

SONY CORP
Form 6-K
June 01, 2012

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 June 2012

Commission File Number: 001-06439

SONY CORPORATION

(Translation of registrant's name into English)

7-1, KONAN 1-CHOME, 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 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

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

Consolidated Financial Statements
For the fiscal year ended March 31, 2012

Sony Corporation

TOKYO, JAPAN

Contents

<u>Management's Annual Report on Internal Control over Financial Reporting</u>	2
<u>Report of Independent Registered Public Accounting Firm</u>	3
<u>Consolidated Balance Sheets</u>	4
<u>Consolidated Statements of Income</u>	6
<u>Consolidated Statements of Cash Flows</u>	8
<u>Consolidated Statements of Changes in Stockholders' Equity</u>	10
<u>Index to Notes to Consolidated Financial Statements</u>	13
<u>Notes to Consolidated Financial Statements</u>	14

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 excluded from its assessment of the effectiveness of Sony's internal control over financial reporting as of March 31, 2012, an assessment of internal control over financial reporting of Sony Mobile Communications AB, which became a wholly owned subsidiary of Sony on February 15, 2012. Sony Mobile Communications AB had total assets of 347.0 billion yen and total sales and operating revenue of 77.7 billion yen for the period from February 16, 2012 to March 31, 2012 that were reflected in Sony's consolidated financial statements as of and for the fiscal year ended March 31, 2012.

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2012 based on the criteria established in "Internal Control — Integrated Framework" 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, 2012.

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, 2012, 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, 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, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, 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, 2012, based on criteria established in Internal Control - Integrated Framework 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.

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.

As described in Management's Annual Report on Internal Control over Financial Reporting, management has excluded Sony Mobile Communications AB from its assessment of internal control over financial reporting as of March 31, 2012, because it was acquired by the Company in a purchase business combination during the year ended March 31, 2012. We have also excluded Sony Mobile Communications AB from our audit of internal control over financial reporting. Sony Mobile Communications AB is a wholly-owned subsidiary whose total assets and total sales and operating revenue represent 347.0 billion yen and 77.7 billion yen, respectively, of the related consolidated financial

statement amounts as of and for the year ended March 31, 2012.

/s/ PricewaterhouseCoopers Aarata

Tokyo, Japan

May 31, 2012

3

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets
March 31

	Yen in millions	
	2011	2012
ASSETS		
Current assets:		
Cash and cash equivalents	1,014,412	894,576
Marketable securities	646,171	680,913
Notes and accounts receivable, trade	834,221	840,924
Allowance for doubtful accounts and sales returns	(90,531)	(71,009)
Inventories	704,043	707,052
Other receivables	215,181	202,044
Deferred income taxes	133,059	36,769
Prepaid expenses and other current assets	387,490	463,693
Total current assets	3,844,046	3,754,962
Film costs	275,389	270,048
Investments and advances:		
Affiliated companies	221,993	36,800
Securities investments and other	5,670,662	6,282,676
	5,892,655	6,319,476
Property, plant and equipment:		
Land	145,968	139,413
Buildings	868,615	817,730
Machinery and equipment	2,016,956	1,957,134
Construction in progress	53,219	35,648
	3,084,758	2,949,925
Less – Accumulated depreciation	2,159,890	2,018,927
	924,868	930,998
Other assets:		
Intangibles, net	391,122	503,699
Goodwill	469,005	576,758
Deferred insurance acquisition costs	428,262	441,236
Deferred income taxes	300,702	100,460
Other	385,073	398,030
	1,974,164	2,020,183
Total assets	12,911,122	13,295,667

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2011	2012
LIABILITIES		
Current liabilities:		
Short-term borrowings	53,737	99,878
Current portion of long-term debt	109,614	310,483
Notes and accounts payable, trade	793,275	758,680
Accounts payable, other and accrued expenses	1,013,037	1,073,241
Accrued income and other taxes	87,396	63,396
Deposits from customers in the banking business	1,647,752	1,761,137
Other	430,488	463,166
Total current liabilities	4,135,299	4,529,981
Long-term debt	812,235	762,226
Accrued pension and severance costs	271,320	309,375
Deferred income taxes	306,227	284,499
Future insurance policy benefits and other	2,924,121	3,208,843
Policyholders' account in the life insurance business	1,301,252	1,449,644
Other	204,766	240,978
Total liabilities	9,955,220	10,785,546
Redeemable noncontrolling interest	19,323	20,014
Commitments and contingent liabilities		
EQUITY		
Sony Corporation's stockholders' equity:		
Common stock, no par value –		
2011– Shares authorized: 3,600,000,000, shares issued: 1,004,636,664	630,921	
2012– Shares authorized: 3,600,000,000, shares issued: 1,004,638,164		630,923
Additional paid-in capital	1,159,666	1,160,236
Retained earnings	1,566,274	1,084,462
Accumulated other comprehensive income –		
Unrealized gains on securities, net	50,336	64,882
Unrealized losses on derivative instruments, net	(1,589)	(1,050)
Pension liability adjustment	(152,165)	(186,833)
Foreign currency translation adjustments	(700,786)	(719,092)
	(804,204)	(842,093)
Treasury stock, at cost		
Common stock		
2011– 1,051,588 shares	(4,670)	
2012– 1,061,803 shares		(4,637)
	2,547,987	2,028,891
Noncontrolling interests	388,592	461,216
Total equity	2,936,579	2,490,107
Total liabilities and equity	12,911,122	13,295,667

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		
	2010	2011	2012
Sales and operating revenue:			
Net sales	6,293,005	6,304,401	5,526,611
Financial services revenue	838,300	798,495	868,971
Other operating revenue	82,693	78,377	97,630
	7,213,998	7,181,273	6,493,212
Costs and expenses:			
Cost of sales	4,892,563	4,831,363	4,386,447
Selling, general and administrative	1,544,890	1,501,813	1,375,887
Financial services expenses	671,550	675,788	736,050
Other operating (income) expense, net	42,988	(13,450)	(59,594)
	7,151,991	6,995,514	6,438,790
Equity in net income (loss) of affiliated companies	(30,235)	14,062	(121,697)
Operating income (loss)	31,772	199,821	(67,275)
Other income:			
Interest and dividends	13,191	11,783	15,101
Gain on sale of securities investments, net	9,953	14,325	671
Foreign exchange gain, net	–	9,297	–
Other	20,690	9,561	7,706
	43,834	44,966	23,478
Other expenses:			
Interest	22,505	23,909	23,432
Loss on devaluation of securities investments	2,946	7,669	3,604
Foreign exchange loss, net	10,876	–	5,089
Other	12,367	8,196	7,264
	48,694	39,774	39,389
Income (loss) before income taxes	26,912	205,013	(83,186)
Income taxes:			
Current	79,120	117,918	108,545
Deferred	(65,162)	307,421	206,694
	13,958	425,339	315,239
Net income (loss)	12,954	(220,326)	(398,425)
Less - Net income attributable to noncontrolling interests	53,756	39,259	58,235
Net loss attributable to Sony Corporation's stockholders	(40,802)	(259,585)	(456,660)

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income (Continued)

	Yen		
	2010	2011	2012
Per share data:			
Common stock			
Net loss attributable to Sony Corporation's stockholders			
– Basic	(40.66)	(258.66)	(455.03)
– Diluted	(40.66)	(258.66)	(455.03)
Cash dividends	25.00	25.00	25.00

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows
Fiscal year ended March 31

	Yen in millions		
	2010	2011	2012
Cash flows from operating activities:			
Net income (loss)	12,954	(220,326)	(398,425)
Adjustments to reconcile net income (loss) to net cash provided by operating activities –			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	371,004	325,366	319,594
Amortization of film costs	277,665	250,192	188,836
Stock-based compensation expense	2,202	1,952	1,952
Accrual for pension and severance costs, less payments	(9,763)	(15,229)	36,647
Other operating (income) expense, net	42,988	(13,450)	(59,594)
(Gain) loss on sale or devaluation of securities investments, net	(7,007)	(6,656)	2,933
(Gain) loss on revaluation of marketable securities held in the financial services business for trading purposes, net	(49,837)	10,958	(21,080)
(Gain) loss on revaluation or impairment of securities investments held in the financial services business, net	(53,984)	5,080	2,819
Deferred income taxes	(65,162)	307,421	206,694
Equity in net (income) loss of affiliated companies, net of dividends	36,183	(11,479)	138,772
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	(53,306)	104,515	4,427
(Increase) decrease in inventories	148,584	(112,089)	29,778
Increase in film costs	(296,819)	(244,063)	(186,783)
Increase (decrease) in notes and accounts payable, trade	262,032	(18,119)	(59,410)
Increase (decrease) in accrued income and other taxes	71,939	(8,020)	(44,635)
Increase in future insurance policy benefits and other	284,972	278,897	332,728
Increase in deferred insurance acquisition costs	(71,999)	(69,196)	(68,634)
Increase in marketable securities held in the financial services business for trading purposes	(8,335)	(30,102)	(39,161)
Increase in other current assets	(32,405)	(89,473)	(35,181)
Increase in other current liabilities	5,321	56,076	10,595
Other	45,680	113,990	156,667

