions		
	2014	2015	2016
Sales and operating revenue:			
Net sales	6,682,274	7,035,537	6,949,357
Financial services revenue	988,944	1,077,604	1,066,319
Other operating revenue	96,048	102,739	90,036
	7,767,266	8,215,880	8,105,712
Costs and expenses:			
Cost of sales	5,140,053	5,275,144	5,166,894
Selling, general and administrative	1,728,520	1,811,461	1,691,930
Financial services expenses	816,158	882,990	907,758
Other operating expense, net	48,666	181,658	47,171
	7,733,397	8,151,253	7,813,753
Equity in net income (loss) of affiliated companies	(7,374)	3,921	2,238
Operating income	26,495	68,548	294,197
Other income:			
Interest and dividends	16,652	12,887	12,455
Gain on sale of securities investments, net	12,049	8,714	52,068
Other	13,752	3,475	2,326
	42,453	25,076	66,849
Other expenses:			
Interest	23,460	23,600	25,286
Loss on devaluation of securities investments	1,648	852	3,309
Foreign exchange loss, net	9,224	20,533	20,565
Other	8,875	8,910	7,382
	43,207	53,895	56,542
Income before income taxes	25,741	39,729	304,504
Income taxes:			
Current	101,243	80,751	94,578
Deferred	(6,661)	7,982	211
	94,582	88,733	94,789
Net income (loss)	(68,841)	(49,004)	209,715
Less - Net income attributable to noncontrolling interests	59,528	76,976	61,924
Net income (loss) attributable to Sony Corporation's stockholders	(128,369)	(125,980)	147,791

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**Consolidated Statements of Income (Continued)**

	Yen		
	2014	2015	2016
Per share data:			
Common stock			
Net income (loss) attributable to Sony Corporation's stockholders			
– Basic	(124.99)	(113.04)	119.40
– Diluted	(124.99)	(113.04)	117.49
Cash dividends	25.00	—	20.00

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**Consolidated Statements of Comprehensive Income**

Fiscal year ended March 31

	Yen in millions		
	2014	2015	2016
Net income (loss)	(68,841)	(49,004)	209,715
Other comprehensive income, net of tax			
Unrealized gains on securities	19,310	38,718	2,220
Unrealized gains (losses) on derivative instruments	742	—	(1,198)
Pension liability adjustment	11,883	(21,187)	(171,753)
Foreign currency translation adjustments	158,884	65,790	(83,899)
Total comprehensive income (loss)	121,978	34,317	(44,915)
Less – Comprehensive income attributable to noncontrolling interests	62,437	93,995	75,329
Comprehensive income (loss) attributable to Sony Corporation's stockholders	59,541	(59,678)	(120,244)

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**Consolidated Statements of Cash Flows**

Fiscal year ended March 31

	Yen in millions		
	2014	2015	2016
Cash flows from operating activities:			
Net income (loss)	(68,841)	(49,004)	209,715
Adjustments to reconcile net income (loss) to net cash provided by operating activities –			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	376,695	354,624	397,091
Amortization of film costs	285,673	272,941	299,587
Accrual for pension and severance costs, less payments	(38,131)	9,638	(6,383)
Other operating expense, net	48,666	181,658	47,171
Gain on sale or devaluation of securities investments, net	(10,401)	(7,916)	(48,857)
(Gain) loss on revaluation of marketable securities held in the financial services business for trading purposes, net	(58,608)	(100,729)	44,821
(Gain) loss on revaluation or impairment of securities investments held in the financial services business, net	(3,688)	(1,397)	2,653
Deferred income taxes	(6,661)	7,982	211
Equity in net income of affiliated companies, net of dividends	10,022	2,269	5,045
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	(29,027)	33,843	(5,828)
(Increase) decrease in inventories	20,248	113,485	(57,804)
Increase in film costs	(266,870)	(252,403)	(318,391)
Increase (decrease) in notes and accounts payable, trade	103,379	(118,577)	(49,525)
Decrease in accrued income and other taxes	(3,110)	(11,033)	(23,607)
Increase in future insurance policy benefits and other	391,541	460,336	403,392
Increase in deferred insurance acquisition costs	(77,656)	(79,861)	(83,774)
Increase in marketable securities held in the financial services business for trading purposes	(33,803)	(51,565)	(107,433)
(Increase) decrease in other current assets	(48,115)	16,276	21,299
Increase (decrease) in other current liabilities	58,656	86,718	(25,751)
Other	14,147	(112,645)	45,457
Net cash provided by operating activities	664,116	754,640	749,089

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES**Consolidated Statements of Cash Flows (Continued)**

	Yen in millions		
	2014	2015	2016
Cash flows from investing activities:			
Payments for purchases of fixed assets	(283,457)	(215,916)	(375,411)
Proceeds from sales of fixed assets	99,694	36,777	26,472
Payments for investments and advances by financial services business	(1,032,594)	(960,045)	(1,221,093)
Payments for investments and advances (other than financial services business)	(14,892)	(20,029)	(20,830)
Proceeds from sales or return of investments and collections of advances by financial services business	426,621	482,537	534,072
Proceeds from sales or return of investments and collections of advances (other than financial services business)	75,417	49,479	81,535
Proceeds from sales of businesses	15,016	93	17,790
Other	3,693	(12,532)	(72,938)
Net cash used in investing activities	(710,502)	(639,636)	(1,030,403)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	178,935	18,507	19,076
Payments of long-term debt	(164,540)	(258,102)	(270,669)
Increase (decrease) in short-term borrowings, net	25,183	(51,013)	98,153
Increase in deposits from customers in the financial services business, net	238,828	57,464	165,169
Proceeds from issuance of convertible bonds	—	—	120,000
Proceeds from issuance of new shares of common stock	—	—	301,708
Dividends paid	(25,643)	(13,160)	(12,751)
Other	(44,886)	(16,891)	(40,564)
Net cash provided by (used in) financing activities	207,877	(263,195)	380,122
Effect of exchange rate changes on cash and cash equivalents	58,614	51,138	(64,609)
Net increase (decrease) in cash and cash equivalents	220,105	(97,053)	34,199
Cash and cash equivalents at beginning of the fiscal year	826,361	1,046,466	949,413
Cash and cash equivalents at end of the fiscal year	1,046,466	949,413	983,612
Supplemental data:			
Cash paid during the fiscal year for –			
Income taxes	101,091	97,775	138,770
Interest	23,819	21,982	26,166
Non-cash investing and financing activities –			
Conversion of convertible bonds	31,220	118,780	—
Obtaining assets by entering into capital leases	82,260	10,714	14,759
Collections of deferred proceeds from sales of receivables –	35,196	22,512	2,298

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2013	630,923	1,110,531	1,094,775	(639,495)	(4,472)	2,192,262	479,742	2,672,004
Exercise of stock acquisition rights	121	121				242		242
Conversion of zero coupon convertible bonds	15,610	15,610				31,220		31,220
Stock-based compensation		906				906		906
Comprehensive income:								
Net income (loss)			(128,369)			(128,369)	59,528	(68,841)
Other comprehensive income, net of tax –								
Unrealized gains on securities				18,430		18,430	880	19,310
Unrealized gains on derivative instruments				742		742		742
Pension liability adjustment				11,777		11,777	106	11,883
Foreign currency translation adjustments				156,961		156,961	1,923	158,884
Total comprehensive income						59,541	62,437	121,978
Stock issue costs, net of tax			(127)			(127)		(127)
Dividends declared			(26,017)			(26,017)	(15,430)	(41,447)
Purchase of treasury stock					(76)	(76)		(76)
Reissuance of treasury stock		(140)			264	124		124
Transactions with noncontrolling interests shareholders and other		62				62	(1,745)	(1,683)
Balance at March 31, 2014	646,654	1,127,090	940,262	(451,585)	(4,284)	2,258,137	525,004	2,783,141

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2014	646,654	1,127,090	940,262	(451,585)	(4,284)	2,258,137	525,004	2,783,141
Exercise of stock acquisition rights	994	994				1,988		1,988
Conversion of zero coupon convertible bonds	59,390	59,390				118,780		118,780
Stock-based compensation		873				873		873
Comprehensive income:								
Net income (loss)			(125,980)			(125,980)	76,976	(49,004)
Other comprehensive income, net of tax –								
Unrealized gains on securities				26,644		26,644	12,074	38,718
Pension liability adjustment				(21,092)		(21,092)	(95)	(21,187)
Foreign currency translation adjustments				60,750		60,750	5,040	65,790
Total comprehensive income (loss)						(59,678)	93,995	34,317
Stock issue costs, net of tax			(517)			(517)		(517)
Dividends declared			—			—	(14,108)	(14,108)
Purchase of treasury stock					(101)	(101)		(101)
Reissuance of treasury stock		(99)			165	66		66
Transactions with noncontrolling interests shareholders and other		(2,471)				(2,471)	6,501	4,030
Balance at March 31, 2015	707,038	1,185,777	813,765	(385,283)	(4,220)	2,317,077	611,392	2,928,469

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Yen in millions

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2015	707,038	1,185,777	813,765	(385,283)	(4,220)	2,317,077	611,392	2,928,469
Issuance of new shares	150,854	150,854				301,708		301,708
Exercise of stock acquisition rights	975	975				1,950		1,950
Stock-based compensation		1,516				1,516		1,516
Comprehensive income:								
Net income			147,791			147,791	61,924	209,715
Other comprehensive income, net of tax –								
Unrealized gains (losses) on securities				(13,417)		(13,417)	15,637	2,220
Unrealized losses on derivative instruments				(1,198)		(1,198)		(1,198)
Pension liability adjustment				(170,608)		(170,608)	(1,145)	(171,753)
Foreign currency translation adjustments				(82,812)		(82,812)	(1,087)	(83,899)
Total comprehensive income (loss)						(120,244)	75,329	(44,915)
Stock issue costs, net of tax		(1,478)				(1,478)		(1,478)
Dividends declared			(25,225)			(25,225)	(20,868)	(46,093)
Purchase of treasury stock					(110)	(110)		(110)
Reissuance of treasury stock		(12)			71	59		59
Transactions with noncontrolling interests shareholders and other		(11,913)				(11,913)	(4,783)	(16,696)
Balance at March 31, 2016	858,867	1,325,719	936,331	(653,318)	(4,259)	2,463,340	661,070	3,124,410

The accompanying notes are an integral part of these statements.

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Sony Corporation and Consolidated Subsidiaries

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Notes to Consolidated Financial Statements

Sony Corporation and Consolidated Subsidiaries

1.*Nature of operations*

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

2.*Summary of significant accounting policies*

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform with U.S. GAAP. These adjustments were not recorded in the statutory books and records as Sony Corporation and its subsidiaries in Japan maintain their records and prepare their statutory financial statements in accordance with accounting principles generally accepted in Japan, while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their domicile.

(1)**Significant accounting policies***Basis of consolidation and accounting for investments in affiliated companies -*

The consolidated financial statements include the accounts of Sony Corporation and its majority-owned subsidiary companies, general partnerships and other entities in which Sony has a controlling interest, and variable interest entities for which Sony is the primary beneficiary. All intercompany transactions and accounts are eliminated. Investments in business entities in which Sony does not have control, but has the ability to exercise significant influence over operating and financial policies, generally through 20-50% ownership, are accounted for under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership). When the interest in the partnership is so minor that Sony has no significant influence over the operation of the investee, the cost method is used. Under the equity method, investments are stated at cost plus/minus Sony’s portion of equity in undistributed earnings or losses. Sony’s equity in current earnings or losses of such entities is reported net of income taxes and is included in operating income (loss) after the elimination of unrealized intercompany profits. If the value of an investment has declined and is judged

to be other-than-temporary, the investment is written down to its estimated fair value.

On occasion, a consolidated subsidiary or an affiliated company accounted for by the equity method may issue its shares to third parties in either a public or private offering or upon conversion of convertible debt to common stock at amounts per share in excess of or less than Sony's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in ownership interest are recorded in earnings within the fiscal year in which the change in interest transactions occur.

Gains or losses that result from a loss of a controlling financial interest in a subsidiary are recorded in earnings along with fair value remeasurement gains or losses on any retained investment in the entity, while a change in interest of a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

The excess of the cost over the underlying net equity of investments in consolidated subsidiaries and affiliated companies accounted for on an equity basis is allocated to identifiable tangible and intangible assets and liabilities based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over Sony's underlying net equity is recognized as goodwill as a component of the investment balance.

Use of estimates -

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates include those used in determining the valuation of investment securities, valuation of inventories, fair values of long-lived assets, fair values of goodwill, intangible assets and assets and liabilities assumed in business combinations, product warranty liability, pension and severance plans, valuation of deferred tax assets, uncertain tax positions, film costs, and insurance related liabilities. Actual results could significantly differ from those estimates.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate fiscal year end exchange rates and all income and expense accounts are translated at exchange rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income. Upon remeasurement of a previously held equity interest in accordance with the accounting guidance for business combinations achieved in stages, accumulated translation adjustments, if any, are included in earnings.

Receivables and payables denominated in foreign currencies are translated at appropriate fiscal year end exchange rates and the resulting translation gains or losses are recognized into income.

Cash and cash equivalents -

Cash and cash equivalents include all highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

Marketable debt and equity securities -

Debt and equity securities designated as available-for-sale, whose fair values are readily determinable, are carried at fair value with unrealized gains or losses included as a component of accumulated other comprehensive income, net of applicable taxes. Debt and equity securities classified as trading securities are carried at fair value with unrealized gains or losses included in income. Debt securities that are expected to be held-to-maturity are carried at amortized cost. Individual securities classified as either available-for-sale or held-to-maturity are reduced to fair value by a charge to income when an other-than-temporary impairment is recognized. Realized gains and losses are determined on the average cost method and are reflected in income.

Sony regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Sony in determining whether an other-than-temporary decline in value has occurred include: the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, operating results, business plans and estimated future cash flows of the issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuer, sovereign

risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

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

Equity securities in non-public companies -

Equity securities in non-public companies are primarily carried at cost if fair value is not readily determinable. If the carrying value of a non-public equity investment is estimated to have declined and such decline is judged to be other-than-temporary, Sony recognizes the impairment of the investment and the carrying value is reduced to its fair value. Determination of impairment is based on the consideration of several factors, including operating results, business plans and estimated future cash flows. Fair value is determined through the use of various methodologies such as discounted cash flows, valuation of recent financings and comparable valuations of similar companies.

Allowance for doubtful accounts -

Sony maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Sony reviews accounts receivable by amounts due from customers which are past due to identify specific customers with known disputes or collectability issues. In determining the amount of the reserve, Sony makes judgments about the creditworthiness of customers based on past collection experience and ongoing credit risk evaluations.