Net cash provided by operating activities	912,907	616,245	519,539
---	---------	---------	---------

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Yen in millions		
	2010	2011	2012
Cash flows from investing activities:			
Payments for purchases of fixed assets	(338,050)	(253,688)	(382,549)
Proceeds from sales of fixed assets	15,671	18,743	22,661
Payments for investments and advances by financial services business	(1,581,841)	(1,458,912)	(1,028,150)
Payments for investments and advances (other than financial services business)	(41,838)	(15,316)	(28,021)
Proceeds from sales or return of investments and collections of advances by financial services business	1,128,500	874,031	474,466
Proceeds from sales or return of investments and collections of advances (other than financial services business)	54,324	30,332	93,165
Proceeds from sales of businesses	22,084	99,335	8,430
Payment for Sony Ericsson acquisition, net of cash acquired	–	–	(71,843)
Other	(4,854)	(8,964)	28,955
Net cash used in investing activities	(746,004)	(714,439)	(882,886)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	510,128	1,499	216,887
Payments of long-term debt	(144,105)	(216,212)	(112,043)
Increase (decrease) in short-term borrowings, net	(250,252)	6,120	(26,158)
Increase in deposits from customers in the financial services business, net	276,454	229,327	211,597
Dividends paid	(25,085)	(25,098)	(25,078)
Other	(2,126)	(5,748)	(7,869)
Net cash provided by (used in) financing activities	365,014	(10,112)	257,336
Effect of exchange rate changes on cash and cash equivalents	(1,098)	(68,890)	(13,825)
Net increase (decrease) in cash and cash equivalents	530,819	(177,196)	(119,836)
Cash and cash equivalents at beginning of the fiscal year	660,789	1,191,608	1,014,412
Cash and cash equivalents at end of the fiscal year	1,191,608	1,014,412	894,576
Supplemental data:			
Cash paid during the fiscal year for –			
Income taxes	60,022	116,376	127,643
Interest	19,821	20,583	20,276
Non-cash investing and financing activities –			

Obtaining assets by entering into capital leases	2,553	3,738	56,403
Collections of deferred proceeds from sales of receivables –	–	153,550	132,636

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	Noncontrol interests	Total equity
Balance at March 31, 2009	630,765	1,155,034	1,916,951	(733,443)	(4,654)	2,964,653	251,949	3,216,602
Exercise of stock acquisition rights	57	57				114	6	120
Stock-based compensation		2,174				2,174		2,174
Comprehensive income:								
Net income (loss)			(40,802)			(40,802)	53,756	12,954
Other comprehensive income, net of tax –								
Unrealized gains on securities				32,267		32,267	16,527	48,794
Unrealized gains on derivative instruments				1,548		1,548	2	1,550
Pension liability adjustment				23,720		23,720	(27)	23,693
Foreign currency translation adjustments				6,850		6,850	(343)	6,507
Total comprehensive income						23,583	69,915	93,498
Dividends declared			(25,088)			(25,088)	(5,399)	(30,487)
Purchase of treasury stock					(139)	(139)		(139)

Edgar Filing: SONY CORP - Form 6-K

Reissuance of treasury stock									
Transactions with noncontrolling interests shareholders and other				(57)	118	61			61
Balance at March 31, 2010	630,822	1,157,812	1,851,004	(669,058)	(4,675)	2,965,905	319,650		3,285,555

(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	Noncontrol- ling interests	Total equity
Balance at March 31, 2010	630,822	1,157,812	1,851,004	(669,058)	(4,675)	2,965,905	319,650	3,285,555
Exercise of stock acquisition rights	99	99				198	22	220
Stock-based compensation		1,782				1,782		1,782
Comprehensive income:								
Net income (loss)			(259,585)			(259,585)	39,259	(220,326)
Other comprehensive income, net of tax –								
Unrealized losses on securities				(12,001)		(12,001)	(3,516)	(15,517)
Unrealized losses on derivative instruments				(1,553)		(1,553)		(1,553)
Pension liability adjustment				(3,176)		(3,176)	(123)	(3,299)
Foreign currency translation adjustments				(118,416)		(118,416)	(616)	(119,032)
Total comprehensive income (loss)						(394,731)	35,004	(359,727)
Stock issue costs, net of tax			(8)			(8)		(8)
Dividends declared			(25,089)			(25,089)	(6,599)	(31,688)
Purchase of treasury stock					(111)	(111)		(111)
Reissuance of treasury stock			(48)		116	68		68
Transactions with noncontrolling interests shareholders and other		(27)				(27)	40,515	40,488
Balance at March 31, 2011	630,921	1,159,666	1,566,274	(804,204)	(4,670)	2,547,987	388,592	2,936,579

(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	Noncontrol- ling interests	Total equity
Balance at March 31, 2011	630,921	1,159,666	1,566,274	(804,204)	(4,670)	2,547,987	388,592	2,936,579
Exercise of stock acquisition rights	2	2				4	165	169
Stock-based compensation		1,838				1,838		1,838
Comprehensive income:								
Net income (loss)			(456,660)			(456,660)	58,235	(398,425)
Other comprehensive income, net of tax –								
Unrealized gains on securities				14,546		14,546	6,011	20,557
Unrealized gains on derivative instruments				539		539		539
Pension liability adjustment				(34,668)		(34,668)	1,495	(33,173)
Foreign currency translation adjustments				(18,306)		(18,306)	395	(17,911)
Total comprehensive income (loss)						(494,549)	66,136	(428,413)
Stock issue costs, net of tax			(1)			(1)		(1)
Dividends declared			(25,090)			(25,090)	(7,760)	(32,850)

Edgar Filing: SONY CORP - Form 6-K

Purchase of treasury stock					(79)	(79)		(79)
Reissuance of treasury stock					112	51		51
Transactions with noncontrolling interests shareholders and other		(1,270)				(1,270)	14,083	12,813
Balance at March 31, 2012	630,923	1,160,236	1,084,462	(842,093)	(4,637)	2,028,891	461,216	2,490,107

The accompanying notes are an integral part of these statements.

Index to Notes to Consolidated Financial Statements
 Sony Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements		Page
<u>1.</u>	<u>Nature of operations</u>	14
<u>2.</u>	<u>Summary of significant accounting policies</u>	14
<u>3.</u>	<u>Inventories</u>	25
<u>4.</u>	<u>Film costs</u>	25
<u>5.</u>	<u>Related party transactions</u>	25
<u>6.</u>	<u>Transfer of financial assets</u>	29
<u>7.</u>	<u>Marketable securities and securities investments</u>	31
<u>8.</u>	<u>Leased assets</u>	34
<u>9.</u>	<u>Goodwill and intangible assets</u>	36
<u>10.</u>	<u>Insurance-related accounts</u>	38
<u>11.</u>	<u>Short-term borrowings and long-term debt</u>	39
<u>12.</u>	<u>Housing loans and deposits from customers in the banking business</u>	41
<u>13.</u>	<u>Fair value measurements</u>	42
<u>14.</u>	<u>Derivative instruments and hedging activities</u>	48
<u>15.</u>	<u>Pension and severance plans</u>	52
<u>16.</u>	<u>Stockholders' equity</u>	61
<u>17.</u>	<u>Stock-based compensation plans</u>	63
<u>18.</u>	<u>Great East Japan Earthquake and Thai Floods</u>	65
<u>19.</u>	<u>Restructuring charges and asset impairments</u>	67
<u>20.</u>	<u>Supplemental consolidated statements of income information</u>	72
<u>21.</u>	<u>Income taxes</u>	73

<u>22.</u>	<u>Reconciliation of the differences between basic and diluted EPS</u>	78
<u>23.</u>	<u>Variable interest entities</u>	78
<u>24.</u>	<u>Acquisitions</u>	81
<u>25.</u>	<u>Divestitures</u>	87
<u>26.</u>	<u>Collaborative arrangements</u>	88
<u>27.</u>	<u>Commitments, contingent liabilities and other</u>	88
<u>28.</u>	<u>Business segment information</u>	91

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

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 domiciles.