Inventories -

Inventories in the Mobile Communications ("MC"), Game & Network Services ("G&NS"), Imaging Products & Solutions ("IP&S"), Home Entertainment & Sound ("HE&S"), Devices and Music segments as well as non-film inventories for the Pictures segment are valued at cost, not in excess of market, cost being determined on the "average cost" basis except for the cost of finished products carried by certain subsidiary companies which is determined on the "first-in, first-out" basis. The market value of inventory is determined as the net realizable value – i.e., estimated selling price in the ordinary course of business less predictable costs of completion and disposal. Sony does not consider a normal profit margin when calculating the net realizable value.

Other receivables -

Other receivables include receivables which relate to arrangements with certain component manufacturers whereby Sony procures goods, including product components, for these component manufacturers and is reimbursed for the related purchases. No revenue or profit is recognized on these transfers. Sony will repurchase the inventory at a later date from the component manufacturers as either finished goods inventory or as partially assembled product.

Film costs -

Film costs include direct production costs, production overhead and acquisition costs for both motion picture and television productions and are stated at the lower of unamortized cost or estimated fair value and classified as noncurrent assets. Film costs are amortized and the estimated liabilities for residuals and participations are accrued using an individual-film-forecast method based on the ratio of current period actual revenues to the estimated remaining total revenues. Film costs also include broadcasting rights, which are recognized when the license period begins and the program is available for use, and consist of acquired programming to be aired on Sony's worldwide channel network. Broadcasting rights are stated at the lower of unamortized cost or net realizable value, classified as either current or noncurrent assets based on timing of expected use, and amortized based on estimated usage or on a straight-line basis over the useful life, as appropriate. Estimates used in calculating the fair value of the film costs and the net realizable value of the broadcasting rights are based upon assumptions about future demand and market conditions and are reviewed on a periodic basis.

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method. Useful lives for depreciation range from two to 50 years for buildings and from two to 10 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

Goodwill and other intangible assets -

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

In the fiscal year ended March 31, 2016, Sony elected not to perform an optional qualitative assessment of goodwill and instead proceeded directly to a two-step quantitative impairment process which involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. Reporting units are Sony's operating segments or one level below the operating segments. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value and if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The fair value of a reporting unit or indefinite lived intangible asset is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions, including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, earnings multiples, the determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Consideration is also given to Sony's market capitalization in relation to the sum of the calculated fair values of the reporting units, including reporting units with no goodwill, and taking into account corporate level assets and liabilities not assigned to individual reporting units as well as a reasonable control premium.

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

When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method.

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, customer relationships, trademarks, software to be sold, leased or otherwise marketed, internal-use software, music catalogs, artist contracts, and television carriage contracts (broadcasting agreements). Patent rights, know-how, license agreements, trademarks, software to be sold, leased or otherwise marketed, and internal-use software are generally amortized on a straight-line basis over three to 10 years. Customer relationships, music catalogs, artist contracts and television carriage contracts (broadcasting agreements) are amortized on a straight-line basis, generally, over 10 to 40 years.

Capitalized software -

The costs related to establishing the technological feasibility of software to be sold, leased, or otherwise marketed are expensed as incurred as a part of research and development in cost of sales. Costs that are incurred to produce the finished product after technological feasibility is established are capitalized and amortized to cost of sales over the estimated economic life, which is generally three years. The technological feasibility of game software is established when the product master is completed. Consideration to capitalize game software development costs before this point is limited to the development costs of games for which technological feasibility can be proven at an earlier stage. At each balance sheet date, Sony performs reviews to ensure that unamortized capitalized software costs remain recoverable from future profits of the related software products.

The costs incurred for internal-use software during the application development stage are capitalized and amortized, mainly to selling, general and administrative expenses, on a straight-line basis over the estimated useful life. Costs related to the preliminary project stage and post implementation activities are expensed as incurred.

Deferred insurance acquisition costs -

Costs that vary with and are directly related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure that the capitalized amounts do not exceed the present value of anticipated gross profits or premiums less benefits and maintenance expenses, as applicable. The deferred insurance acquisition costs for traditional life insurance contracts are amortized over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing policy reserves. The deferred insurance acquisition costs for non-traditional life insurance contracts are amortized over the expected life in proportion to the estimated gross profits.

Product warranty -

Sony provides for the estimated cost of product warranties at the time revenue is recognized. The product warranty is calculated based upon product sales, estimated probability of failure and estimated cost per claim. The variables used in the calculation of the provision are reviewed on a periodic basis.

Certain subsidiaries in the MC, G&NS, IP&S and HE&S segments offer extended warranty programs. The consideration received for extended warranty service is deferred and recognized as revenue on a straight-line basis over the term of the extended warranty.

Future insurance policy benefits -

Liabilities for future insurance policy benefits are primarily comprised of the present value of estimated future payments to policyholders. These liabilities are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. These assumptions are reviewed on a periodic basis. Liabilities for future insurance policy benefits also include liabilities for guaranteed benefits related to certain non-traditional life and annuity contracts.

Policyholders' account in the life insurance business -

Liabilities for policyholders' account in the life insurance business represent the contract value that has accrued to the benefit of the policyholders as of the balance sheet date. This liability is generally equal to the accumulated account deposits, plus interest credited, less policyholder withdrawals and other charges assessed against the account balances.

Impairment of long-lived assets -

Sony reviews the recoverability of the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicate that the individual carrying amount of an asset or asset group may not be recoverable. Long-lived assets to be

held and used are reviewed for impairment by comparing the carrying value of the asset or asset group with their estimated undiscounted future cash flows. If the cash flows are determined to be less than the carrying value of the asset or asset group, an impairment loss would be recognized during the period for the amount by which the carrying value of the asset or asset group exceeds estimated fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less cost to sell and are not depreciated. Fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates applied to determine terminal values, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

Fair value measurement -

Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The accounting guidance for fair value measurements specifies a hierarchy of inputs to valuation techniques based on the extent to which inputs used in measuring fair value are observable in the market. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Sony's assumptions about the assumptions that market participants would use in pricing the asset or liability. Observable market data is used if such data is available without undue cost and effort. Each fair value measurement is reported in one of three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 —

Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 —

Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 —

One or more significant inputs are unobservable.

When available, Sony uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. For certain financial assets and liabilities, Sony determines fair value using third-party information such as indicative quotes from dealers and quantitative input from investment advisors following Sony's established valuation procedures including validation against internally developed prices. Additionally, Sony considers both counterparty credit risk and Sony's own creditworthiness in determining fair value. Sony attempts to mitigate credit risk to third parties by entering into netting agreements and actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

Transfers between levels are deemed to have occurred at the beginning of the interim period in which the transfers occur.

Derivative financial instruments -

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets at fair value on a gross basis. Changes in the fair value of derivative financial instruments are either recognized periodically in income or stockholders' equity (as a component of accumulated other comprehensive income), depending on whether the derivative financial instrument qualifies as a hedge and the derivative is being used to hedge changes in fair value or cash flows.

The accounting guidance for hybrid financial instruments permits an entity to elect fair value remeasurement for any hybrid financial instrument if the hybrid instrument contains an embedded derivative that would otherwise be required to be bifurcated and accounted for separately under accounting guidance for derivative instruments and hedging activities. The election to measure the hybrid instrument at fair value is made on an instrument-by-instrument basis and is irreversible. Certain subsidiaries in the Financial Services segment had hybrid financial instruments, disclosed in Note 7 as debt securities, that contain embedded derivatives where the entire instrument was carried at fair value.

In accordance with accounting guidance for derivative instruments and hedging activities, various derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

Changes in the fair value of derivatives designated and effective as fair value hedges for recognized assets or liabilities or unrecognized firm commitments are recognized in earnings as offsets to changes in the fair value of the related hedged assets or liabilities.

Cash flow hedges

Changes in the fair value of derivatives designated and effective as cash flow hedges for forecasted transactions or exposures associated with recognized assets or liabilities are initially recorded in other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. Changes in the fair value of the ineffective portion are recognized immediately in earnings.

Derivatives not designated as hedges

Changes in the fair value of derivatives that are not designated as hedges are recognized immediately in earnings.

Assessment of hedges

When applying hedge accounting, Sony formally documents all hedging relationships between the derivatives designated as hedges and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging activities. Sony links all hedges that are designated as fair value or cash flow hedges to specific assets or liabilities on the consolidated balance sheets or to the specific forecasted transactions. Sony also assesses, both at the inception of the hedge and on an on-going basis, whether the derivatives that are designated as hedges are highly effective in offsetting changes in fair value or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge, Sony discontinues hedge accounting. Hedge ineffectiveness, if any, is included immediately in earnings.

Stock-based compensation -

Sony accounts for stock-based compensation using the fair value based method, measured on the date of grant using the Black-Scholes option-pricing model. The expense is mainly included in selling, general and administrative expenses. Stock-based compensation is recognized, net of an estimated forfeiture rate, over the requisite service period using the accelerated method of amortization for grants with graded vesting. The estimated forfeiture rate is based on Sony's historical experience in the stock acquisition rights plans where the majority of the vesting terms have been satisfied.

Revenue recognition -

Revenues from sales in the MC, G&NS, IP&S, HE&S, Devices and Music segments are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when the customer has taken title to the product and the risks and rewards of ownership have been substantively transferred. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapse. Revenues are recognized net of anticipated returns and sales incentives. Revenues from prepaid subscription fees, such as within the G&NS segment, are recognized ratably over the subscription term.

Revenue arrangements with customers may include multiple elements, including any combination of products, services and software. An example includes sales of electronics products with rights to receive promotional goods. For Sony's multiple element arrangements where at least one of the elements is not subject to existing software or film revenue recognition guidance, elements are separated into more than one unit of accounting when the delivered element(s) have value to the customer on a standalone basis, and delivery of the undelivered element(s) is probable

and substantially in the control of Sony. Revenue is then allocated to each unit of accounting based on the relative selling price of each unit of accounting based first on vendor-specific objective evidence of selling price (“VSOE”) if it exists, based next on third-party evidence of selling price (“TPE”) if VSOE does not exist, and, finally, if both VSOE and TPE do not exist, based on estimated selling prices (“ESP”). VSOE is limited to either the price charged for an element when it is sold separately or, for an element not yet being sold separately, the price established by management having the relevant authority; it must be probable that the price, once established, will not change before the separate introduction of the element into the market place. TPE is the price of Sony’s or any competitor’s largely interchangeable products or services in standalone sales to similarly situated customers. ESP is the price at which Sony would transact if the element were sold by Sony regularly on a standalone basis. When determining ESP, Sony considers all relevant inputs, including sales, cost and margin analysis of the product, targeted rate of return of the product, competitors’ and Sony’s pricing practices and customer perspectives.

Certain software products published by Sony provide limited on-line features at no additional cost to the customer. Generally, such features are considered to be incidental to the overall software product and an inconsequential deliverable. Accordingly, revenue related to software products containing these limited on-line features is not deferred.

Revenues from sales in the Pictures segment are recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured. Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of motion picture and television product for pay and free television exhibition and other markets are recognized when the product is available for exploitation by the licensee and when any restrictions regarding the use of the product lapse. For home entertainment distribution, revenues from the sale of DVDs and Blu-ray Disc™, net of anticipated returns and sales incentives, are recognized when the product is available for sale to the public, and revenues from electronic sell-through and video-on-demand are recognized when the product is made available for viewing via digital distribution platforms. Certain motion picture and television product licensing arrangements involve an allocation to multiple elements, for example a fee for multiple territories and availability dates, that is based on relative fair value using management's best estimate. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired. Revenues from subscription fees received by television networks are recognized when the service is provided.

Traditional life insurance policies that the life insurance subsidiary underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. Premiums from these policies are reported as revenue when due from policyholders.

Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, individual annuity contracts and other contracts without life contingencies are recognized in policyholders' account in the life insurance business. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial services revenue.

Property and casualty insurance policies that the non-life insurance subsidiary underwrites are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities.

Consideration given to a customer or a reseller -

Sales incentives or other cash consideration given to a customer or a reseller, including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2014, 2015 and 2016, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses, totaled 12,112 million yen, 10,503 million yen and 13,178 million yen, respectively.

Cost of sales -

Costs classified as cost of sales relate to the producing and manufacturing of products and include items such as material cost, subcontractor cost, depreciation of fixed assets, amortization of intangible assets, personnel expenses, research and development costs, and amortization of film costs related to motion picture and television productions.

Research and development costs -

Research and development costs, included in cost of sales, include items such as salaries, personnel expenses and other direct and indirect expenses associated with research and product development. Research and development costs are expensed as incurred.

Selling, general and administrative -

Costs classified as selling expense relate to promoting and selling products and include items such as advertising, promotion, shipping, and warranty expenses. General and administrative expenses include operating items such as officers' salaries, personnel expenses, depreciation of fixed assets, office rental for sales, marketing and administrative divisions, a provision for doubtful accounts and amortization of intangible assets.

Financial services expenses -

Financial services expenses include a provision for policy reserves and amortization of deferred insurance acquisition costs, and all other operating costs, such as personnel expenses, depreciation of fixed assets, and office rental of subsidiaries, in the Financial Services segment.

Advertising costs -

Advertising costs are expensed when the advertisement or commercial appears in the selected media.

Shipping and handling costs -

The majority of shipping and handling, warehousing and internal transfer costs for finished goods are included in selling, general and administrative expenses. An exception to this is in the Pictures segment where such costs are charged to cost of sales as they are an integral part of producing and distributing motion pictures and television programming. All other costs related to Sony's distribution network are included in cost of sales, including inbound freight charges, purchasing and receiving costs, inspection costs and warehousing costs for raw materials and in-process inventory. Amounts paid by customers for shipping and handling costs are included in net sales.

Income taxes -

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income, and the tax liability attributed to undistributed earnings of subsidiaries and affiliated companies accounted for by the equity method expected to be remitted in the foreseeable future. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

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

Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to income taxes, including unrecognized tax benefits, as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony's estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, Sony records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant

information. If Sony does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, Sony's future results may include favorable or unfavorable adjustments to Sony's estimated tax liabilities due to closure of income tax examinations, the outcome of negotiations between taxing authorities in different jurisdictions, new regulatory or judicial pronouncements or other relevant events. As a result, the amount of unrecognized tax benefits, and the effective tax rate, may fluctuate significantly.

Net income (loss) attributable to Sony Corporation's stockholders per share ("EPS") -

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted EPS reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to Sony Corporation's stockholders.