(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 interest are recorded in earnings for the year the change in interest transaction occurs, while a change in interest of a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

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

Use of estimates -

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

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate fiscal year end current exchange rates and all income and expense accounts are translated at exchange rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income. Upon remeasurement of a previously held equity interest in accordance with the accounting guidance for business combinations achieved in stages, accumulated translation adjustments, if any, remain as a component of accumulated other comprehensive income as there has not been sale or complete or substantially complete liquidation of the net investment.

Receivables and payables denominated in foreign currencies are translated at appropriate fiscal year end exchange rates and the resulting translation gains or losses are taken 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 for other-than-temporary declines in fair value. 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 issuers, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

When an other-than-temporary impairment of a debt security has occurred, the amount of the other-than-temporary impairment recognized in income depends on whether Sony intends to sell the security or more likely than not will be

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

Equity securities in non-public companies -

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

Allowance for doubtful accounts -

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

Inventories -

Inventories in the Consumer Products & Services, Professional, Device & Solutions 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, including the inventories in the Sony Mobile Communications segment. The market value of inventory is determined as the net realizable value – i.e., estimated selling price in the ordinary course of business less predictable costs of completion and disposal. Sony does not consider a normal profit margin when calculating the net realizable value.

Other receivables -

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

Film costs -

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

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed on the declining-balance method for Sony Corporation and its Japanese subsidiaries, except for certain semiconductor manufacturing facilities and buildings whose depreciation is computed on the straight-line method over the estimated useful life of the assets. Depreciation of property, plant and equipment for foreign subsidiaries is also computed on the straight-line method. Useful lives for depreciation range from two to 50 years for buildings and from two to 10 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

Goodwill and other intangible assets -

Goodwill and certain other intangible assets that are determined to have an indefinite useful life are not amortized and are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. Goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. 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. Fair value of reporting units and indefinite lived intangible assets is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant estimates involved in the determination of fair value of the reporting units are the discount rates and perpetual growth rate applied to terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing consider market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, are generally set after an initial three-year forecasted period, although certain reporting units utilized longer forecasted periods, and are based on historical experience, market and industry data.

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, music catalogs, artist contracts and television carriage agreements (broadcasting agreements). Patent rights, know-how, license agreements, trademarks and software to be sold, leased or otherwise marketed are generally amortized on a straight-line basis, generally, over three to eight years. Customer relationships, music catalogs, artist contracts and television carriage agreements (broadcasting agreements) are amortized on a straight-line basis, generally, over 10 to 40 years.

Software to be sold, leased, or marketed -

Sony accounts for software development costs in accordance with accounting guidance for the costs of software to be sold, leased, or marketed. The costs related to establishing the technological feasibility of a software product 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 to be at an earlier stage. At each balance sheet date, Sony performs periodic reviews to ensure that unamortized capitalized software costs remain recoverable from future profits of the related software products.

Deferred insurance acquisition costs -

Costs that vary with and are primarily 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 Consumer Products & Services and Professional, Device & Solutions 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, including 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 has occurred and the loss would be recognized during the period for the difference between the carrying value of the asset or asset group and 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.
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
- Level 2 —active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3 —One or more significant inputs are unobservable.

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

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

Derivative financial instruments -

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

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

In accordance with accounting guidance for derivative instruments and hedging activities, the 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 in current period earnings.

Derivatives not designated as hedges

Changes in the fair value of derivatives that are not designated as hedges are recognized in current period 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 in the current period 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. Sony recognizes this compensation expense, net of an estimated forfeiture rate, only for the rights expected to vest ratably over the requisite service period of the stock acquisition rights, which is generally a period of three years. 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 Consumer Products & Services, Professional, Device & Solutions, Music and Sony Mobile Communications segments are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when the customer has taken title to the product and the risks and rewards of ownership have been substantively transferred. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapse. Revenues are recognized net of anticipated returns and sales incentives.

Revenue arrangements with customers may include multiple elements, including any combination of products, services and software. An example includes sales of electronics products with rights to receive promotional goods. For Sony's multiple element arrangements where at least one of the elements is not subject to existing software revenue recognition guidance, elements are separated into more than one unit of accounting when the delivered element(s) have value to the customer on a standalone basis, and delivery of the undelivered element(s) is probable and substantially in the control of Sony. Revenue is then allocated to each unit of accounting based on the relative selling price of each unit of accounting based first on vendor-specific objective evidence of selling price ("VSOE") if it exists, based next on third-party evidence of selling price ("TPE") if VSOE does not exist, and, finally, if both VSOE and TPE do not exist, based on estimated selling prices ("ESP"). VSOE is limited to either the price charged for an element when it is sold separately or, for an element not yet being sold separately, the price established by management having the relevant authority; it must be probable that the price, once established, will not change before the separate introduction of the element into the market place. TPE is the price of Sony's or any competitor's largely interchangeable products or services in standalone sales to similarly situated customers. ESP is the price at which Sony would transact if the element were sold by Sony regularly on a standalone basis. When determining ESP, Sony considers all relevant inputs, including sales, cost and margin analysis of the product, targeted rate of return of the product, competitors' and Sony's pricing practices and customer perspectives.

Certain software products published by Sony provide limited on-line features at no additional cost to the customer. Generally, such features are considered to be incidental to the overall software product and an inconsequential deliverable. Accordingly, revenue related to software products containing these limited on-line features is not deferred. In instances where the software products' on-line features or additional functionality is considered a substantive deliverable in addition to the software product, revenue and costs of sales are recognized ratably over an estimated service period, which is estimated to be six months.

Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of motion picture and television product are recorded when the product is available for exploitation by the licensee and when any restrictions regarding the use of the product lapse. Revenues from the sale of DVDs and Blu-ray DiscTM, net of anticipated returns and sales incentives, are recognized upon availability of sale to the public. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired. Revenues from subscription fees received by the television networks are recognized when the service is provided.

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

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

revenue.

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

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

Consideration given to a customer or a reseller -

In accordance with the accounting guidance for consideration given by a vendor to a customer or reseller of the vendor's products, 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, 2010, 2011 and 2012, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses totaled 23,591 million yen, 23,250 million yen and 17,641 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 products.

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 films under accounting guidance for accounting by producers or distributors of films. 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 including the conversion of contingently convertible debt instruments regardless of whether the conditions to exercise the conversion rights have been met. 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:

Goodwill impairment testing for reporting units with zero or negative carrying amounts -

In December 2010, the Financial Accounting Standards Board ("FASB") issued new accounting guidance that modifies the first step of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform the second step of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing authoritative guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This guidance was effective for Sony as of April 1, 2011. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Disclosure of supplementary pro forma information for business combinations -

In December 2010, the FASB issued new accounting guidance addressing when a business combination should be assumed to have occurred for the purpose of providing pro forma disclosure. The new guidance requires disclosure of revenue and income of the combined entity as though the business combination occurred as of the beginning of the comparable prior reporting period. The guidance also expands the supplemental pro forma disclosure to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The guidance was effective for Sony

as of April 1, 2011. Since this guidance impacts disclosures only, its adoption did not have an impact on Sony's results of operations and financial position.

Amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS") -

In May 2011, the FASB issued new guidance to substantially converge fair value measurement and disclosure requirements under U.S. GAAP and IFRS, including a consistent definition of fair value. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the new guidance to result in a change in the application of the existing guidance for fair value measurements. However, some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements and other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The guidance was effective for Sony in the fourth quarter of the fiscal year ended March 31, 2012. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Disclosures about an employer's participation in a multiemployer plan -

In September 2011, the FASB issued new disclosure guidance regarding multiemployer pension and other postretirement benefit plans. This guidance requires additional quantitative and qualitative disclosures for all individually significant multiemployer pension plans on annual basis, and revises the disclosures for multiemployer plans that provide other postretirement benefits. This guidance does not change the current recognition and measurement guidance for an employer's participation in a multiemployer plan. This guidance was effective for Sony beginning with the fiscal year ended March 31, 2012, and is applied retrospectively. Since this guidance impacts disclosures only, and Sony does not have any significant participation in multiemployer plans, its adoption did not have an impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted:

Accounting for costs associated with acquiring or renewing insurance contracts -

In October 2010, the FASB issued new accounting guidance for costs associated with acquiring or renewing insurance contracts. Under the new guidance acquisition costs are to include only those costs that are directly related to the acquisition or renewal of insurance contracts by applying a model similar to the accounting for loan origination costs. An entity may defer incremental direct costs of contract acquisition that are incurred in transactions with independent third parties or employees as well as the portion of employee compensation and other costs directly related to underwriting, policy issuance and processing, medical inspection, and contract selling for successfully negotiated contracts. Additionally, an entity may capitalize as a deferred acquisition cost only those advertising costs meeting the capitalization criteria for direct-response advertising. This change is effective for Sony as of April 1, 2012. Sony will apply this guidance prospectively from the date of adoption. The adoption of this guidance is not expected to have a material impact on Sony's results of operations and financial position.

Testing goodwill for impairment -

In September 2011, the FASB issued a new standard to simplify how an entity tests goodwill for impairment. The new standard allows companies an option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining if it is necessary to perform the two-step quantitative goodwill impairment test. Under the new standard, a company is no longer required to calculate the fair value of a reporting unit unless the company determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The new standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. This standard is effective for Sony as of April 1, 2012. The adoption of this standard is not expected to have a material impact on Sony's results of operations and financial position.

Presentation of comprehensive income -

In June 2011, the FASB issued new accounting guidance for presentation of comprehensive income. The amendments require reporting entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This change is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and will be applied retrospectively. Subsequently, in December 2011, the FASB issued update accounting guidance for deferral of the effective date for amendments to the presentation of reclassifications of items out of accumulated other comprehensive income. The remaining requirements of the guidance issued in June 2011 will become effective as originally issued. The guidance is effective for Sony as of April 1, 2012. Since this guidance impacts disclosures only, its adoption will not have an impact on Sony's results of operations and financial position.

Disclosure about balance sheet offsetting -

In December 2011, the FASB issued new accounting guidance which requires entities to disclose information about offsetting and related arrangements to enable financial statement users to understand the effect of such arrangements on the statement of financial position as well as to improve comparability of balance sheets prepared under U.S. GAAP and IFRS. The new guidance is required to be applied retrospectively and is effective for Sony as of April 1, 2013. Since this guidance impacts disclosures only, its adoption will not have an impact 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, 2010 and 2011 have been made to conform to the presentation for the fiscal year ended March 31, 2012.

(5) Out of period adjustments:

The calculation of indirect taxes at a subsidiary -

In the first quarter of the fiscal year ended March 31, 2012, Sony recorded an out of period adjustment to correct an error in the calculation of indirect taxes at a subsidiary. The indirect tax calculation error began in 2005 and continued until it was identified by Sony in the first quarter of the fiscal year ended March 31, 2012. The adjustment, substantially all of which related to the Consumer Products & Services segment, impacted net sales, selling, general and administrative expenses and interest expenses and, in the aggregate, increased loss before income taxes in consolidated statements of income by 4,413 million yen for the fiscal year ended March 31, 2012. Sony determined that the adjustment was not material to the consolidated financial statements for any prior annual or interim periods and for the year ended March 31, 2012.

Revision of the presentation in the consolidated financial statements for the fiscal years ended March 31, 2010 and 2011 –

The presentation of certain amounts for the fiscal years ended March 31, 2010 and 2011 have been revised to conform with the presentation as of March 31, 2012 to reflect the results of an analysis of deferred tax assets in relation to certain unrecognized tax benefits that was completed during the fiscal year ended March 31, 2012. For the fiscal year ended March 31, 2010, within income taxes in the consolidated statements of income, this revision increased current income taxes by 30,422 million yen with a corresponding decrease to deferred income taxes, with no impact on net income and net loss attributable to Sony Corporation's stockholders. For the fiscal year ended March 31, 2010, within operating activities in the consolidated statements of cash flows, this revision decreased deferred income taxes by 30,422 million yen, increased accrued income and other taxes by 8,320 million yen and increased other by 22,102 million yen, with no impact on net cash provided by operating activities. This revision had no impact on Sony's consolidated statements of changes in stockholders' equity for the fiscal year ended March 31, 2010. As of March 31, 2011, in the consolidated balance sheets, this revision increased deferred income taxes in other assets by 61,115 million yen, decreased other noncurrent assets by 74,981 million yen, decreased total assets by 13,866 million yen, increased accrued income and other taxes by 8,320 million yen, decreased other noncurrent liabilities by 22,186 million yen and decreased total liabilities and equity by 13,866 million yen. This revision had no impact on Sony's consolidated statements of income, consolidated statements of cash flows and consolidated statements of changes in stockholders' equity for the fiscal year ended March 31, 2011.

3. Inventories

Inventories are comprised of the following:

	Yen in millions March 31	
	2011	2012
Finished products	529,666	498,430
Work in process	70,969	88,236
Raw materials, purchased components and supplies	103,408	120,386
	704,043	707,052

4. Film costs

Film costs are comprised of the following:

	Yen in millions March 31	
	2011	2012
Motion picture productions:		
Released	102,415	98,910
Completed and not released	14,260	10,800
In production and development	107,811	102,295
Television productions:		
Released	40,581	44,461
In production and development	1,688	2,853
Broadcasting rights	24,544	27,830
Less: current portion of broadcasting rights included in inventories	(15,910)	(17,101)
Film costs	275,389	270,048

Sony estimates that approximately 90% of the unamortized costs of released films at March 31, 2012 will be amortized within the next three years. Approximately 84 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 91 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

5. Related party transactions

Sony accounts for its investments in affiliated companies over which Sony has significant influence under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership).

During fiscal year ended March 31, 2012, Sony Corporation acquired the remaining interests in Sony Ericsson Mobile Communications AB (“Sony Ericsson”) and sold all of its shares of S-LCD Corporation (“S-LCD”), both of which were considered significant equity affiliates. There are no remaining individually significant investments at March 31, 2012.

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, 2011					
	Sony Ericsson	S-LCD	Others	Total		
Current assets	254,858	188,903	183,597	627,358		
Noncurrent assets	92,925	233,988	137,720	464,633		
Total assets	347,783	422,891	321,317	1,091,991		
Current liabilities	282,857	71,572	166,056	520,485		
Long-term liabilities and noncontrolling interests	8,089	29,696	61,036	98,821		
Stockholders' equity	56,837	321,623	94,225	472,685		
Percentage of ownership in equity investees	50	%	50	%	20%-50	%
Equity investment and undistributed earnings of affiliated companies, before consolidating and reconciling adjustments	28,419	160,812				
Consolidation and reconciling adjustments:						
Other	(79)	-			
Investment in and advances to equity investees at cost plus equity in undistributed earnings since acquisition	28,340	160,812	32,841	221,993		

	Yen in millions March 31, 2012	
Current assets	167,786	
Noncurrent assets	168,143	
Total assets	335,929	
Current liabilities	93,535	
Long-term liabilities and noncontrolling interests	79,513	
Stockholders' equity	162,881	
Percentage of ownership in equity investees	20%-50	%
Investment in and advances to equity investees at cost plus equity in undistributed earnings since acquisition	36,800	

Statements of Income

Yen in millions
Fiscal year ended March 31, 2010

	Sony		S-LCD	Others	Total
	Ericsson				
Net revenues	837,149		796,575	323,576	1,957,300
Operating income (loss)	(81,385)		3,825	29,686	(47,874)
Other income (expense), net	(4,676)		(4,055)		
Income (loss) before income taxes	(86,061)		(230)		
Income tax (expense) benefit	20,470		53		
Net income (loss) attributable to noncontrolling interests	(3,318)		-		
Net income (loss) attributable to controlling interests	(68,909)		(177)	17,064	(52,022)
Percentage of ownership in equity investees	50	%	50	%	20%-50 %
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	(34,455)		(89)		
Consolidation and reconciling adjustments:					
Other	(59)		476		
Equity in net income (loss) of affiliated companies	(34,514)		387	3,892	(30,235)

Yen in millions
Fiscal year ended March 31, 2011

	Sony		S-LCD	Others	Total
	Ericsson				
Net revenues	673,464		807,955	268,604	1,750,023
Operating income (loss)	16,453		12,527	17,630	46,610
Other income (expense), net	(1,572)		(4,119)		
Income (loss) before income taxes	14,881		8,408		
Income tax (expense) benefit	(6,065)		3,094		
Net income (loss) attributable to noncontrolling interests	(520)		-		
Net income (loss) attributable to controlling interests	8,296		11,502	8,895	28,693
Percentage of ownership in equity investees	50	%	50	%	20%-50 %

Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	4,148	5,751		
Consolidation and reconciling adjustments:				
Other	7	1,463		
Equity in net income (loss) of affiliated companies	4,155	7,214	2,693	14,062

Yen in millions
Fiscal year ended March 31, 2012

	Sony		S-LCD	Others	Total
	Ericsson				
Net revenues	475,898		146,002	123,610	745,510
Operating income (loss)	(44,239)		(4,644)	5,247	(43,636)
Other income (expense), net	4,504		(3,098)		
Income (loss) before income taxes	(39,735)		(7,742)		
Income tax (expense) benefit	(73,054)		(374)		
Net income (loss) attributable to noncontrolling interests	(2,729)		-		
Net income (loss) attributable to controlling interests	(115,518)		(8,116)	950	(122,684)
Percentage of ownership in equity investees	50	%	50	%	20%-50 %
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	(57,759)		(4,058)		
Consolidation and reconciling adjustments:					
Impairment loss including translation adjustments	-		(60,019)		
Other	79		(1)		
Equity in net income (loss) of affiliated companies	(57,680)		(64,078)	61	(121,697)

Sony Ericsson, a 50/50 joint venture with Telefonaktiebolaget LM Ericsson (“Ericsson”) focused on mobile phone handsets, was established in October 2001 and was included in affiliated companies accounted for under the equity method through February 15, 2012. On February 15, 2012, Sony Corporation acquired Ericsson’s 50 percent stake in Sony Ericsson, making the mobile handset business a wholly-owned subsidiary of Sony Corporation. Refer to Note 24.