(2)

Recently adopted accounting pronouncements

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

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-08 that changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the ASU, only disposals representing a strategic shift in operations that has, or will have, a major effect on the entity’s operations and financial results should be presented as discontinued operations. Additionally, the ASU requires additional disclosures for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. This ASU is effective for Sony as of April 1, 2015. The effect of this ASU did not have a material impact on Sony’s results of operations and financial position.

(3)

Recent accounting pronouncements not yet adopted

Revenue from contracts with customers -

In May 2014, the FASB issued ASU 2014-09 addressing revenue recognition which will supersede the current revenue recognition requirements, including most industry-specific guidance. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for one year and permits early adoption as of the original effective date of ASU 2014-09. This guidance will be effective for the first quarter of Sony’s fiscal year beginning April 1, 2018 (with early adoption permitted for the first quarter of the fiscal year beginning April 1, 2017). The guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. Sony is currently evaluating the transition method, the timing of its adoption and the impact this ASU will have on Sony’s results of operations and financial position.

Amendments to the consolidation analysis -

In February 2015, the FASB issued ASU 2015-02 that changes how companies evaluate entities for consolidation. The changes primarily relate to (i) the identification of variable interests related to fees paid to decision makers or service providers, (ii) how entities determine whether limited partnerships or similar entities are variable interest entities, (iii) how related parties and de facto agents are considered in the primary beneficiary determination, and (iv) the elimination of the presumption that a general partner controls a limited partnership. This ASU is effective for Sony as of April 1, 2016. The adoption of this ASU is not expected to have a material impact on Sony’s results of operations and financial position.

Customer’s accounting for fees paid in a cloud computing arrangement -

In April 2015, the FASB issued ASU 2015-05 for fees paid in a cloud computing arrangement. The ASU requires entities to account for a cloud computing arrangement that includes a software license element in a manner consistent with the acquisition of other software licenses. A cloud computing arrangement without a software license element is to be accounted for as a service contract. This ASU does not affect the accounting for service contracts by a customer.

This ASU is effective for Sony as of April 1, 2016. The adoption of this ASU is not expected to have a material impact on Sony's results of operations and financial position.

Disclosures for short-duration insurance contracts -

In May 2015, the FASB issued ASU 2015-09 for disclosures relating to short-duration insurance contracts. This ASU requires additional information to be disclosed related to the liability for unpaid claims and claim adjustment expenses and significant changes in methodologies and assumptions used for annual reporting periods. This ASU is effective for Sony as of April 1, 2016. Since this ASU will only impact disclosures, the adoption will have no impact on Sony's results of operations and financial position.

Balance sheet classification of deferred taxes -

In November 2015, the FASB issued ASU 2015-17 amending the presentation of deferred income taxes and requiring that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet. This ASU will be effective for Sony as of April 1, 2017 and early adoption is permitted as of the beginning of an interim or annual reporting period. The ASU may be adopted either prospectively or retrospectively. Sony is currently assessing the method of adoption and the impact that this ASU may have on Sony's financial position and disclosures.

Recognition and measurement of financial assets and financial liabilities -

In January 2016, the FASB issued ASU 2016-01 amending the existing requirements for the recognition and measurement of financial assets and financial liabilities. The changes primarily relate to (i) the requirement to measure equity investments in unconsolidated subsidiaries, other than those accounted for under the equity method of accounting, at fair value with changes in fair value recognized in earnings, (ii) an alternative approach for the measurement of equity investments that do not have a readily determinable fair value, (iii) the elimination of the other-than-temporary impairment model for equity investments and its replacement with a requirement to perform a qualitative assessment to identify impairment, and a requirement to recognize impairment losses in earnings based on the difference between fair value and the carrying value of the equity investment, (iv) the elimination of the requirement to disclose the methods and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost, (v) the addition of a requirement to use the exit price concept when measuring the fair value of financial instruments for disclosure purposes, and (vi) the addition of a requirement to present financial assets and financial liabilities to be presented separately in the notes to the financial statements, grouped by measurement category (e.g., fair value, amortized cost, lower of cost or market) and form of financial asset (e.g., loans, securities). This ASU will be effective for Sony as of April 1, 2018. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

Leases -

In February 2016, the FASB issued ASU 2016-02, which amends current leasing guidance. The ASU requires substantially all leases to be recognized on the balance sheet. The guidance is to be applied using a modified retrospective approach from the earliest period presented and includes optional practical expedients. This ASU will be effective for Sony as of the fiscal year beginning April 1, 2019, and early adoption is permitted. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

(4)

Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2014 and 2015 have been made to conform to the presentation for the fiscal year ended March 31, 2016.

(5)

Out-of-period adjustments

For the fiscal year ended March 31, 2015, Sony recorded an out-of-period adjustment to correct an error in the amounts of revenue and certain capitalizable assets being recorded at a subsidiary. The error began in the fiscal year ended March 31, 2012 and continued until it was identified by Sony during the fiscal year ended March 31, 2015. The adjustment, which related entirely to All Other, impacted net sales, cost of sales, and selling, general and administrative expenses, and decreased income before income taxes in the consolidated statements of income by 5,104 million yen in the aggregate for the fiscal year ended March 31, 2015. Sony determined that the adjustment was not material to the consolidated financial statements for the year ended March 31, 2015 or any prior periods.

For the fiscal year ended March 31, 2016, Sony recorded an out-of-period adjustment to correct an error in the amount of accruals for certain sales incentives being recorded at a subsidiary. The error began in the fiscal year ended March 31, 2009 and continued until it was identified by Sony during the fiscal year ended March 31, 2016. The adjustment, which related to the HE&S segment, impacted net sales and increased income before income taxes in the consolidated statements of income by 8,447 million yen for the fiscal year ended March 31, 2016. Sony determined that the adjustment was not material to the consolidated financial statements for the fiscal year ended March 31, 2016 or any prior periods.

3.***Inventories***

Inventories are comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Finished products	468,408	448,273
Work in process	96,700	130,383
Raw materials, purchased components and supplies	100,324	104,490
Inventories	665,432	683,146

4.***Film costs***

Film costs are comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Motion picture productions:		
Released	89,993	75,218
Completed and not released	4,498	2,304
In production and development	106,240	95,268
Television productions:		
Released	78,510	88,538
In production and development	2,952	14,410
Broadcasting rights	69,223	62,589
Less: current portion of broadcasting rights included in inventories	(46,184)	(37,099)
Film costs	305,232	301,228

Sony estimates that approximately 92% of the unamortized film costs of released motion picture and television productions at March 31, 2016 will be amortized within the next three years. Approximately 117 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 145 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

5.

Investments in affiliated companies

The summarized combined financial information that is based on information provided by the equity investees including information for significant equity affiliates and the reconciliation of such information to the consolidated financial statements is shown below:

Balance Sheets**Yen in millions****March 31**

	2015	2016
Current assets	280,485	367,465
Noncurrent assets	770,847	773,126
Current liabilities	208,271	245,731
Noncurrent liabilities and noncontrolling interests	657,865	709,134
Percentage of ownership in equity investees	20%-50 %	20%-50 %

Statements of Income**Yen in millions****Fiscal year ended March 31**

	2014	2015	2016
Net revenues	306,383	308,399	358,256
Operating income (loss)	(1,064)	34,962	32,884
Net income (loss) attributable to controlling interests	(15,195)	(5,461)	8,388
Percentage of ownership in equity investees	20%-50 %	20%-50 %	20%-50 %

On June 29, 2012, an investor group which included a wholly-owned subsidiary of Sony Corporation completed its acquisition of EMI Music Publishing. To effect the acquisition, the investor group formed DH Publishing, L.P. (“DHP”), which acquired EMI Music Publishing for total consideration of 2.2 billion U.S. dollars. Sony invested 320 million U.S. dollars in DHP, through Nile Acquisition LLC, for a 39.8% equity interest. Nile Acquisition LLC is a joint venture with the third-party investor of Sony’s U.S.- based music publishing subsidiary in which Sony holds a 74.9% ownership interest. Sony accounts for its interest in DHP under the equity method. In addition, DHP entered into an agreement with Sony’s U.S.-based music publishing subsidiary in which the subsidiary provides administration services to DHP. DHP was determined to be a variable interest entity (“VIE”) as described in Note 23.

On February 25, 2013, Sony sold 95,000 shares of its 886,908 shares in its consolidated subsidiary M3, Inc. (“M3”) to a third party for cash consideration of 14,236 million yen. In connection with the sale, Sony deconsolidated M3 as its share ownership fell to 49.8% of the issued and outstanding shares of M3. On September 17, 2013, Sony sold an

additional 155,000 shares of M3 (9.75% of the issued and outstanding shares of M3) to a third party for cash consideration of 37,799 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony recorded a gain of 12,793 million yen in other operating expense, net in the consolidated statements of income for the fiscal year ended March 31, 2014. Although Sony's ownership has decreased to 39.36% due to the above-mentioned sales and M3's subsequent issuance of additional common stock, Sony remains a major shareholder of M3 and will continue to pursue opportunities to collaborate with M3 in certain business areas, including medical. Sony accounts for its remaining interest in M3 under the equity method.

The carrying value of Sony's investment in M3 exceeded its proportionate share in the underlying net assets of M3 by 85,519 million yen at March 31, 2016. The excess is substantially attributable to the remeasurement to fair value of the remaining shares of M3, and allocated to identifiable tangible and intangible assets. The intangible assets relate primarily to M3's medical web-portal. The unassigned residual value of the excess is recognized as goodwill as a component of the investment balance. The amounts allocated to intangible assets are amortized net of the related tax effects to equity in net income (loss) of affiliated companies over their respective estimated useful lives, principally 10 years, using the straight-line method.

With the exception of M3 as described above, there was no significant difference between Sony's proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2015 and 2016.

Several affiliated companies are quoted on the Tokyo Stock Exchange and Sony's investments in these companies have an aggregate carrying value and fair value of 108,421 million yen and 365,160 million yen, respectively, as of March 31, 2016.

The number of affiliated companies accounted for under the equity method as of March 31, 2015 and 2016 were 98 and 102, respectively.

Account balances and transactions with affiliated companies accounted for under the equity method are presented below. There are no other material transactions or account balances with any other related parties.

	Yen in millions	
	March 31	
	2015	2016
Accounts receivable, trade	8,350	9,740
Accounts payable, trade	1,887	2,044
Capital lease obligations	50,001	21,025

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Sales	23,647	29,393	33,569
Purchases	1,533	1,498	2,259
Lease payments	38,919	36,642	32,291

Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFI Leasing Company, Limited ("SFIL"), a leasing company in Japan, in the fiscal years ended March 31, 2014, 2015 and 2016. SFIL is accounted for under the equity method and is 34% owned by Sony. Refer to Note 8.

Sony Supply Chain Solutions, Inc. is accounted for under the equity method and is 34% owned by Sony as a result of the sale of the logistics business on April 1, 2015. After the sale, Sony Supply Chain Solutions, Inc. changed the company name to MITSUI-SOKO Supply Chain Solutions, Inc. As of and for the fiscal year ended March 31, 2016, account balances and transactions with MITSUI-SOKO Supply Chain Solutions, Inc. and its subsidiaries were 4,741 million yen and 22,576 million yen, which are mainly included in accrued expenses and general and administrative expenses, respectively.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2014, 2015 and 2016 were 2,840 million yen, 6,149 million yen and 7,282 million yen, respectively.

6.

Transfer of financial assets

Sony has established several accounts receivable sales programs mainly within the Electronics business. Through these programs, Sony can sell receivables to a commercial bank or a special purpose entity associated with a sponsor bank. Total receivables sold during the fiscal years ended March 31, 2014, 2015 and 2016 were 763,947 million yen, 633,190 million yen and 53,267 million yen, respectively. These transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. Gains and losses from these transactions, other than as described below, were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. Other than the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, for the fiscal years ended March 31, 2014, 2015 and 2016 were insignificant.

Certain programs require that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. The portion of the sales proceeds held back and deferred are initially recorded at estimated fair value using a discounted cash flow model and are included in other current assets and other long-term assets. The significant assumptions used in valuing the deferred proceeds are the discount rate, the timing and amount of the cash flows. Sony includes collections on deferred proceeds as cash flows within operating activities in the consolidated statements of cash flows when the receivables are the result of operating activities and the associated interest rate risk is insignificant due to their short-term nature. When the interest rate risk associated with the deferred proceeds is greater than insignificant or the receivables are long-term in nature, as is the case for the program in the Pictures segment, Sony includes collections on deferred proceeds as cash flows within investing activities in the consolidated statements of cash flows.

In August 2014, Sony terminated an accounts receivable sales program within the Electronics business in the United States. The program required that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. As of March 31, 2014, deferred proceeds totaled 6,405 million yen. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions		
	Fiscal year ended March		
	31		
	2014	2015	2016
Total trade receivables sold	247,863	50,400	—
Deferred proceeds	36,678	16,150	—
Collections of deferred proceeds	35,196	22,512	—

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During the fiscal year ended March 31, 2014, Sony established an accounts receivable sales program within the Pictures segment in the United States. Sony recognized a gain within other income from sales of accounts receivable under this program for the fiscal year ended March 31, 2014 of 1,394 million yen. The program requires that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser, and the deferred proceeds totaled 22,188 million yen, 30,893 million yen and 30,291 million yen as of March 31, 2014, 2015 and 2016, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions		
	Fiscal year ended March		
	31		
	2014	2015	2016
Total trade receivables sold	53,720	4,237	2,918
Deferred proceeds	22,188	4,237	2,918
Collections of deferred proceeds	—	—	2,298

Certain of the accounts receivable sales programs above also involve VIEs. Refer to Note 23.

7.