S-LCD, a joint venture with Samsung Electronics Co., Ltd. (“Samsung”) focused on manufacturing amorphous TFT panels, was established in April 2004 with Sony’s ownership interest of 50% minus 1 share. S-LCD was strategic to Sony’s television business as it provided a source of high quality large screen LCD panels to differentiate Sony’s Bravia LCD televisions. In June 2011, S-LCD decreased its capital stock by 0.6 trillion Korean won and Sony received a cash distribution of 22,100 million yen from S-LCD. However, LCD panel and television market conditions became increasingly challenging and in order to respond to the situation and to strengthen their respective market competitiveness, Sony and Samsung agreed to shift to a new LCD panel business alliance in December 2011. As a result of this agreement, on January 19, 2012, Sony sold to Samsung all of its shares of S-LCD, and received cash consideration of 71,986 million yen (1.07 trillion Korean won) from Samsung. Following the transaction S-LCD was no longer an equity affiliate. During the fiscal year ended March 31, 2012, Sony recorded a 60,019 million yen other-than-temporary impairment loss on its share of S-LCD, including the reclassification to net income of foreign

currency translation adjustments and the impact of exchange rate fluctuations between the initial impairment loss and closing of the sale to Samsung. Cash proceeds from the sale of the investment in S-LCD are included in sales of securities investments in the consolidated statements of cash flows.

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, 2011 and 2012.

There were no affiliated companies accounted for under the equity method with a market quotation at March 31, 2011 and 2012.

The number of affiliated companies accounted for under the equity method at March 31, 2011 and 2012 were 82 and 95, respectively.

Account balances and transactions with affiliated companies accounted for under the equity method are presented below:

	Yen in millions	
	March 31	
	2011	2012
Accounts receivable, trade	18,631	4,125
Accounts payable, trade	45,434	508
Capital lease obligations	-	39,080

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Sales	132,937	96,164	79,677
Purchases	309,550	383,922	157,930
Lease payments	-	-	24,159

SFI Leasing Company, Limited (“SFIL”), a leasing company in Japan, is accounted for under the equity method and 34% is owned by Sony after deconsolidation in November 2010. Sony entered into a three year sale and leaseback transaction regarding certain acquired machinery and equipment with SFIL in the fiscal year ended March 31, 2012. Refer to Note 24.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2010, 2011 and 2012 were 5,948 million yen, 2,583 million yen and 1,964 million yen, respectively.

During the fiscal year ended March 31, 2012 and prior to the sale of its shares of S-LCD, Sony paid additional LCD panel related expenses of 22,759 million yen (292 million U.S. dollars) resulting from low capacity utilization of S-LCD.

6. Transfer of financial assets

The below transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. In each case, losses from these transactions were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. In addition to the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, in the fiscal years ended March 31, 2010, 2011 and 2012 were insignificant.

Sony has established several accounts receivable sales programs in Japan whereby Sony can sell up to 50,200 million yen of eligible trade accounts receivable in the aggregate at any one time. Through these programs, Sony can sell receivables to special purpose entities owned and operated by banks. Sony can sell receivables in which the agreed upon original due dates are no more than 190 days after the sales of receivables. Total trade accounts receivable sold during the fiscal years ended March 31, 2010, 2011 and 2012 were 109,271 million yen, 136,232 million yen and 126,513 million yen, respectively.

A subsidiary of the Financial Services segment has established several receivables sales programs whereby the subsidiary can sell up to 24,000 million yen of eligible receivables in the aggregate at any one time. Through these programs, the subsidiary can sell receivables to special purpose entities owned and operated by banks. The subsidiary can sell receivables in which the agreed upon original due dates are no more than 180 days after the sales of receivables. Total receivables sold during the fiscal years ended March 31, 2010, 2011 and 2012 were 183,805 million yen, 166,025 million yen and 130,060 million yen, respectively.

During the fiscal year ended March 31, 2010, Sony established an accounts receivable sales program in the United States. Through this program, a bankruptcy-remote entity, which is consolidated by Sony's U.S. subsidiary, can sell up to 450 million U.S. dollars of eligible trade accounts receivables in the aggregate at any one time to a commercial bank. Total trade accounts receivables sold during the fiscal year ended March 31, 2010 were 258,085 million yen. Subsequent to its establishment, Sony amended this program. While the transactions continued to qualify as sales under the new accounting guidance for transfers of financial assets, the amended program requires that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. The portion of the sales proceeds held back and deferred is initially recorded at estimated fair value, is included in other current assets and was 32,751 million yen at March 31, 2011 and 16,272 million yen at March 31, 2012. Sony includes collections on such receivables as cash flows within operating activities in the consolidated statements of cash flows since the receivables are the result of operating activities and the associated interest rate risk is insignificant due to its short-term nature. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal year ended March 31, 2011 were 414,147 million yen, 185,647 million yen and 153,550 million yen, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal year ended March 31, 2012 were 476,855 million yen, 117,343 million yen and 132,636 million yen, respectively.

The accounts receivable sales programs in Japan and in the Financial Services segment above involved qualified special purpose entities ("QSPEs") under the accounting guidance effective prior to April 1, 2010 for transfers of financial assets. Since the QSPEs met certain criteria, they were not consolidated by Sony. From April 1, 2010, the entities that formerly met the criteria to be a QSPE are subject to the same consolidation accounting guidance as other variable interest entities ("VIEs"). Refer to Note 23.

7. Marketable securities and securities investments

Marketable securities and securities investments, mainly included in the Financial Services segment, are comprised of debt and equity securities of 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							
	Cost	March 31, 2011		Fair value	Cost	March 31, 2012		Fair value
Gross unrealized gains		Gross unrealized losses	Gross unrealized gains			Gross unrealized losses		
Available-for-sale:								
Debt securities:								
Japanese national government bonds	1,124,704	24,032	(4,971)	1,143,765	1,036,946	55,384	(879)	1,091,451
Japanese local government bonds	22,845	184	(64)	22,965	33,513	163	(1)	33,675
Japanese corporate bonds	332,567	1,511	(440)	333,638	293,885	1,489	(224)	295,150
Foreign corporate bonds	332,316	4,872	(11,367)	325,821	377,609	4,705	(7,063)	375,251
Other	8,241	109	(118)	8,232	22,383	1,548	(6)	23,925
	1,820,673	30,708	(16,960)	1,834,421	1,764,336	63,289	(8,173)	1,819,452
Equity securities	80,983	63,822	(3,316)	141,489	60,694	53,016	(1,513)	112,197
Held-to-maturity								
Securities:								
Japanese national government bonds	2,902,342	22,420	(48,149)	2,876,613	3,404,069	157,740	(4,499)	3,557,310
Japanese local government bonds	18,912	218	(2)	19,128	12,592	277	-	12,869
Japanese corporate bonds	32,349	158	(67)	32,440	31,379	1,501	-	32,880
Foreign corporate bonds	47,330	13	(3)	47,340	46,441	10	-	46,451
	3,000,933	22,809	(48,221)	2,975,521	3,494,481	159,528	(4,499)	3,649,510
Total	4,902,589	117,339	(68,497)	4,951,431	5,319,511	275,833	(14,185)	5,581,159

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, 2012			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	230,037	223,870	23,552	23,625
Due after one year through five years	505,497	510,183	18,280	18,559
Due after five year through ten years	210,411	215,180	27,225	28,219
Due after ten years	818,391	870,219	3,425,424	3,579,107
Total	1,764,336	1,819,452	3,494,481	3,649,510

Proceeds from sales of available-for-sale securities were 785,698 million yen, 532,619 million yen and 177,850 million yen for the fiscal years ended March 31, 2010, 2011 and 2012, respectively. On these sales, gross realized gains were 39,622 million yen, 38,654 million yen and 9,593 million yen and gross realized losses were 37,537 million yen, 2,014 million yen and 1,834 million yen, respectively.

Marketable securities classified as trading securities at March 31, 2011 and 2012 were 375,802 million yen and 433,491 million yen, respectively, which consist of debt and equity securities.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies at March 31, 2011 and 2012, totaled 75,930 million yen and 93,050 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

With respect to trading securities, primarily in the Financial Services segment, Sony recorded net unrealized gains of 50,992 million yen for the fiscal year ended March 31, 2010, net unrealized losses of 10,768 million yen for the fiscal year ended March 31, 2011 and net realized gains of 21,216 million yen for the fiscal year ended March 31, 2012. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

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, 2011 and 2012.

Edgar Filing: SONY CORP - Form 6-K

	Less than 12 months		Yen in millions March 31, 2011 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	223,686	(3,230)	54,477	(1,741)	278,163	(4,971)
Japanese local government bonds	12,434	(64)	-	-	12,434	(64)
Japanese corporate bonds	130,318	(440)	-	-	130,318	(440)
Foreign corporate bonds	126,184	(7,183)	30,277	(4,184)	156,461	(11,367)
Other	3,182	(118)	-	-	3,182	(118)
	495,804	(11,035)	84,754	(5,925)	580,558	(16,960)
Equity securities	36,391	(3,223)	386	(93)	36,777	(3,316)
Held-to-maturity Securities:						
Japanese national government bonds	1,812,196	(48,149)	-	-	1,812,196	(48,149)
Japanese local government bonds	531	(2)	-	-	531	(2)
Japanese corporate bonds	20,788	(67)	-	-	20,788	(67)
Foreign corporate bonds	194	(3)	-	-	194	(3)
	1,833,709	(48,221)	-	-	1,833,709	(48,221)
Total	2,365,904	(62,479)	85,140	(6,018)	2,451,044	(68,497)

Edgar Filing: SONY CORP - Form 6-K

Yen in millions
March 31, 2012

	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	55,450	(877)	3,048	(2)	58,498	(879)
Japanese local government bonds	2,364	(1)	-	-	2,364	(1)
Japanese corporate bonds	1,034	(196)	25,243	(28)	26,277	(224)
Foreign corporate bonds	68,277	(6,065)	83,650	(998)	151,927	(7,063)
Other	335	(6)	-	-	335	(6)
	127,460	(7,145)	111,941	(1,028)	239,401	(8,173)
Equity securities	4,337	(318)	280	(1,195)	4,617	(1,513)
Held-to-maturity Securities:						
Japanese national government bonds	-	-	333,702	(4,499)	333,702	(4,499)
Japanese local government bonds	70	-	-	-	70	-
Japanese corporate bonds	-	-	-	-	-	-
Foreign corporate bonds	-	-	-	-	-	-
	70	-	333,702	(4,499)	333,772	(4,499)
Total	131,867	(7,463)	445,923	(6,722)	577,790	(14,185)

For the fiscal years ended March 31, 2010, 2011 and 2012, total realized impairment losses were 5,508 million yen, 9,763 million yen and 5,530 million yen, respectively.

At March 31, 2012, 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. Leased assets

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. In addition, during the fiscal year ended March 31, 2012, Sony entered into a three year sale and leaseback transaction, accounted for as a capital lease, for certain machinery and equipment. Sony received proceeds of 50,537 million yen based on the amounts recorded at fair value in the acquisition described in Note 24, and as such there was no gain in the sale and leaseback transaction. Sony has also entered into capital lease arrangements with third parties to finance certain of its motion picture productions.

Leased assets under capital leases are comprised of the following:

Class of property	Yen in millions	
	2011	March 31 2012
Machinery, equipment and others	9,288	58,751
Film costs	19,208	9,465
Accumulated amortization	(4,634)	(20,514)
	23,862	47,702

The following is a schedule by 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, 2012:

Fiscal year ending March 31	Yen in millions
2013	20,652
2014	20,098
2015	2,035
2016	1,469
2017	1,346
Later years	5,647
Total minimum lease payments	51,247
Less - Amount representing interest	1,493
Present value of net minimum lease payments	49,754
Less - Current obligations	20,494
Long-term capital lease obligations	29,260

Rental expenses under operating leases for the fiscal years ended March 31, 2010, 2011 and 2012 were 87,077 million yen, 78,538 million yen and 76,188 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2010, 2011 and 2012 were 1,675 million yen, 1,974 million yen and 1,423 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2012 were 4,527 million yen.

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2012 are as follows:

Fiscal year ending March 31	Yen in millions
2013	42,789
2014	33,110
2015	24,087
2016	17,368
2017	13,653
Later years	49,174
Total minimum future rentals	180,181

9. Goodwill and intangible assets

Intangible assets acquired during the fiscal year ended March 31, 2012 totaled 174,430 million yen, of which 174,275 million yen is subject to amortization and are comprised of the following:

	Intangible assets acquired during the year Yen in millions	Weighted-average amortization period Years
Patent rights, know-how and license agreements *1	103,036	7
Customer relationships	19,793	14
Trademarks	14,177	7
Software to be sold, leased or otherwise marketed	23,621	3
Other	13,648	4

*1 Includes intellectual property cross-licensing and developed technology relating to the Sony Ericsson acquisition. Refer to Note 24.

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2011		March 31, 2012	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	122,444	(69,224)	226,142	(80,334)
Customer relationships	3,051	(1,105)	23,758	(1,409)
Trademarks	4,938	(1,401)	20,214	(2,154)
Software to be sold, leased or otherwise marketed	76,112	(40,447)	98,852	(58,865)
Music catalogs	160,325	(40,455)	157,699	(45,570)
Artist contracts	27,727	(17,903)	27,401	(19,419)
Television carriage agreements (broadcasting agreements)	35,874	(228)	36,216	(2,370)
Other	82,519	(40,136)	87,843	(54,338)
Total	512,990	(210,899)	678,125	(264,459)

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2010, 2011 and 2012 was 57,069 million yen, 52,763 million yen and 57,023 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Fiscal year ending March 31	Yen in millions
2013	68,735
2014	58,885
2015	48,971
2016	41,218
2017	36,509

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

	Yen in millions	
	March 31	
	2011	2012
Trademarks	66,967	66,729
Distribution agreements	18,834	18,807
Other	3,230	4,497
Total	89,031	90,033

The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2011 and 2012 are as follows:

	Yen in millions							Total
	Consumer Products & Services	Professional, Device & Solutions	Pictures	Music	Financial Services	Sony Mobile *1	All Other	
Balance, March 31, 2010:								
Goodwill - gross	135,591	65,123	102,481	110,192	3,020	-	36,749	453,156
Accumulated impairments	(5,320)	(300)	-	(306)	(706)	-	(7,655)	(14,287)
Goodwill	130,271	64,823	102,481	109,886	2,314	-	29,094	438,869
Increase (decrease) due to:								
Acquisitions *2	-	1,085	46,504	203	-	-	55	47,847
Sales and dispositions	(257)	-	-	-	-	-	-	(257)
Impairments	-	-	-	-	-	-	-	-
Translation adjustments	(770)	31	(8,401)	(6,956)	-	-	(1,239)	(17,335)
Other *3	171	232	-	(445)	-	-	(77)	(119)
Balance, March 31, 2011:								
Goodwill - gross	134,735	66,471	140,584	102,994	3,020	-	35,488	483,292
Accumulated impairments	(5,320)	(300)	-	(306)	(706)	-	(7,655)	(14,287)
Goodwill	129,415	66,171	140,584	102,688	2,314	-	27,833	469,005
Increase (decrease) due to:								
Acquisitions	166	-	1,330	-	-	128,522	4,358	134,376
Sales and dispositions	-	(589)	-	-	-	-	-	(589)

Edgar Filing: SONY CORP - Form 6-K

Impairments *4	-	-	-	-	-	-	(932)	(932)
Translation adjustments	(65)	(184)	(3,073)	(1,891)	-	9,733	(559)	3,961
Other *3 *5	(201)	(28,773)	(521)	(147)	-	-	579	(29,063)
Balance, March 31, 2012:								
Goodwill - gross	134,635	36,925	138,320	100,956	3,020	138,255	39,866	591,977
Accumulated impairments	(5,320)	(300)	-	(306)	(706)	-	(8,587)	(15,219)
Goodwill	129,315	36,625	138,320	100,650	2,314	138,255	31,279	576,758

*1 The amounts in the Sony Mobile Communications (“Sony Mobile”) segment relate to the Sony Ericsson acquisition. Refer to Note 24.