Marketable securities and securities investments

Marketable securities and securities investments, primarily included in the Financial Services segment, are comprised of debt and equity securities for which the aggregate cost, gross unrealized gains and losses and fair value pertaining to available-for-sale securities and held-to-maturity securities are as follows:

	Yen in millions March 31, 2015				March 31, 2016			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:								
Debt securities:								
Japanese national government bonds	1,074,900	147,274	(80)	1,222,094	1,136,478	218,863	(6)	1,355,335
Japanese local government bonds	66,442	465	(16)	66,891	60,707	86	(254)	60,539
Japanese corporate bonds	108,109	767	(7)	108,869	132,739	11,472	(230)	143,981
Foreign government bonds	34,168	7,397	(111)	41,454	35,896	5,724	(160)	41,460
Foreign corporate bonds	452,145	13,645	(942)	464,848	415,994	5,738	(3,185)	418,547
Other	—	—	—	—	884	0	—	884
	1,735,764	169,548	(1,156)	1,904,156	1,782,698	241,883	(3,835)	2,020,746
Equity securities	73,411	127,322	(741)	199,992	44,752	70,590	(21)	115,321
Held-to-maturity securities:								
Japanese national government bonds	4,846,986	819,386	(103)	5,666,269	5,353,080	2,020,621	—	7,373,701
Japanese local government bonds	4,996	428	—	5,424	4,480	522	—	5,002
Japanese corporate bonds	26,848	4,501	—	31,349	61,811	17,382	—	79,193
Foreign government bonds	32,682	11,534	—	44,216	42,934	10,631	—	53,565
Foreign corporate bonds	57,783	25	—	57,808	198	24	—	222
	4,969,295	835,874	(103)	5,805,066	5,462,503	2,049,180	—	7,511,683
Total	6,778,470	1,132,744	(2,000)	7,909,214	7,289,953	2,361,653	(3,856)	9,647,750

The following table presents the cost and fair value of debt securities classified as available-for-sale securities and held-to-maturity securities by contractual maturity:

	Yen in millions			
	March 31, 2016			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair value	Cost	Fair value
Due in one year or less	172,912	164,603	2,841	2,879
Due after one year through five years	375,988	385,222	22,738	23,583
Due after five years through ten years	304,275	341,233	237,263	279,200
Due after ten years	929,523	1,129,688	5,199,661	7,206,021
Total	1,782,698	2,020,746	5,462,503	7,511,683

Proceeds from sales of available-for-sale securities were 207,574 million yen, 217,651 million yen and 315,043 million yen for the fiscal years ended March 31, 2014, 2015 and 2016, respectively. On these sales, gross realized gains were 9,015 million yen, 15,656 million yen and 67,205 million yen and gross realized losses were 703 million yen, 32 million yen and 186 million yen, respectively, for the fiscal years ended March 31, 2014, 2015 and 2016. Included in the gross realized gains of available-for-sale securities is 46,757 million yen from the sale of Olympus shares in the fiscal year ended March 31, 2016.

Marketable securities classified as trading securities, which consist of debt and equity securities held primarily in the Financial Services segment, totaled 764,473 million yen and 799,241 million yen as of March 31, 2015 and 2016, respectively. Sony recorded net unrealized gains of 59,137 million yen, 100,312 million yen for the fiscal years ended March 31, 2014 and 2015 and net unrealized losses of 45,841 million yen for the fiscal year ended March 31, 2016. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies as of March 31, 2015 and 2016 totaled 64,963 million yen and 71,750 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

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The following tables present the gross unrealized losses on, and fair value of, Sony's investment securities with unrealized losses, aggregated by investment category and the length of time that individual investment securities have been in a continuous unrealized loss position, at March 31, 2015 and 2016.

	Yen in millions					
	March 31, 2015					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Debt securities:						
Japanese national government bonds	24,699	(80)	372	—	25,071	(80)
Japanese local government bonds	3,772	(5)	1,702	(11)	5,474	(16)
Japanese corporate bonds	8,222	(7)	—	—	8,222	(7)
Foreign government bonds	4,607	(111)	—	—	4,607	(111)
Foreign corporate bonds	115,523	(887)	6,653	(55)	122,176	(942)
	156,823	(1,090)	8,727	(66)	165,550	(1,156)
Equity securities	4,636	(730)	9	(11)	4,645	(741)
Held-to-maturity securities:						
Japanese national government bonds	19,986	(103)	—	—	19,986	(103)
Total	181,445	(1,923)	8,736	(77)	190,181	(2,000)

	Yen in millions					
	March 31, 2016					
	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Debt securities:						
Japanese national government bonds	2,056	(6)	—	—	2,056	(6)
Japanese local government bonds	38,383	(223)	2,929	(31)	41,312	(254)
Japanese corporate bonds	41,206	(201)	3,125	(29)	44,331	(230)
Foreign government bonds	5,882	(147)	1,140	(13)	7,022	(160)
Foreign corporate bonds	127,369	(2,535)	30,919	(650)	158,288	(3,185)
	214,896	(3,112)	38,113	(723)	253,009	(3,835)
Equity securities	166	(10)	10	(11)	176	(21)
Total	215,062	(3,122)	38,123	(734)	253,185	(3,856)

For the fiscal years ended March 31, 2014, 2015 and 2016, total realized impairment losses were 1,806 million yen, 949 million yen and 3,566 million yen, respectively.

At March 31, 2016, Sony determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

8.**Leases**

Sony leases certain communication and commercial equipment, plant, office space, warehouses, employees' residential facilities and other assets. Certain of these leases have renewal and purchase options. Sony has also entered into capital lease arrangements with third parties to finance certain of its motion picture productions, as well as sale and leaseback transactions for office buildings, machinery and equipment.

(1)**Capital leases**

Leased assets under capital leases are comprised of the following:

Class of property	Yen in millions	
	March 31	
	2015	2016
Machinery, equipment and others	129,432	123,816
Film costs	8,647	6,696
Accumulated amortization	(89,470)	(96,270)
	48,609	34,242

The following is a schedule by fiscal year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2016:

Fiscal year ending March 31	Yen in millions
2017	13,768
2018	6,863
2019	5,933
2020	5,043
2021	4,017
Later fiscal years	4,578
Total minimum lease payments	40,202
Less - Amount representing interest	2,529
Present value of net minimum lease payments	37,673
Less - Current obligations	13,238
Long-term capital lease obligations	24,435

(2)**Operating leases**

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2016 are as follows:

Fiscal year ending March 31

	Yen in millions
2017	59,236
2018	46,690
2019	32,252
2020	44,455
2021	20,119
Later fiscal years	104,020
Total minimum future rentals	306,772

Rental expenses under operating leases for the fiscal years ended March 31, 2014, 2015 and 2016 were 101,410 million yen, 92,828 million yen and 94,000 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2014, 2015 and 2016 were 1,119 million yen, 1,180 million yen and 1,138 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2016 were 2,233 million yen.

(3)

Sale and leaseback transactions*Sale and leaseback transactions with SFIL -*

In the fiscal year ended March 31, 2014, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 6,810 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows. Additionally, a transaction with leasing companies including SFIL, with proceeds of 76,566 million yen, and terms which averaged three years, have been accounted for as a capital lease and are included within proceeds from sales of fixed assets in the investing activities section of the consolidated statements of cash flows. There was no gain or loss recorded in the sale and leaseback transactions.

In the fiscal year ended March 31, 2015, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 8,391 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows.

In the fiscal year ended March 31, 2016, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 1,856 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows.

9.

Goodwill and intangible assets

Intangible assets acquired during the fiscal year ended March 31, 2016 totaled 123,327 million yen, of which 123,300 million yen is subject to amortization and are comprised of the following:

	Intangible assets	
	acquired during the	Weighted-average amortization period
	fiscal year	
	Yen in millions	Years
Patent rights, know-how and license agreements	29,175	7

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Software to be sold, leased or otherwise marketed	18,182	3
Internal-use software	52,067	5
Other	23,876	9

In the fiscal year ended March 31, 2016, additions to internal-use software primarily related to the capitalization of new software across several business platforms.

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2015		March 31, 2016	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	304,686	(190,151)	337,675	(223,738)
Customer relationships	29,401	(6,677)	36,925	(12,531)
Trademarks	31,903	(13,054)	29,825	(12,979)
Software to be sold, leased or otherwise marketed	114,333	(84,640)	126,743	(94,009)
Internal-use software	451,738	(295,854)	448,109	(297,057)
Music catalogs	225,623	(88,816)	217,056	(91,303)
Artist contracts	32,387	(27,174)	31,923	(28,857)
Television carriage contracts (broadcasting agreements)	60,036	(11,272)	59,607	(15,563)
Other	68,897	(52,067)	59,218	(47,475)
Total	1,319,004	(769,705)	1,347,081	(823,512)

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2014, 2015 and 2016 was 135,664 million yen, 132,228 million yen and 125,616 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

Fiscal year ending March 31	Yen in millions
2017	103,098
2018	85,327
2019	55,786
2020	42,212
2021	31,455

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

	Yen in millions	
	March 31 2015	March 31 2016
Trademarks	70,938	70,081
Distribution agreements	18,834	18,834
Other	3,290	3,270
Total	93,062	92,185

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The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2015 and 2016 are as follows:

Yen in millions										
	Mobile Communications	Game & Network Services	Imaging Products & Solution	Home & Sound	Entertainment Devices	Pictures	Music	Financial Services	All Other	Total
Balance, March 31, 2014:										
Goodwill - gross	183,464	150,572	7,202	5,320	37,400	187,307	123,086	3,020	24,360	721,731
Accumulated impairments	—	—	(300)	(5,320)	—	—	(306)	(706)	(23,296)	(29,928)
Goodwill	183,464	150,572	6,902	—	37,400	187,307	122,780	2,314	1,064	691,803
Increase (decrease) due to:										
Acquisitions* ¹	—	—	—	—	—	12,626	—	—	—	12,626
Sales and dispositions	—	(617)	—	—	—	(54)	(4)	—	—	(675)
Impairments	(176,045)	—	—	—	—	—	—	—	(1,090)	(177,135)
Translation adjustments	(4,134)	4,444	(16)	—	362	24,357	9,593	—	39	34,645
Other	1	—	—	—	—	3	—	—	(13)	(9)
Balance, March 31, 2015:										
Goodwill - gross	179,331	154,399	7,186	5,320	37,762	224,239	132,675	3,020	24,386	768,318
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	(306)	(706)	(24,386)	(207,063)
Goodwill	3,286	154,399	6,886	—	37,762	224,239	132,369	2,314	—	561,255
Increase (decrease) due to:										
Acquisitions* ²	—	—	1,589	—	20,634	12,082	38,487	—	—	72,792
Sales and dispositions	—	—	—	—	—	—	—	—	—	—
Impairments	—	—	—	—	—	—	—	—	—	—
Translation adjustments	—	(2,106)	(138)	—	(1,625)	(14,804)	(9,084)	—	—	(27,757)
Other	—	—	—	—	—	—	—	—	—	—
Balance, March 31,										

2016:

Goodwill - gross	179,331	152,293	8,637	5,320	56,771	221,517	162,078	3,020	24,386	813,353
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	(306)	(706)	(24,386)	(207,063)
Goodwill	3,286	152,293	8,337	—	56,771	221,517	161,772	2,314	—	606,290

Sony realigned its business segments during the fiscal year ended March 31, 2016. In connection with these realignments, the operations of So-net Corporation and its subsidiaries (“So-net”), which were included in All Other, are now included in the MC segment and the medical business, which was included in All Other, is now included in the IP&S segment. As part of these realignments, the carrying amounts of associated goodwill for So-net and the medical business have been reclassified for the fiscal years ended March 31, 2014 and March 31, 2015. Refer to Note 28.

*1 Acquisitions in the Pictures segment for the fiscal year ended March 31, 2015 mainly relate to the CSC Media Group Ltd. (“CSC Media Group”) acquisition. Refer to Note 24.

*2 Acquisitions for the fiscal year ended March 31, 2016 relate mainly to the Altair Semiconductor Ltd. (“Altair”) acquisition in the Devices segment, and the Orchard Media, Inc. (“The Orchard”) acquisition in the Music segment. Refer to Note 24.

Impairment of goodwill related to mobile communications business -

During the fiscal year ended March 31, 2015, Sony recorded an impairment charge of 176,045 million yen in the MC segment. The goodwill impairment reflects a revision in the strategy for the MC business to concentrate on its premium lineup and reduce the number of models in the mid-range lineup as well as concentrating on certain selected markets due to continued increasingly competitive markets in various geographical areas, primarily resulting from rapid growth by Chinese smartphone competitors. The impairment charge is included in other operating expenses, net in the consolidated statements of income, and is recorded entirely within the MC segment. Refer to Note 13.

In conjunction with Sony's review for goodwill impairment, Sony also assessed whether the carrying amount of any of the tangible or definite-lived intangible assets of the MC segment was recoverable. As a result of the assessment, Sony determined that there were no tangible or definite-lived intangible assets within the MC segment that were impaired.

10.

Insurance-related accounts

Sony's Financial Services segment subsidiaries in Japan maintain their accounting records as described in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in some respects from U.S. GAAP.

Those differences are mainly that insurance acquisition costs for life and non-life insurance contracts are charged to income when incurred in Japan whereas in the U.S. those costs are deferred and amortized generally over the premium-paying period of the related insurance policies, and that future policy benefits for life insurance contracts calculated locally under the authorization of the supervisory administrative agencies are comprehensively adjusted to a net level premium method with certain adjustments of actuarial assumptions for U.S. GAAP purposes. For the purpose of preparing the consolidated financial statements, appropriate adjustments have been made to reflect the accounting for these items in accordance with U.S. GAAP.

The combined amounts of statutory net equity of the insurance subsidiaries, which is not measured in accordance with U.S. GAAP, as of March 31, 2015 and 2016 were 457,268 million yen and 510,501 million yen, respectively.

(1)

Insurance policies

Life insurance policies that a subsidiary in the Financial Services segment underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. The life insurance revenues for the fiscal years ended March 31, 2014, 2015 and 2016 were 670,506 million yen, 693,132 million yen and 803,549 million yen, respectively. Property and casualty insurance policies that a subsidiary in the Financial Services segment underwrites are primarily automotive insurance contracts, which are categorized as short-duration contracts. The non-life insurance revenues for the fiscal years ended March 31, 2014, 2015 and 2016 were 86,780 million yen, 90,431 million yen and 93,928 million yen, respectively.

(2)

Deferred insurance acquisition costs

Amortization of deferred insurance acquisition costs charged to income for the fiscal years ended March 31, 2014, 2015 and 2016 amounted to 45,236 million yen, 56,530 million yen and 92,203 million yen, respectively.

(3)

Future insurance policy benefits

Liabilities for future policy benefits, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.0% to 4.5% and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary's own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses. At March 31, 2015 and 2016, future insurance policy benefits amounted to 4,111,894 million yen and 4,497,951 million yen, respectively.

(4)

Policyholders' account in the life insurance business

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

Policyholders' account in the life insurance business is comprised of the following:	Yen in millions	
	March 31	
	2015	2016
Universal life insurance	1,555,700	1,634,642
Investment contracts	591,951	638,737
Other	111,863	127,941
Total	2,259,514	2,401,320

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

Short-term borrowings are comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Unsecured loans:		
with a weighted-average interest rate of 4.64%	56,008	
with a weighted-average interest rate of 7.70%		86,467
Repurchase agreement:		
with a weighted-average interest rate of 0.01%		62,805
Secured call money:		
with a weighted-average interest rate of 0.10%	6,000	
	62,008	149,272

At March 31, 2016, certain subsidiaries in the Financial Services segment pledged securities investments with a book value of 48,691 million yen as collateral for 62,805 million yen of short-term repurchase agreements. The repurchase agreement provides for net settlement upon a termination event.

In addition, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with an aggregate book value of 34,749 million yen as collateral for cash settlements, variation margins of futures markets and certain other purposes.

Long-term debt is comprised of the following:

	Yen in millions	
	March 31	
	2015	2016
Unsecured loans, representing obligations principally to banks:		
Due 2015 to 2024, with interest rates ranging from 0.29% to 5.10% per annum	425,437	
Due 2016 to 2024, with interest rates ranging from 0.27% to 5.47% per annum		237,850
Unsecured 1.57% bonds, due 2015, net of unamortized discount	30,000	
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,999	
Unsecured 0.55% bonds, due 2016	10,000	10,000
Unsecured 0.66% bonds, due 2017	45,000	45,000
Unsecured 0.43% bonds, due 2018	10,000	10,000
Unsecured 0.86% bonds, due 2018	150,000	150,000
Unsecured 2.00% bonds, due 2018	16,300	16,300
Unsecured 2.07% bonds, due 2019	50,000	50,000
Unsecured 1.41% bonds, due 2022	10,000	10,000
Unsecured zero coupon convertible bonds, due 2022		120,000
Secured 0.10% loans, due 2016 to 2019	20,000	40,000
Capital lease obligations and other:		
Due 2015 to 2025, with interest rates ranging from 0.36% to 8.07% per annum	66,880	
Due 2016 to 2024, with interest rates ranging from 0.36% to 9.99% per annum		43,248
Guarantee deposits received	12,988	11,875
	871,604	744,273
Less - Portion due within one year	159,517	187,668
	712,087	556,605

At March 31, 2016, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 44,241 million yen as collateral for 40,000 million yen of long-term loans.

In March 2012, Sony executed a 1,365 million U.S. dollar unsecured bank loan with a group of lenders having six to ten year maturity terms in connection with Sony's acquisition of Ericsson's 50% equity interest in Sony Ericsson. This bank loan utilizes the Japan Bank for International Cooperation Facility, which was established to facilitate overseas mergers and acquisitions by Japanese companies as a countermeasure against yen appreciation. The terms of this U.S. dollar loan require accelerated repayment of the entire outstanding balance if Sony Corporation or its wholly-owned subsidiaries discontinue the business of mobile devices featuring telephone functionality. In March 2016, Sony repaid 682 million U.S. dollars of the 1,365 million U.S. dollars. As a result, the outstanding balance as of March 31, 2016 was 683 million U.S. dollars.

On July 21, 2015, Sony issued 120,000 million yen of 130% callable unsecured zero coupon convertible bonds with stock acquisition rights due 2022 (the "Zero Coupon Convertible Bonds"). The bondholders are entitled to stock

acquisition rights effective from September 1, 2015 to September 28, 2022. The initial conversion price is 5,008 yen per common share. In addition to the standard anti-dilution provisions, the conversion price is reduced for a certain period before an early redemption triggered upon the occurrence of certain corporate events including a merger, corporate split and delisting event. The reduced amount of the conversion price will be determined by a formula that is based on the effective date of the reduction and Sony's common stock price. The reduced conversion price ranges from 3,526.5 yen to 5,008.0 yen per common share. The conversion price is also adjusted for dividends in excess of 25 yen per common share per fiscal year. Sony has the option to redeem all of the Zero Coupon Convertible Bonds outstanding at 100% of the principal amount after July 21, 2020, if the closing sales price per share of Sony's common stock on the Tokyo Stock Exchange is 130% or more of the conversion price of the Zero Coupon Convertible Bonds for 20 consecutive trading days. Sony was not required to bifurcate any of the embedded features contained in the Zero Coupon Convertible Bonds for accounting purposes. There are no significant adverse debt covenants under the Zero Coupon Convertible Bonds.

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

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

Fiscal year ending March 31	Yen in millions
2017	187,668
2018	82,616
2019	202,151
2020	75,474
2021	4,429
Later fiscal years	191,935
Total	744,273

At March 31, 2016, Sony had unused committed lines of credit amounting to 523,043 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2016, Sony has commercial paper programs totaling 838,040 million yen. Sony can issue commercial paper for a period generally not in excess of 270 days up to the size of the programs.

12.

Housing loans and deposits from customers in the banking business

(1)

Housing loans in the banking business

Sony acquires and holds certain financial receivables in the normal course of business. The majority of financing receivables held by Sony consists of housing loans in the banking business and no other significant financial receivables exist.

A subsidiary in the banking business monitors the credit quality of housing loans based on the classification set by the financial conditions and the past due status of individual obligors. Past due status is monitored on a daily basis and the aforementioned classification is reviewed on a quarterly basis.

The allowance for the credit losses is established based on the aforementioned classifications and the evaluation of collateral. The amount of housing loans in the banking business and the corresponding allowance for credit losses as of March 31, 2015 were 1,074,386 million yen and 1,037 million yen, respectively, and as of March 31, 2016 were 1,235,311 million yen and 910 million yen, respectively. During the fiscal years ended March 31, 2015 and 2016, charge-offs on housing loans in the banking business and changes in the allowance for credit losses were not significant.

The balance of housing loans placed on nonaccrual status or past due status were not significant as of March 31, 2015 and 2016.

(2)

Deposits from customers in the banking business

All deposits from customers in the banking business within the Financial Services segment are interest bearing deposits. At March 31, 2015 and 2016, the balances of time deposits issued in amounts of 10 million yen or more were 256,391 million yen and 247,766 million yen, respectively. These amounts have been classified as current liabilities mainly due to the ability of the customers to make withdrawals prior to maturity.

At March 31, 2016, aggregate amounts of annual maturities of time deposits with a remaining term of more than one year are as follows:

Fiscal year ending March 31	Yen in millions
2018	13,882
2019	9,101
2020	9,982
2021	13,750
2022	8,626
Later fiscal years	51,827
Total	107,168

13.

Fair value measurements

As discussed in Note 2, assets and liabilities subject to the accounting guidance for fair value measurements held by Sony are classified and accounted for as described below.

(1)

Assets and liabilities that are measured at fair value on a recurring basis

The following section describes the valuation techniques used by Sony to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Trading securities, available-for-sale securities and other investments

Where quoted prices are available in an active market, securities are classified in level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available for the specific security or the market is inactive, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and mainly classified in level 2 of the hierarchy. Level 2 securities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the fair value hierarchy. Level 3 securities primarily include certain hybrid financial instruments and certain private equity investments not classified within level 1 or level 2.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – i.e., parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, which are consistently applied. Where derivative products have been established for some time, Sony uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within level 2 of the fair value hierarchy.

In determining the fair value of Sony's interest rate swap derivatives, Sony uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony's approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. These derivatives are

classified within level 2 since Sony primarily uses observable inputs in its valuation of its derivative assets and liabilities.

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2015 and 2016 are as follows:

Yen in millions								
March 31, 2015								
					Presentation in the consolidated balance sheets			
	Level 1	Level 2	Level 3	Total	Marketable securities	Securities investments and other	Other current assets/liabilities	Other noncurrent assets/liabilities
Assets:								
Trading securities	452,830	311,643	—	764,473	764,473	—	—	—
Available-for-sale securities								
Debt securities								
Japanese national government bonds	—	1,222,094	—	1,222,094	3,124	1,218,970	—	—
Japanese local government bonds	—	66,891	—	66,891	1,474	65,417	—	—
Japanese corporate bonds	—	105,363	3,506	108,869	27,030	81,839	—	—
Foreign government bonds	2,861	38,593	—	41,454	136	41,318	—	—
Foreign corporate bonds	—	455,357	9,491	464,848	139,540	325,308	—	—
Equity securities	199,874	118	—	199,992	—	199,992	—	—
Other investments* ¹	9,306	4,606	74,641	88,553	—	88,553	—	—
Derivative assets* ²	—	30,407	—	30,407	—	—	29,951	456
Total assets	664,871	2,235,072	87,638	2,987,581	935,777	2,021,397	29,951	456
Liabilities:								
Derivative liabilities* ²	612	47,712	—	48,324	—	—	23,092	25,232
Total liabilities	612	47,712	—	48,324	—	—	23,092	25,232

Yen in millions

March 31, 2016

					Presentation in the consolidated balance sheets			
	Level 1	Level 2	Level 3	Total	Marketable securities	Securities investments and other	Other current assets/liabilities	Other noncurrent assets/liabilities
Assets:								
Trading securities	501,448	297,793	—	799,241	799,241	—	—	—
Available-for-sale securities								
Debt securities								
Japanese national government bonds	—	1,355,335	—	1,355,335	5,084	1,350,251	—	—

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Japanese local government bonds	—	60,539	—	60,539	6,515	54,024	—	—
Japanese corporate bonds	—	140,635	3,346	143,981	5,727	138,254	—	—
Foreign government bonds	—	41,460	—	41,460	2,309	39,151	—	—
Foreign corporate bonds	—	402,694	15,853	418,547	124,680	293,867	—	—
Other	—	—	884	884	—	884	—	—
Equity securities	115,200	121	—	115,321	—	115,321	—	—
Other investments* ¹	7,179	4,027	13,463	24,669	—	24,669	—	—
Derivative assets* ²	437	17,391	—	17,828	—	—	17,257	571
Total assets	624,264	2,319,995	33,546	2,977,805	943,556	2,016,421	17,257	571
Liabilities:								
Derivative liabilities* ²	668	48,467	—	49,135	—	—	20,680	28,455
Total liabilities	668	48,467	—	49,135	—	—	20,680	28,455

*1 Other investments include certain hybrid financial instruments and certain private equity investments.

*2 Derivative assets and liabilities are recognized and disclosed on a gross basis.

Transfers into level 1 were 3,460 million yen and 3,556 million yen for the fiscal years ended March 31, 2015 and 2016, respectively, as quoted prices for certain trading securities and available-for-sale securities became available in an active market. Transfers out of level 1 were 13,376 million yen and 2,716 million yen for the fiscal years ended March 31, 2015 and 2016, respectively, as quoted prices for certain trading securities and available-for-sale securities were not available in an active market.

The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2015 and 2016 are as follows:

Yen in millions				
Fiscal year ended March 31, 2015				
Assets				
Available-for-sale securities				
Debt securities				
	Japanese corporate bonds	Foreign corporate bonds	Other Investments	
Beginning balance	1,011	6,807	75,837	
Total realized and unrealized gains (losses):				
Included in earnings* ¹	—	522	1,397	
Included in other comprehensive income (loss)* ²	(5)	593	153	
Purchases	2,500	15,222	522	
Settlements	—	(4,653)	(3,268)	
Transfers out of level 3* ³	—	(9,000)	—	
Ending balance	3,506	9,491	74,641	
Changes in unrealized gains relating to instruments still held at reporting date:				
Included in earnings* ¹	—	—	1,397	

Yen in millions				
Fiscal year ended March 31, 2016				
Assets				
Available-for-sale securities				
Debt securities				
	Japanese corporate bonds	Foreign corporate bonds	Other	Other Investments
Beginning balance	3,506	9,491	—	74,641
Total realized and unrealized gains (losses):				
Included in earnings* ¹	6	458	—	(2,653)
Included in other comprehensive income (loss)* ²	30	(791)	—	(2,316)

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Purchases	2,798	11,214	1,000	657
Sales	(3,000)	(4,872)) —	—
Settlements	—	(641)) (116)	(56,866)
Transfers into level 3*4	2,002	1,498	—	—
Transfers out of level 3*3	(1,996)	(504)) —	—
Ending balance	3,346	15,853	884	13,463
Changes in unrealized losses relating to instruments still held at reporting date:				
Included in earnings*1	—	(56)) —	(2,653)

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

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

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

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

Level 3 assets include certain hybrid financial instruments for which the price fluctuates primarily based on the main stock index in Japan (Nikkei index), certain private equity investments, and certain domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs. In determining the fair value of such assets, Sony uses third-party information such as indicative quotes from dealers without adjustment. For validating the fair values, Sony primarily uses internal models which include management judgment or estimation of assumptions that market participants would use in pricing the asset.

(2)

Assets and liabilities that are measured at fair value on a nonrecurring basis

Sony also has assets and liabilities that are required to be remeasured to fair value on a nonrecurring basis when certain circumstances occur. During the fiscal years ended March 31, 2015 and 2016, such remeasurements to fair value related primarily to the following:

	During the fiscal year ended March 31, 2015			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	768	(18,926)
Goodwill impairments	—	—	0	(177,135) (196,061)

	During the fiscal year ended March 31, 2016			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	19,680	(92,544) (92,544)

Long-lived assets impairments

Sony recorded impairment losses of 7,798 million yen and 4,929 million yen for the fiscal years ended March 31, 2014 and 2015, respectively, included within the HE&S segment, related to the LCD television asset group. These impairment losses primarily reflected a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. For the LCD television asset group, the corresponding estimated future cash flows leading to the impairment charge reflected the deterioration in LCD television market conditions in Japan, Europe and North America, and unfavorable foreign exchange rates.

Sony recorded an impairment loss of 32,107 million yen and 30,643 million yen for the fiscal years ended March 31, 2014 and 2016, respectively, included within the Devices segment, related to long-lived assets in the battery business asset group. In the fiscal year ended March 31, 2014, in light of a lack of progress towards achieving adequate operating results, Sony conducted a strategic review of the business and evolving market trends. Sony reduced the corresponding estimated future cash flows and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge. In the fiscal year ended March 31, 2016, due to increasingly competitive markets, Sony conducted a further strategic review of the business and evolving market trends. Following this review, Sony further reduced the corresponding estimated future cash flows of this business and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge.

Sony recorded impairment losses of 12,303 million yen for the fiscal year ended March 31, 2014, included within All Other, related to long-lived assets in the disc manufacturing business. In the fiscal year ended March 31, 2015, Sony recorded an impairment loss of 8,608 million yen related to long-lived assets in the disc manufacturing business. The long-lived asset impairments in the disc manufacturing business for fiscal years ended March 31, 2014 and 2015 related to lowered forecasts of cash flows outside of Japan and the United States, primarily attributable to the manufacturing and distribution operations in Europe, which began additional restructuring activities in March 2014 and March 2015, and reflects the faster than expected contraction of the physical media market.