*2 Substantially all of the acquisition amounts in the Pictures segment relate to the Game Show Network, LLC (“GSN”) acquisition. Refer to Note 24.

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

*4 During the fiscal year ended March 31, 2012, Sony recorded impairment losses of 932 million yen in a reporting unit included in All Other. The impairment charge reflected the overall decline in the fair value of the reporting unit. The fair value of the reporting unit was estimated using the expected present value of future cash flows.

*5 During the fiscal year ended March 31, 2012, Sony entered into a memorandum of understanding with a third-party to sell the chemical products business, which is included in the Professional, Device & Solutions segment. Sony classified certain assets and liabilities related to the business as held for sale as of March 31, 2012, and anticipates completing the divestiture during the fiscal year ending March 31, 2013. No impairment loss was recognized as a result of the held for sale classification. The assets held for sale include 29,182 million yen of goodwill and it was reclassified to other assets in the consolidated balance sheets. Refer to Note 25.

As described in Note 2, Sony performs an annual impairment test for goodwill. As a result of the impairment test, there were no impairments other than the one noted above for the fiscal year ended March 31, 2012.

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 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 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 purposes 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, 2011 and 2012 were 232,160 million yen and 282,846 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, 2010, 2011 and 2012 were 554,650 million yen, 600,291 million yen and 654,986 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, 2010, 2011 and 2012 were 64,987 million yen, 71,037 million yen and 76,958 million yen, respectively.

(2) Deferred insurance acquisition costs:

Costs that vary with and are primarily 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. Amortization charged to income for the fiscal years ended March 31, 2010, 2011 and 2012 amounted to 53,767 million yen, 59,249 million yen and 55,427 million yen, respectively.

(3) Future insurance policy benefits:

Liabilities for future policy benefits, which mainly related 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 1.4% 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, 2011 and 2012, future insurance policy benefits amounted to 2,918,960 million yen and 3,202,066 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 rate associated with interest sensitive whole life contracts is 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 assets portfolio. Investment contracts mainly include single payment juvenile contracts and policies after the start of annuity payments. The credited rates associated with investment contracts ranges from 0.1% to 6.3%.

Policyholders' account in the life insurance business is comprised of the following:

	Yen in millions	
	March 31	
	2011	2012
Universal life insurance	896,539	1,010,277
Investment contracts	322,580	340,600
Other	82,133	98,767
Total	1,301,252	1,449,644

11. Short-term borrowings and long-term debt

Short-term borrowings are comprised of the following:

	Yen in millions	
	March 31	
	2011	2012
Unsecured loans:		
with a weighted-average interest rate of 4.40%	43,737	
with a weighted-average interest rate of 3.98%		89,878
Secured call money:		
with a weighted-average interest rate of 0.11%	10,000	
with a weighted-average interest rate of 0.11%		10,000
	53,737	99,878

At March 31, 2012, securities investments with a book value of 10,845 million yen were pledged as collateral for 10,000 million yen of call money, by subsidiaries in the Financial Services segment. In addition, marketable securities with a book value of 129,472 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2012.

Long-term debt is comprised of the following:

	Yen in millions	
	March 31	
	2011	2012
Unsecured loans, representing obligations principally to banks:		
Due 2011 to 2018, with interest rates ranging from 0.20% to 4.50% per annum	441,976	
Due 2012 to 2024, with interest rates ranging from 0.23% to 4.50% per annum		564,275
Unsecured 1.52% bonds, due 2011, net of unamortized discount	50,000	
Unsecured 1.16% bonds, due 2012, net of unamortized discount	39,996	39,999
Unsecured 1.52% bonds, due 2013, net of unamortized discount	34,999	35,000
Unsecured 1.57% bonds, due 2015, net of unamortized discount	29,991	29,993
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,996	24,997
Unsecured 1.17% bonds, due 2011	10,500	
Unsecured 0.95% bonds, due 2012	60,000	60,000
Unsecured 1.40% bonds, due 2013	10,700	10,700
Unsecured 1.30% bonds, due 2014	110,000	110,000
Unsecured 0.55% bonds, due 2016		10,000
Unsecured 0.66% bonds, due 2017		45,000
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
Capital lease obligations:		
Due 2011 to 2021, with interest rates ranging from 0.03% to 9.09% per annum	24,673	
Due 2012 to 2026, with interest rates ranging from 0.03% to 8.74% per annum		49,754
Guarantee deposits received	17,718	16,691
	921,849	1,072,709
Less - Portion due within one year	109,614	310,483
	812,235	762,226

In March 2012, Sony executed a 1,365 million U.S. dollar unsecured bank loan with a group of lenders having six to ten year maturity terms in connection with acquiring Ericsson's 50% equity interest in Sony Ericsson. This bank loan utilizes the Japan Bank for International Cooperation ("JBIC") Facility, which was established to facilitate overseas mergers and acquisitions by Japanese companies as one of countermeasures against yen appreciation. Of the 1,365 million U.S. dollar loan, 60% or 819 million U.S. dollars is from the JBIC Facility and 40% or 546 million U.S. dollars is from private banks. The terms of this U.S. dollar loan agreement require accelerated repayment of the loan if Sony Corporation or its wholly-owned subsidiaries discontinue the business of mobile devices featuring telephone functionality.

There are no significant adverse debt covenants or cross-default provisions related to the above borrowings.

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

Fiscal year ending March 31	Yen in millions
2013	310,483
2014	135,487
2015	209,814
2016	77,391
2017	97,419
Later years	242,115
Total	1,072,709

At March 31, 2012, Sony had unused committed lines of credit amounting to 800,306 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2012, Sony has commercial paper programs, the size of which was 746,570 million yen. Sony can issue commercial paper for a period generally not in excess of 270 days up to the size of the programs.

12. Housing loans and deposits from customers in the banking business

(1) Housing loans in the banking business:

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

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

The allowance for the credit losses is established based on the aforementioned classifications and the evaluation of collateral. The amount of housing loans in the banking business and the corresponding allowance for credit losses at March 31, 2011 were 656,047 million yen and 925 million yen, and at March 31, 2012 were 749,636 million yen and 1,066 million yen, respectively. During the fiscal year ended March 31, 2011 and 2012, charge-offs on housing loans in the banking business and changes in the allowance for credit losses, which took into consideration the impact of the Great East Japan Earthquake discussed in Note 18, were not significant.

In addition, the balance of housing loans placed on nonaccrual status or past due status were not significant at March 31, 2011 and 2012. A subsidiary in the banking business assesses the nonaccrual status based on the aforementioned

classification, and may resume the accrual of the interest on the housing loan if the classification of the housing loan is changed.

(2) Deposits from customers in the banking business:

All deposits from customers in the banking business within the Financial Services segment are interest bearing deposits. At March 31, 2011 and 2012, the balances of time deposits issued in amounts of 10 million yen or more were 247,799 million yen and 374,665 million yen, respectively. These amounts have been classified as current liabilities due to the ability of the customers to make withdrawals prior to maturity.

At March 31, 2012, 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
2014	32,531
2015	11,421
2016	9,064
2017	3,946
2018	2,104
Later years	33,721
Total	92,787

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 do not have actively traded quotes at the balance sheet date and require the use of unobservable inputs, such as indicative quotes from dealers and qualitative input from investment advisors, to value these securities. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow techniques, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation of assumptions that market participants would use in pricing the asset. Level 3 securities primarily include certain hybrid financial instruments and certain private equity investments not classified within levels 1 or 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.