Sony recorded impairment losses of 59,616 million yen for the fiscal year ended March 31, 2016, included within the Devices segment, related to long-lived assets in the camera module business asset group. Due to a decrease in the projected future demand of camera modules, Sony conducted a strategic review of the business and its market conditions. Following this review, Sony reduced the corresponding estimated future cash flows and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge.

Sony recorded impairment losses for long-lived assets relating to restructuring in the PC business during the fiscal year ended March 31, 2014. Refer to Notes 19 and 25.

These measurements are classified as level 3 because significant unobservable inputs, such as the conditions of the assets or projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. A discount rate of 10% and projected revenue growth rates ranging from zero to 15% were used in the fair value measurements related to the long-lived assets for the battery business, and a discount rate of 10% and projected declining revenue rates ranging from (6)% to (13)% were used in the fair value measurements related to the long-lived assets for the disc manufacturing business for the fiscal year ended March 31, 2014. For the fiscal year ended March 31, 2015, a discount rate of 10% and projected declining revenue rates ranging from (5)% to (9)% were used in the fair value measurements related to the long-lived assets for the disc manufacturing business. For the fiscal year ended March 31, 2016, a discount rate of 10% and projected revenue growth rates ranging from zero to 14% were used in the fair value measurements related to the long-lived assets for the battery business and a discount rate of 10% and projected revenue growth rates ranging from zero to 108% were used in the fair value measurements related to the long-lived assets for the camera module business. The high end of the camera module revenue growth rate reflects projected revenue from the introduction of new products in the near term.

Goodwill impairments

Sony recorded an impairment loss of 176,045 million yen for the fiscal year ended March 31, 2015 related to goodwill in the MC segment. Refer to Note 9. Sony's determination of fair value of the MC reporting unit was based on the present value of expected future cash flows. These measurements are classified as a level 3 because significant unobservable inputs, such as the projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. A discount rate of 12% and projected revenue growth rates ranging from (3)% to 11% were used in the fair value measurements.

(3)

Financial instruments

The estimated fair values by fair value hierarchy level of certain financial instruments that are not reported at fair value are summarized as follows:

	Yen in millions March 31, 2015				Carrying amount Total
	Estimated fair value				
	Level 1	Level 2	Level 3	Total	
Assets:					
Housing loans in the banking business	—	1,181,554	—	1,181,554	1,074,386
Total assets	—	1,181,554	—	1,181,554	1,074,386
Liabilities:					
Long-term debt including the current portion	—	878,609	—	878,609	871,604
Investment contracts included in policyholders' account in the life insurance business	—	586,331	—	586,331	591,951
Total liabilities	—	1,464,940	—	1,464,940	1,463,555
	Yen in millions March 31, 2016				Carrying amount Total
	Estimated fair value				
	Level 1	Level 2	Level 3	Total	
Assets:					
Housing loans in the banking business	—	1,369,157	—	1,369,157	1,235,311
Total assets	—	1,369,157	—	1,369,157	1,235,311
Liabilities:					
Long-term debt including the current portion	—	755,631	—	755,631	744,273
Investment contracts included in policyholders' account in the life insurance business	—	677,375	—	677,375	638,737
Total liabilities	—	1,433,006	—	1,433,006	1,383,010

The summary excludes cash and cash equivalents, call loans, time deposits, notes and accounts receivable, trade, call money, short-term borrowings, notes and accounts payable, trade and deposits from customers in the banking business because the carrying values of these financial instruments approximated their fair values due to their short-term nature. The summary also excludes held-to-maturity securities disclosed in Note 7.

Cash and cash equivalents, call loans and call money are classified in level 1. Time deposits, short-term borrowings, deposits from customers in the banking business are classified in level 2. Held-to-maturity securities, included in marketable securities and securities investments and other in the consolidated balance sheets, primarily include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds and are substantially all classified in level 2. The fair values of housing loans in the banking business, included in securities investments and other in the consolidated balance sheets, were estimated based on the discounted future cash flows using interest rates reflecting London InterBank Offered Rate base yield curves with certain risk premiums. The fair values of long-term debt including the current portion and investment contracts included in policyholders' account in the life insurance business were estimated based on either the market value or the discounted future cash flows using Sony's current incremental borrowing rates for similar liabilities.

14.

Derivative instruments and hedging activities

Sony has certain financial instruments including financial assets and liabilities acquired in the normal course of business. Such financial instruments are exposed to market risk arising from the changes in foreign currency exchange rates and interest rates. In applying a consistent risk management strategy for the purpose of reducing such risk, Sony uses derivative financial instruments, which include foreign exchange forward contracts, foreign currency option contracts, and interest rate swap agreements (including interest rate and currency swap agreements). Certain other derivative financial instruments are entered into in the Financial Services segment for asset-liability management (“ALM”) purposes. These instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major countries. These derivatives generally mature or expire within six months after the balance sheet date. Other than derivatives utilized in the Financial Services segment for ALM, Sony does not use derivative financial instruments for trading or speculative purposes. These derivative transactions utilized for ALM in the Financial Services segment are executed within certain limits in accordance with an internal risk management policy.

Derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives designated as fair value hedges, as well as offsetting changes in the carrying value of the underlying hedged items, are recognized in income. For the fiscal years ended March 31, 2014, 2015 and 2016, these fair value hedges were fully effective. In addition, there were no amounts excluded from the assessment of hedge effectiveness of fair value hedges.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in other comprehensive income (“OCI”) and reclassified into earnings when the hedged transaction affects earnings. For the fiscal years ended March 31, 2014 and 2016, the ineffective portions of the hedging relationships were not significant. In addition, there were no amounts excluded from the assessment of hedge effectiveness for cash flow hedges. As of and for the fiscal year ended March 31, 2015, there were no cash flow hedge derivatives.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognized in income.

A description of the purpose and classification of the derivative financial instruments held by Sony is as follows:

Foreign exchange forward contracts and foreign currency option contracts

Foreign exchange forward contracts and purchased and written foreign currency option contracts are utilized primarily to limit the exposure affected by changes in foreign currency exchange rates on cash flows generated by anticipated intercompany transactions and intercompany accounts receivable and payable denominated in foreign currencies. The majority of written foreign currency option contracts are a part of range forward contract arrangements and expire in the same month with the corresponding purchased foreign currency option contracts.

Sony also entered into foreign exchange forward contracts during the fiscal year ended March 31, 2016 which effectively fixed the cash flows from foreign currency denominated payables. Accordingly, these derivatives have been designated as cash flow hedges.

Foreign exchange forward contracts and foreign currency option contracts that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses.

Foreign exchange forward contracts, foreign currency option contracts and currency swap agreements held by certain subsidiaries in the Financial Services segment are marked-to-market with changes in value recognized in financial service revenue.

Interest rate swap agreements (including interest rate and currency swap agreements)

Interest rate swap agreements are utilized primarily to lower funding costs, to diversify sources of funding and to limit Sony's exposure associated with underlying debt instruments and available-for-sale debt securities resulting from adverse fluctuations in interest rates, foreign currency exchange rates and changes in fair values. Interest rate swap agreements entered into in the Financial Services segment are used for reducing the risk arising from the changes in the fair value of fixed rate available-for-sale debt securities. These derivatives are considered to be a hedge against changes in the fair value of available-for-sale debt securities in the Financial Services segment. Accordingly, these derivatives have been designated as fair value hedges.

Sony also had certain interest rate swap agreements during the fiscal year ended March 31, 2014 for the purpose of reducing the risk arising from the changes in anticipated cash flows of variable rate debt and foreign currency denominated debt. These interest rate swap agreements, which effectively swapped foreign currency denominated variable rate debt for functional currency denominated fixed rate debt, were considered a hedge against changes in the anticipated cash flows of Sony's foreign denominated variable rate obligations. Accordingly, these derivatives were designated as cash flow hedges.

Certain subsidiaries in the Financial Services segment have interest rate swap agreements as part of their ALM, which are marked-to-market with changes in value recognized in financial service revenue.

Any other interest rate swap agreements that do not qualify as hedges, which are used for reducing the risk arising from changes of variable rate debt, are marked-to-market with changes in value recognized in other income and expenses.

Other agreements

Certain subsidiaries in the Financial Services segment have equity future contracts, other currency contracts and hybrid financial instruments as part of their ALM, which are marked-to-market with changes in value recognized in financial services revenue. The hybrid financial instruments, disclosed in Note 7 as debt securities, contained embedded derivatives that are not required to be bifurcated because the entire instruments are carried at fair value.

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

Derivatives designated as hedging instruments	Yen in millions		Fair value	Yen in millions		Fair value
	Balance sheet location	Fair value		Balance sheet location	Fair value	

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		March 31		March 31		
	Asset derivatives	2015	2016	Liability derivatives	2015	2016
Interest rate contracts	Prepaid expenses and other current assets	11	16	Current liabilities: Other	954	665
Interest rate contracts	Other assets: Other	207	33	Liabilities: Other	23,899	22,600
Foreign exchange contracts	Prepaid expenses and other current assets	40	1			
		258	50		24,853	23,270

Yen in millions					
Derivatives not designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value
		March 31	March 31		
	Asset derivatives	2015	2016	Liability derivatives	2015
Interest rate contracts	Other assets: Other	222	538	Current liabilities: Other	—
Interest rate contracts	Other assets: Other	222	538	Liabilities: Other	1,178
Foreign exchange contracts	Prepaid expenses and other current assets	29,899	16,803	Current liabilities: Other	21,526
Foreign exchange contracts	Other assets: Other	28	—	Liabilities: Other	155
Equity contracts	Prepaid expenses and other current assets	—	437	Current liabilities: Other	612
		30,149	17,778		23,471
Total derivatives		30,407	17,828		48,324

Presented below are the effects of derivative instruments on the consolidated statements of income for the fiscal years ended March 31, 2014, 2015 and 2016.

Derivatives under fair value hedging relationships	Yen in millions		Amount of gain or (loss) recognized in income on derivative		
	Location of gain or (loss) recognized in income on derivative		Fiscal year ended March 31		
			2014	2015	2016
Interest rate contracts	Financial services revenue		131	(8,271)	(8,300)
Foreign exchange contracts	Foreign exchange loss, net		(1)	(9)	3
Total			130	(8,280)	(8,297)

Derivatives under cash flow hedging relationships	Yen in millions		Amount of gain or (loss) recognized in OCI on derivative		
	Location of gain or (loss) recognized in income on derivative		Fiscal year ended March 31		
			2014	2015	2016
Interest rate contracts	-		167	—	—
Foreign exchange contracts	-		—	—	1,914
Total			167	—	1,914
Amount of gain or (loss) reclassified from accumulated OCI into income (effective portion)					
Interest rate contracts	Interest expense		471	—	—
Foreign exchange contracts	Foreign exchange loss, net		348	—	(8)
Foreign exchange contracts	Cost of sales		—	—	(3,104)
Total			819	—	(3,112)

Derivatives not designated as hedging instruments	Yen in millions		Amount of gain or (loss) recognized in income on derivative		
	Location of gain or (loss) recognized in income on derivative		Fiscal year ended March 31		
			2014	2015	2016
Interest rate contracts	Financial services revenue		(167)	(3,579)	(5,499)
Interest rate contracts	Foreign exchange loss, net		—	883	—
Foreign exchange contracts	Financial services revenue		1,198	(1,942)	4,166
Foreign exchange contracts	Foreign exchange loss, net		2,703	13,375	(14,501)

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Equity contracts	Financial services revenue	—	(2,725)	3,267
Total		3,734	6,012	(12,567)

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

	Yen in millions			
	March 31, 2015		March 31, 2016	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange contracts:				
Foreign exchange forward contracts	1,335,811	11,654	1,030,020	(5,118)
Currency option contracts purchased	9,920	202	211	2
Currency option contracts written	568	(3)	210	(2)
Currency swap agreements	754,056	(3,872)	729,632	(99)
Other currency contracts	83,980	305	75,157	2,712
Interest rate contracts:				
Interest rate swap agreements	402,049	(25,591)	436,739	(28,571)
Equity contracts:				
Equity future contracts	21,903	(612)	72,794	(231)

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets on a gross basis, but certain subsidiaries have entered into master netting agreements or other similar agreements, which are mainly International Swaps and Derivatives Association (ISDA) Master Agreements. An ISDA Master Agreement is an agreement between two counterparties that may have multiple derivative contracts with each other, and such ISDA Master Agreement may provide for the net settlement of all or a specified group of these derivative contracts, through a single payment, in a single currency, in the event of a default on or affecting any one derivative contract, or a termination event affecting all or a specified group of derivative contracts. Presented below are the effects of offsetting derivative assets, derivative liabilities, financial assets and financial liabilities as of March 31, 2015 and 2016.

	Yen in millions			
	As of March 31, 2015			
	Gross amounts	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements	Cash collateral	Net amounts
	in the consolidated balance sheet	in the consolidated balance sheet		
Derivative assets subject to master netting agreements	26,032	10,387	—	15,645
Derivative assets not subject to master netting agreements	4,375			4,375
Total assets	30,407	10,387	—	20,020
Derivative liabilities subject to master netting agreements	43,791	37,820	612	5,359
Derivative liabilities not subject to master netting agreements	4,533			4,533
Total liabilities	48,324	37,820	612	9,892

	Yen in millions			
	As of March 31, 2016			
	Gross amounts	Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements	Cash collateral	Net amounts
	in the consolidated balance sheet	in the consolidated balance sheet		
Derivative assets subject to master netting agreements	10,251	6,990	312	2,949
Derivative assets not subject to master netting agreements	7,577			7,577
Total assets	17,828	6,990	312	10,526
Derivative liabilities subject to master netting agreements	46,328	28,527	8,269	9,532
Derivative liabilities not subject to master netting agreements	2,807			2,807
Repurchase, securities lending and similar arrangements	62,805	61,864	—	941
Total liabilities	111,940	90,391	8,269	13,280

15.

Pension and severance plans

(1)

Defined benefit and severance plans

Upon terminating employment, employees of Sony Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below. Sony Corporation and certain of its subsidiaries' pension plans utilize a point-based plan under which a point is added every year reflecting the individual employee's performance over that year. Under the point-based plan, the amount of payment is determined based on the sum of cumulative points from past services and interest points earned on the cumulative points regardless of whether or not the employee is voluntarily retiring.

Under the plans, in general, the defined benefits cover 65% of the indemnities under existing regulations to employees. The remaining indemnities are covered by severance payments by the companies. The pension benefits are payable at the option of the retiring employee either in a lump-sum amount or monthly pension payments. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

From April 1, 2012, Sony Corporation and substantially all of its subsidiaries in Japan have modified existing defined benefit pension plans such that life annuities will no longer accrue additional service benefits, with those participants instead accruing fixed-term annuities. The defined benefit pension plans were closed to new participants and a defined contribution plan was also introduced.

In addition, several of Sony's foreign subsidiaries have defined benefit pension plans or severance indemnity plans, which cover substantially all of their employees. Under such plans, the related cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on the current rate of pay and length of service.

The components of net periodic benefit costs for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Japanese plans:

Yen in millions

	Fiscal year ended March 31		
	2014	2015	2016
Service cost	24,827	24,350	24,668
Interest cost	12,152	11,583	8,689
Expected return on plan assets	(17,822)	(19,252)	(20,851)
Recognized actuarial loss	11,480	9,867	8,588
Amortization of prior service costs	(10,176)	(9,614)	(9,489)
Net periodic benefit costs	20,461	16,934	11,605

Foreign plans:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Service cost	3,032	3,188	3,504
Interest cost	12,068	13,040	12,096
Expected return on plan assets	(11,480)	(12,993)	(14,117)
Amortization of net transition asset	12	10	10
Recognized actuarial loss	3,693	2,991	4,236
Amortization of prior service costs	(643)	(639)	(478)
Losses on curtailments and settlements	1,074	31	354
Net periodic benefit costs	7,756	5,628	5,605

The estimated net actuarial loss, prior service cost and obligation (asset) existing at transition for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next fiscal year are 23,195 million yen, 9,974 million yen and 5 million yen, respectively.

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The changes in the benefit obligation and plan assets as well as the funded status and composition of amounts recognized in the consolidated balance sheets were as follows:

	Japanese plans Yen in millions		Foreign plans Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	847,446	890,415	313,698	394,704
Service cost	24,350	24,670	3,188	3,504
Interest cost	11,583	8,689	13,040	12,096
Plan participants' contributions	—	—	752	676
Amendments	—	—	(283)	—
Actuarial (gain) loss *	48,061	144,416	74,801	(21,868)
Foreign currency exchange rate changes	—	—	7,214	(16,893)
Curtailments and settlements	—	—	(3,932)	(1,246)
Effect of changes in consolidated subsidiaries	(4)	—	—	—
Other	(2,696)	(14)	—	—
Benefits paid	(38,325)	(33,892)	(13,774)	(14,098)
Benefit obligation at end of the fiscal year	890,415	1,034,284	394,704	356,875
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	654,792	710,602	225,024	280,216
Actual return on plan assets	74,447	(9,030)	54,928	(6,035)
Foreign currency exchange rate changes	—	—	5,752	(13,095)
Employer contribution	7,978	1,951	9,434	7,905
Plan participants' contributions	—	—	752	676
Curtailments and settlements	—	—	(2,989)	(504)
Other	(1,934)	—	—	—
Benefits paid	(24,681)	(24,091)	(12,685)	(12,822)
Fair value of plan assets at end of the fiscal year	710,602	679,432	280,216	256,341
Funded status at end of the fiscal year	(179,813)	(354,852)	(114,488)	(100,534)

* Actuarial loss in Japanese plans for the fiscal year ended March 31, 2016 principally relates to changes in the assumptions for discount and mortality rates.

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans Yen in millions		Foreign plans Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Noncurrent assets	3,005	2,217	4,027	7,102
Current liabilities	—	—	(4,500)	(2,892)
Noncurrent liabilities	(182,818)	(357,069)	(114,015)	(104,744)
Ending balance	(179,813)	(354,852)	(114,488)	(100,534)

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

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Prior service cost (credit)	(44,394)	(34,905)	(2,161)	(1,443)
Net actuarial loss	218,462	389,302	94,480	82,850
Obligation existing at transition	—	—	15	7
Ending balance	174,068	354,397	92,334	81,414

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

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Accumulated benefit obligations	885,479	1,028,690	364,094	331,975

The projected benefit obligations, the accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2015	2016	2015	2016
Projected benefit obligations	879,995	1,022,373	330,478	292,171
Accumulated benefit obligations	876,282	1,018,228	323,221	286,705
Fair value of plan assets	698,400	666,753	235,343	202,913

Weighted-average assumptions used to determine benefit obligations as of March 31, 2015 and 2016 were as follows:

	Japanese plans		Foreign plans	
	March 31		March 31	
	2015	2016	2015	2016
Discount rate	1.0%	0.6%	3.1%	3.2%

Rate of compensation increase * * 2.9 2.1

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Weighted-average assumptions used to determine the net periodic benefit costs for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Japanese plans			Foreign plans		
	Fiscal year ended			Fiscal year ended		
	March 31			March 31		
	2014	2015	2016	2014	2015	2016
Discount rate	1.5%	1.4%	1.0%	4.1%	4.1%	3.1%
Expected return on plan assets	3.0	3.0	3.0	5.8	5.6	4.8
Rate of compensation increase	*	*	*	3.1	3.1	2.9

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Sony reviews these assumptions for changes in circumstances.

The weighted-average rate of compensation increase is calculated based only on the pay-related plans. The point-based plans discussed above are excluded from the calculation because payments made under the plan are not based on employee compensation.

The mortality rate assumptions are based on life expectancy and death rates for different types of participants. In the fiscal year ended March 31, 2016, Sony updated mortality rate assumptions to consider the latest mortality tables and in certain instances to utilize mortality tables based on gender.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as the historical and expected long-term rates of returns on various categories of plan assets. Sony's pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities.

The investment objectives of Sony's plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The obligations are estimated using actuarial assumptions, based on the current economic environment and other pertinent factors. Sony's investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing its dependence on contributions from Sony. To mitigate any potential concentration

risk, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2016, are, as a result of Sony's asset liability management, 29% of equity securities, 53% of fixed income securities and 18% of other investments for the pension plans of Sony Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 33% of equity securities, 49% of fixed income securities and 18% of other investments for the pension plans of foreign subsidiaries.

The fair values of the assets held by Japanese and foreign plans, which are classified in accordance with the fair value hierarchy described in Note 2, are as follows:

	Japanese plans Yen in millions			
	Fair value Fair value measurements at March using inputs considered as 31,			
<u>Asset class</u>	2015	Level 1	Level 2	Level 3
Cash and cash equivalents	5,789	5,789	—	—
Equity:				
Equity securities* ¹	166,164	161,530	4,634	—
Fixed income:				
Government bonds* ²	217,359	—	217,359	—
Corporate bonds* ³	54,639	—	54,639	—
Asset-backed securities* ⁴	650	—	650	—
Commingled funds* ⁵	122,798	—	122,798	—
Commodity funds* ⁶	24,621	—	24,621	—
Private equity* ⁷	32,584	—	—	32,584
Hedge funds* ⁸	80,037	—	—	80,037
Real estate	5,961	—	—	5,961
Total	710,602	167,319	424,701	118,582

	Japanese plans Yen in millions			
	Fair value Fair value measurements at March using inputs considered as 31,			
<u>Asset class</u>	2016	Level 1	Level 2	Level 3
Cash and cash equivalents	17,985	17,985	—	—
Equity:				
Equity securities* ¹	148,658	144,597	4,061	—
Fixed income:				
Government bonds* ²	218,851	—	218,851	—
Corporate bonds* ³	56,779	—	56,779	—
Asset-backed securities* ⁴	1,148	—	1,148	—
Commingled funds* ⁵	115,902	—	115,902	—
Commodity funds* ⁶	20,547	—	20,547	—
Private equity* ⁷	31,852	—	—	31,852
Hedge funds* ⁸	60,395	—	—	60,395
Real estate	7,315	—	—	7,315
Total	679,432	162,582	417,288	99,562

*1 Includes approximately 53 percent and 48 percent of Japanese equity securities, and 47 percent and 52 percent of foreign equity securities for the fiscal years ended March 31, 2015 and 2016, respectively.

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*2 Includes approximately 48 percent and 51 percent of debt securities issued by Japanese national and local governments, and 52 percent and 49 percent of debt securities issued by foreign national and local governments for the fiscal years ended March 31, 2015 and 2016, respectively.

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

*4 Includes primarily mortgage-backed securities.

*5 Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 46 percent and 44 percent of investments in equity, 52 percent and 54 percent of investments in fixed income, and 3 percent and 1 percent of investments in other for the fiscal years ended March 31, 2015 and 2016, respectively.

*6 Represents commodity futures funds.

*7 Includes multiple private equity funds of funds that primarily invest in venture, buyout, and distressed markets in the U.S. and Europe.

*8 Includes primarily funds that invest in a portfolio of a broad range of hedge funds to diversify the risks and reduce the volatilities associated with a single hedge fund.

	Foreign plans Yen in millions			
Asset class	Fair value	Fair value measurements at March using inputs considered as 31,		
	2015	Level 1	Level 2	Level 3
Cash and cash equivalents	8,665	8,665	—	—
Equity:				
Equity securities*1	44,276	41,194	3,082	—
Fixed income:				
Government bonds*2	69,882	—	69,882	—
Corporate bonds*3	33,290	—	25,906	7,384
Asset-backed securities	328	—	328	—
Insurance contracts*4	1,936	—	1,936	—
Commingled funds*5	86,931	—	86,931	—
Real estate and other*6	34,908	—	19,386	15,522
Total	280,216	49,859	207,451	22,906

	Foreign plans Yen in millions			
Asset class	Fair value	Fair value measurements at March using inputs considered as 31,		
	2016	Level 1	Level 2	Level 3
Cash and cash equivalents	4,078	4,078	—	—
Equity:				
Equity securities*1	37,769	35,818	1,951	—
Fixed income:				
Government bonds*2	60,835	—	60,835	—
Corporate bonds*3	30,425	—	23,425	7,000
Asset-backed securities	321	—	321	—
Insurance contracts*4	4,293	—	4,293	—
Commingled funds*5	77,456	—	77,456	—
Real estate and other*6	41,164	—	17,040	24,124
Total	256,341	39,896	185,321	31,124

*1 Includes primarily foreign equity securities.

*2 Includes primarily foreign government debt securities.

- *3 Includes primarily foreign corporate debt securities.
- *4 Represents annuity contracts with or without profit sharing.
- *5 Commingled funds represent pooled institutional investments including mutual funds, common trust funds, and collective investment funds. They are primarily comprised of foreign equities and fixed income investments.
- *6 Includes primarily private real estate investment trusts.

Each level in the fair value hierarchy in which each plan asset is classified is determined based on inputs used to measure the fair values of the asset, and does not necessarily indicate the risks or rating of the asset.

The following is a description of the valuation techniques used to measure Japanese and foreign plan assets at fair value. The valuation techniques are applied consistently from period to period.

Equity securities are valued at the closing price reported in the active market in which the individual securities are traded. These assets are generally classified as level 1.

The fair value of fixed income securities is typically estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are generally classified as level 2.

Commingled funds are typically valued using the net asset value provided by the administrator of the fund and reviewed by Sony. The net asset value is based on the value of the underlying assets owned by the fund, minus liabilities and divided by the number of shares or units outstanding. These assets are classified as level 1, level 2 or level 3 depending on availability of quoted market prices.

Commodity funds are valued using inputs that are derived principally from or corroborated by observable market data. These assets are generally classified as level 2.

Private equity and private real estate investment trust valuations require significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. These assets are initially valued at cost and are reviewed periodically utilizing available and relevant market data to determine if the carrying value of these assets should be adjusted. These investments are classified as level 3.

Hedge funds are valued using the net asset value as determined by the administrator or custodian of the fund. These investments are classified as level 3.

The following table sets forth a summary of changes in the fair values of Japanese and foreign plans' level 3 assets for the fiscal years ended March 31, 2015 and 2016:

	Japanese plans Yen in millions Fair value measurement using significant unobservable inputs (Level 3)			
	Private equity	Hedge funds	Real estate	Total
Beginning balance at April 1, 2014	26,942	41,108	1,689	69,739
Return on assets held at end of year	5,642	5,796	(101)	11,337
Purchases, sales, and settlements, net	—	33,133	4,373	37,506
Ending balance at March 31, 2015	32,584	80,037	5,961	118,582
Return on assets held at end of year	157	(3,593)	315	(3,121)
Purchases, sales, and settlements, net	(889)	(16,049)	1,039	(15,899)
Ending balance at March 31, 2016	31,852	60,395	7,315	99,562

	Foreign plans Yen in millions Fair value measurement using significant unobservable inputs (Level 3)		
	Real estate bonds	and other	Total
Beginning balance at April 1, 2014	6,255	8,932	15,187
Return on assets held at end of year	81	(408)	(327)
Purchases, sales, and settlements, net	—	210	210
Other*	1,048	6,788	7,836
Ending balance at March 31, 2015	7,384	15,522	22,906
Return on assets held at end of year	76	(104)	(28)
Return on assets sold during the year	—	19	19
Purchases, sales, and settlements, net	—	3,933	3,933
Transfers, net	—	2,692	2,692
Other*	(460)	2,062	1,602
Ending balance at March 31, 2016	7,000	24,124	31,124

* Primarily consists of translation adjustments.

Sony makes contributions to its defined benefit pension plans as deemed appropriate by management after considering the fair value of plan assets, expected return on plan assets and the present value of benefit obligations. Sony expects to contribute approximately 11 billion yen to the Japanese plans and approximately 6 billion yen to the foreign plans during the fiscal year ending March 31, 2017.

The expected future benefit payments are as follows:

<u>Fiscal year ending March 31</u>	Japanese plans Yen in millions	Foreign plans Yen in millions
2017	34,129	13,316
2018	34,595	13,742
2019	37,755	14,192
2020	39,943	14,988
2021	40,867	15,720
2022 – 2026 (2)	224,026	89,353

Defined contribution plans

Total defined contribution expenses for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Japanese plans	3,602	3,199	3,155
Foreign plans	12,703	13,857	12,419

16.

Stockholders' equity

(1)

Common stock

Changes in the number of shares of common stock issued and outstanding during the fiscal years ended March 31, 2014, 2015 and 2016 have resulted from the following:

	Number of shares
Balance at March 31, 2013	1,011,950,206
Exercise of stock acquisition rights	134,800
Conversion of zero coupon convertible bonds	32,622,761
Balance at March 31, 2014	1,044,707,767

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Exercise of stock acquisition rights	948,500
Conversion of zero coupon convertible bonds	124,116,993
Balance at March 31, 2015	1,169,773,260
Issuance of new shares	92,000,000
Exercise of stock acquisition rights	720,500
Balance at March 31, 2016	1,262,493,760

At March 31, 2016, 39,739,861 shares of common stock would be issued upon the conversion or exercise of all convertible bonds and stock acquisition rights outstanding.

Conversions of convertible bonds into common stock are accounted for in accordance with the provisions of the Companies Act of Japan (*Kaishaho*) and related regulations (collectively the “Companies Act”) by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

Sony Corporation may purchase its own shares at any time by a resolution of the Board of Directors up to the retained earnings available for dividends to shareholders, in accordance with the Companies Act. No common stock had been acquired by the resolution of the Board of Directors during the fiscal years ended March 31, 2014, 2015 and 2016.

(2) Retained earnings

The amount of statutory retained earnings of Sony Corporation available for dividends to shareholders as of March 31, 2016 was 467,311 million yen. The appropriation of retained earnings for the fiscal year ended March 31, 2016, including cash dividends for the six-month period ended March 31, 2016, has been incorporated in the consolidated financial statements. This appropriation of retained earnings was approved at the meeting of the Board of Directors of Sony Corporation held on April 28, 2016 and was then recorded in the statutory books of account, in accordance with the Companies Act.

Retained earnings include Sony's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of 20,986 million yen and 29,061 million yen at March 31, 2015 and 2016, respectively.

(3) Other comprehensive income

Changes in accumulated other comprehensive income, net of tax, by component for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions				
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2013	109,079	(742)	(191,816)	(556,016)	(639,495)
Other comprehensive income before reclassifications	24,388	103	6,896	158,884	190,271
Amounts reclassified out of accumulated other comprehensive income	(5,078)	639	4,987	—	548
Net current-period other comprehensive income	19,310	742	11,883	158,884	190,819
Less: Other comprehensive income attributable to noncontrolling interests	880	—	106	1,923	2,909
Balance at March 31, 2014	127,509	—	(180,039)	(399,055)	(451,585)

	Yen in millions		
	Unrealized gains	Pension liability	Foreign currency
			Total

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	(losses) on securities	adjustment	translation adjustments	
Balance at March 31, 2014	127,509	(180,039)	(399,055)	(451,585)
Other comprehensive income before reclassifications	53,069	(22,552)	67,334	97,851
Amounts reclassified out of accumulated other comprehensive income* ¹	(14,351)	1,365	(1,544)	(14,530)
Net current-period other comprehensive income	38,718	(21,187)	65,790	83,321
Less: Other comprehensive income attributable to noncontrolling interests	12,074	(95)	5,040	17,019
Balance at March 31, 2015	154,153	(201,131)	(338,305)	(385,283)

	Yen in millions				
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2015	154,153	—	(201,131)	(338,305)	(385,283)
Other comprehensive income before reclassifications	45,527	1,914	(174,380)	(83,899)	(210,838)
Amounts reclassified out of accumulated other comprehensive income	(43,307)	(3,112)	2,627	—	(43,792)
Net current-period other comprehensive income	2,220	(1,198)	(171,753)	(83,899)	(254,630)
Less: Other comprehensive income attributable to noncontrolling interests	15,637	—	(1,145)	(1,087)	13,405
Balance at March 31, 2016	140,736	(1,198)	(371,739)	(421,117)	(653,318)

*1 Foreign currency translation adjustments were transferred from accumulated other comprehensive income to net income as a result of a complete or substantially complete liquidation or sale of certain foreign subsidiaries and affiliates.

Reclassifications out of accumulated other comprehensive income for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

Comprehensive income components	Yen in millions			Affected line items in consolidated statements of income
	Amounts reclassified from accumulated other comprehensive income 2014	2015	2016	
Unrealized gains (losses) on securities	(881)	(10,515)	(19,598)	Financial services revenue
	(7,801)	(7,942)	(47,087)	Gain on sale of securities investments, net
	447	—	3,063	Loss on devaluation of securities investments
	14	—	—	Other
Total before tax	(8,221)	(18,457)	(63,622)	
Tax expense or (benefit)	3,143	4,106	20,315	
Net of tax	(5,078)	(14,351)	(43,307)	
Unrealized gains (losses) on derivative instruments	471	—	—	Interest
	348	—	(8)	Foreign exchange loss, net
	—	—	(3,104)	Cost of sales
Total before tax	819	—	(3,112)	
Tax expense or (benefit)	(180)	—	—	
Net of tax	639	—	(3,112)	

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Pension liability adjustment	5,440	2,615	2,867	*
Tax expense or (benefit)	(453)	(1,250)	(240)	
Net of tax	4,987	1,365	2,627	
Foreign currency translation adjustments	—	(1,544)	—	Foreign exchange loss, net
Tax expense or (benefit)	—	—	—	
Net of tax	—	(1,544)	—	
Total amounts reclassified out of accumulated other comprehensive income, net of tax	548	(14,530)	(43,792)	

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

(4)

Equity transactions with noncontrolling interests

Net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests for the fiscal years ended March 31, 2014, 2015 and 2016 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Net income (loss) attributable to Sony Corporation's stockholders	(128,369)	(125,980)	147,791
Transfers (to) from the noncontrolling interests:			
Decrease in additional paid-in capital for purchase of additional shares in consolidated subsidiaries	28	(2,483)	(12,776)
Change from net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests	(128,341)	(128,463)	135,015

17.

Stock-based compensation plans

The stock-based compensation expense for the fiscal years ended March 31, 2014, 2015 and 2016 was 1,068 million yen, 1,286 million yen and 1,944 million yen, respectively. The total cash received from exercises under all of the stock-based compensation plans during the fiscal years ended March 31, 2014, 2015 and 2016 was 200 million yen, 1,637 million yen and 1,578 million yen, respectively. Sony issued new shares upon exercise of these rights.

Sony has a stock-based compensation incentive plan for selected directors, corporate executive officers and employees in the form of a stock acquisition rights plan. The stock acquisition rights generally have three year graded vesting schedules and are exercisable up to ten years from the date of grant.

The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2014, 2015 and 2016 was 821 yen, 1,139 yen and 1,331 yen, respectively. The fair value of stock acquisition rights granted on the date of grant and used to recognize compensation expense for the fiscal years ended March 31, 2014, 2015 and 2016 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31		
	2014	2015	2016
Weighted-average assumptions			
Risk-free interest rate	1.43 %	1.26 %	1.07 %

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Expected lives	7.13 years	7.35 years	7.12 years
Expected volatility*	52.03 %	51.69 %	42.07 %
Expected dividends	1.55 %	1.24 %	0.75 %

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

A summary of the activities regarding the stock acquisition rights plan during the fiscal year ended March 31, 2016 is as follows:

	Fiscal year ended March 31, 2016			Total intrinsic value
	Number of shares	Weighted- average exercise price	Weighted- average remaining life	
		Yen	Years	Yen in millions
Outstanding at beginning of the fiscal year	16,408,500	3,358		
Granted	2,342,000	3,355		
Exercised	720,500	2,190		
Forfeited or expired	2,251,800	3,976		
Outstanding at end of the fiscal year	15,778,200	3,188	5.32	5,246
Exercisable at end of the fiscal year	11,558,300	3,319	3.95	4,133

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2014, 2015 and 2016 was 52 million yen, 1,463 million yen and 1,338 million yen, respectively.

As of March 31, 2016, there was 2,944 million yen of total unrecognized compensation expense related to nonvested stock acquisition rights. This expense is expected to be recognized over a weighted-average period of 2.06 years.

18.

Thai Floods

In October 2011, certain of Sony's Thailand subsidiaries temporarily closed operations due to significant floods (the "Floods"). The Floods caused significant damage to certain fixed assets including buildings, machinery and equipment as well as inventories in manufacturing sites and warehouses located in Thailand. In addition, the Floods impacted the operations of certain Sony subsidiaries in Japan and other countries.

Sony has insurance policies which cover certain damage directly caused by the Floods for Sony Corporation and certain of its subsidiaries, including manufacturing sites. The insurance policies cover the damage and costs associated with fixed assets, inventories and additional expenses including removal and cleaning costs and provide business interruption coverage, including lost profits.

Insurance recoveries were recognized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2014	2015	2016
Insurance recoveries for fixed assets, inventories and additional expenses	624	—	—
Insurance recoveries for business interruption	11,452	6,387	5,656
	12,076	6,387	5,656

The proceeds from insurance recoveries for fixed assets, inventories and additional expenses and for business interruption were included in investing activities and operating activities, respectively, in the consolidated statements of cash flows.

19.

Restructuring charges

As part of its effort to improve the performance of the various businesses, Sony has undertaken a number of restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, which are designed to generate a positive impact on future profitability. These activities include exiting a business or product category, implementing a headcount reduction program, realignment of its manufacturing sites to low-cost areas, utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs), a review of its development and design structure, and the streamlining of its sales and administrative functions. The restructuring activities are generally short term in nature and are generally completed within one year of initiation.

The changes in the accrued restructuring charges for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen in millions			
	Employee termination benefits	Non-cash write-downs and disposals, net*	Other associated costs	Total
Balance at March 31, 2013	32,729	—	5,675	38,404
Restructuring costs	41,820	18,991	14,759	75,570
Non-cash charges	—	(18,991)	—	(18,991)
Cash payments	(46,017)	—	(7,177)	(53,194)
Adjustments	3,312	—	659	3,971
Balance at March 31, 2014	31,844	—	13,916	45,760
Restructuring costs	53,261	17,169	20,259	90,689
Non-cash charges	—	(17,169)	—	(17,169)
Cash payments	(48,787)	—	(19,937)	(68,724)
Adjustments	403	—	(42)	361
Balance at March 31, 2015	36,721	—	14,196	50,917
Restructuring costs	27,401	1,828	7,298	36,527
Non-cash charges	—	(1,828)	—	(1,828)
Cash payments	(40,261)	—	(11,232)	(51,493)
Adjustments	(1,330)	—	1,473	143
Balance at March 31, 2016	22,531	—	11,735	34,266

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

Total costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2014, 2015 and 2016 are as follows:

Yen in millions					
Fiscal year ended March 31, 2014					
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	440	3,171	3,611	—	3,611
Game & Network Services	58	313	371	—	371
Imaging Products & Solutions	3,466	354	3,820	—	3,820
Home Entertainment & Sound	1,181	377	1,558	34	1,592
Devices	2,896	2,547	5,443	3,451	8,894
Pictures	6,570	152	6,722	13	6,735
Music	685	—	685	—	685
Financial Services	—	—	—	—	—
All Other and Corporate	26,524	26,836	53,360	1,521	54,881
Total	41,820	33,750	75,570	5,019	80,589

Yen in millions					
Fiscal year ended March 31, 2015					
	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	3,800	1,906	5,706	85	5,791
Game & Network Services	520	6,752	7,272	—	7,272
Imaging Products & Solutions	6,586	39	6,625	714	7,339
Home Entertainment & Sound	1,959	1	1,960	—	1,960
Devices	3,235	3,761	6,996	426	7,422
Pictures	1,918	—	1,918	—	1,918
Music	1,530	585	2,115	—	2,115
Financial Services	—	—	—	—	—
All Other and Corporate	33,713	24,384	58,097	6,122	64,219
Total	53,261	37,428	90,689	7,347	98,036

Yen in millions
Fiscal year ended March 31, 2016

	Employee termination benefits	Other associated costs*	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	17,259	3,669	20,928	710	21,638
Game & Network Services	15	120	135	—	135
Imaging Products & Solutions	78	126	204	—	204
Home Entertainment & Sound Devices	1,181 (10)	26 (81)	1,207 (91)	—	1,207 (91)
Pictures	1,594	7	1,601	5	1,606
Music	1,501	367	1,868	—	1,868
Financial Services	—	—	—	—	—
All Other and Corporate	5,783	4,892	10,675	1,017	11,692
Total	27,401	9,126	36,527	1,732	38,259

* Other associated costs includes non-cash write-downs and disposals, net

Depreciation associated with restructured assets as used in the context of the disclosures regarding restructuring activities refers to the increase in depreciation expense caused by revising the useful life and the salvage value of depreciable fixed assets under an approved restructuring plan. Any impairment of the assets is recognized immediately in the period it is identified.

Retirement programs

Sony has undergone several headcount reduction programs to further reduce operating costs primarily in an effort to improve the performance of certain segments related to the Electronics business and reduce cost at the headquarters function. Through measures including the realignment of its manufacturing sites, a review of its development and design structure, and the streamlining of its sales and administrative functions, Sony has continued to implement a company-wide (including headquarters) rationalization. Sony intends to reallocate and optimize its workforce through programs including work reassignments and outplacements. The employee termination benefits costs in the above table are included in selling, general and administrative in the consolidated statements of income.

During the fiscal year ended March 31, 2014, Sony announced its exit from the PC business resulting in a reduction in the scale of sales companies (refer to *All Other and Corporate* in this note), plans to operate the TV business in the HE&S segment as a wholly-owned subsidiary, and additional plans to optimize the sales and headquarters functions that indirectly support the Electronics businesses.

During the fiscal year ended March 31, 2015, Sony substantially completed the activities for optimizing the functions of sales companies and headquarters described above, other than those for the Mobile Communication segment. In the third quarter of the fiscal year ended March 31, 2015, Sony began restructuring plans regarding the Mobile

Communication segment to reduce headcount by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions.

During the fiscal year ended March 31, 2016, the restructuring plans regarding the Mobile Communication segment progressed as planned by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions described above.

All Other and Corporate

Sony recorded restructuring charges resulting from exiting the PC business of 40,850 million yen and 19,635 million yen during the fiscal years ended March 31, 2014 and 2015, respectively. The amount for the fiscal year ended March 31, 2014 includes impairment losses of 12,817 million yen for long-lived assets and expenses of 8,019 million yen to compensate suppliers for unused components. The amounts above also include costs relating to a reduction in the scale of sales companies resulting from the decision to exit the PC business of 12,819 million yen and 8,278 million yen, for the fiscal years ended March 31, 2014 and 2015, respectively. Refer to Note 25.

In an effort to improve the performance of the disc manufacturing business, Sony initiated a number of restructuring activities to reduce its operating costs. These activities resulted in restructuring charges primarily consisting of headcount reductions and the closure and consolidation of manufacturing sites totaling 6,923 million yen for the fiscal year ended March 31, 2015. Refer to Note 13 for the long-lived assets impairments related to the disc manufacturing business other than restructuring charges.

As a result of efforts to optimize the sales and headquarters functions that indirectly support the Electronics businesses, which are described above, Sony recorded restructuring charges primarily consisting of headcount reductions totaling 22,345 million yen and 7,112 million yen during the fiscal years ended March 31, 2015 and 2016.

20.

Supplemental consolidated statements of income information

(1)

Other operating expense, net

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

Other operating expense, net is comprised of the following:

Yen in
millions
March
31