Edgar Filing: SONY CORP - Form 6-K

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011 and 2012 are as follows:

	Yen in millions March 31, 2011				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	189,320	186,482	-	375,802	375,802	-	-	-
Available-for-sale securities								
Debt securities								
Japanese national government bonds	-	1,143,765	-	1,143,765	71,472	1,072,293	-	-
Japanese local government bonds	-	22,965	-	22,965	3,415	19,550	-	-
Japanese corporate bonds	-	329,057	4,581	333,638	96,745	236,893	-	-
Foreign corporate bonds	-	306,070	19,751	325,821	81,486	244,335	-	-
Other	-	7,933	299	8,232	-	8,232	-	-
Equity securities	141,408	81	-	141,489	-	141,489	-	-
Other investments								
*1	5,459	4,637	74,026	84,122	-	84,122	-	-
Derivative assets *2	-	15,110	-	15,110	-	-	15,101	9
Total assets	336,187	2,016,100	98,657	2,450,944	628,920	1,806,914	15,101	9
Liabilities:								
Derivative liabilities								
*2	-	33,759	-	33,759	-	-	32,096	1,663
Total liabilities	-	33,759	-	33,759	-	-	32,096	1,663

Edgar Filing: SONY CORP - Form 6-K

Yen in millions
March 31, 2012

	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	214,036	219,455	-	433,491	433,491	-	-	-
Available-for-sale securities								
Debt securities								
Japanese national government bonds	-	1,091,451	-	1,091,451	23,267	1,068,184	-	-
Japanese local government bonds	-	33,675	-	33,675	1,405	32,270	-	-
Japanese corporate bonds	-	293,637	1,513	295,150	123,434	171,716	-	-
Foreign corporate bonds	-	359,960	15,291	375,251	75,764	299,487	-	-
Other	-	23,616	309	23,925	-	23,925	-	-
Equity securities	111,517	680	-	112,197	-	112,197	-	-
Other investments								
*1	5,475	4,592	73,451	83,518	-	83,518	-	-
Derivative assets *2	-	18,518	-	18,518	-	-	18,513	5
Total assets	331,028	2,045,584	90,564	2,467,176	657,361	1,791,297	18,513	5
Liabilities:								
Derivative liabilities								
*2	-	41,218	-	41,218	-	-	40,034	1,184
Total liabilities	-	41,218	-	41,218	-	-	40,034	1,184

*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.

There were no significant transfers between levels 1 and 2 for the fiscal year ended March 31, 2011. Transfers into level 1 were 2,169 million yen for the fiscal year ended March 31, 2012 as quoted prices for certain trading securities became available in an active market. Transfers out of level 1 were 7,221 million yen for the fiscal year ended March 31, 2012 as quoted prices for certain trading 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, 2011 and 2012 are as follows:

Yen in millions				
Fiscal year ended March 31, 2011				
Assets				
Available-for-sale securities				
Debt securities				
	Japanese corporate bonds	Foreign corporate bonds	Other	Other investments
Beginning balance	1,097	17,433	-	73,608
Total realized and unrealized gains (losses):				
Included in earnings *1	(13)	(224)	-	(3,332)
Included in other comprehensive income (loss) *2	(18)	(841)	(1)	2,638
Purchases, issuances, sales and settlements	3,515	7,951	300	1,112
Transfers in and/or out of level 3	-	(4,568)	-	-
Ending balance	4,581	19,751	299	74,026
Changes in unrealized gains (losses) relating to instruments still held at reporting date:				
Included in earnings *1	(2)	10	-	(3,779)

Yen in millions				
Fiscal year ended March 31, 2012				
Assets				
Available-for-sale securities				
Debt securities				
	Japanese corporate bonds	Foreign corporate bonds	Other	Other investments
Beginning balance	4,581	19,751	299	74,026
Total realized and unrealized gains (losses):				
Included in earnings *1	-	27	-	(1,214)
Included in other comprehensive income (loss) *2	(2)	271	10	505
Purchases	-	6,994	-	3,144
Settlements	(500)	(5,961)	-	(2,784)
Transfers into level 3 *3	2,116	956	-	-
Transfers out of level 3 *4	(4,682)	(6,747)	-	-
Other	-	-	-	(226)
Ending balance	1,513	15,291	309	73,451

Changes in unrealized gains (losses)
relating to instruments still held at
reporting date:

Included in earnings *1	-	(2)	-	(1,215)
-------------------------	---	----	---	---	--------	---

- *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 changes in stockholders' equity.
- *3 Certain corporate bonds were transferred into level 3 because differences between fair value determined by indicative quotes from dealers and internally developed prices became significant and the observability of inputs decreased.
- *4 Certain corporate bonds were transferred out of level 3 because quoted prices became available.

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

(2) Assets and liabilities that are measured at fair value on a nonrecurring basis:

Sony also has assets and liabilities that are required to be recorded at fair value on a nonrecurring basis when certain circumstances occur. During the fiscal years ended March 31, 2011 and 2012, such measurements of fair value related primarily to the impairments of long-lived assets, the remeasurement of the previously owned equity interests as part of the Game Show Network and Sony Ericsson acquisitions, and the S-LCD impairment.

Long-lived assets impairments

Long-lived assets are measured at the lesser of carrying value or fair value if such assets are held for sale or when there is a determination that the asset is impaired. During the fiscal years ended March 31, 2011 and 2012, Sony recorded impairment losses of 23,735 million yen and 59,583 million yen related to long-lived assets with carrying values prior to impairment of 27,513 million yen and 67,875 million yen; the fair value of the long-lived assets after impairments was 3,778 million yen and 8,292 million yen, respectively. Sony's determination of fair value was based on the comparable market values or estimated net cash flows which considered prices and other relevant information generated by market transactions involving comparable assets or cash flow projections based upon the most recent business plan. These measurements are classified as level 3 because significant unobservable inputs, such as the conditions of the assets or projections of future cash flows, were considered in the fair value measurements.

Remeasurement of previously owned equity interests

During the fiscal years ended March 31, 2011 and 2012, Sony remeasured to fair value the previously owned equity interests as part of the Game Show Network and Sony Ericsson acquisitions. These measurements are classified as level 3 because significant unobservable inputs, such as projections of future cash flows and market comparables of similar transactions and companies were considered in the fair value measurements. Refer to Note 24.

S-LCD impairment

During the fiscal year ended March 31, 2012, Sony recorded a 60,019 million yen other-than-temporary impairment loss on its share of S-LCD, including the reclassification to net income of foreign currency translation adjustments and the impact of the exchange rate fluctuations between the initial impairment loss and closing of the sale to Samsung. The fair value of the shares of S-LCD after impairment was 71,662 million yen which approximated the cash consideration of 1.07 trillion Korean won subsequently received from Samsung upon its acquisition of Sony's share of S-LCD. This measurement is classified as level 3 because significant unobservable inputs, primarily the estimate of the cash that would be received upon the sale to Samsung were considered in the fair value measurement. Refer to Note 5.

(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, 2011				Carrying amount Total
	Level 1	Estimated fair value		Total	
		Level 2	Level 3		
Assets:					
Housing loans in the banking business	-	714,985	-	714,985	656,047
Total assets	-	714,985	-	714,985	656,047

	Yen in millions March 31, 2011				Carrying amount Total
	Level 1	Estimated fair value		Total	
		Level 2	Level 3		
Liabilities:					
Long-term debt including the current portion	-	928,820	-	928,820	921,849
Investment contracts included in policyholders' account in the life insurance business	-	320,036	-	320,036	322,649
Total liabilities	-	1,248,856	-	1,248,856	1,244,498

	Yen in millions March 31, 2012				Carrying amount Total
	Level 1	Estimated fair value		Total	
		Level 2	Level 3		
Assets:					
Housing loans in the banking business	-	823,668	-	823,668	749,636
Total assets	-	823,668	-	823,668	749,636

	Yen in millions March 31, 2012				Carrying amount Total
	Level 1	Estimated fair value		Total	
		Level 2	Level 3		
Liabilities:					
Long-term debt including the current portion	-	1,069,914	-	1,069,914	1,072,709
Investment contracts included in policyholders' account in the life insurance business	-	338,589	-	338,589	340,600
Total liabilities	-	1,408,503	-	1,408,503	1,413,309

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

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

Fair value hedges

Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives designated as fair value hedges as well as offsetting changes in the carrying value of the underlying hedged items are recognized in income. For the fiscal years ended March 31, 2010, 2011 and 2012, 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, 2010, 2011 and 2012, the ineffective portion of the hedging relationship is not significant. In addition, there were no amounts excluded from the assessment of hedge effectiveness for cash flow hedges.

Derivatives not designated as hedges

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

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

Foreign exchange forward contracts and foreign currency option contracts

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

Sony also enters into foreign exchange forward contracts, which effectively fix the cash flows from foreign currency denominated debt. Accordingly, these derivatives have been designated as cash flow hedges.

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

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

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

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

Sony also enters into certain interest rate swap agreements for the purpose of reducing the risk arising from the changes in anticipated cash flows of variable rate debt and foreign currency denominated debt. These interest rate swap agreements, which effectively swap foreign currency denominated variable rate debt for functional currency denominated fixed rate debt, are considered to be a hedge against changes in the anticipated cash flows of Sony's foreign denominated variable rate obligations. Accordingly, these derivatives have been designated as cash flow hedges.

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

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

Other agreements

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

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

Derivatives designated as hedging instruments	Balance sheet location	Yen in millions					
		Fair value March 31		Balance sheet location		Fair value March 31	
		Asset derivatives	2011	2012	Liability derivatives	2011	2012
Interest rate contracts	Prepaid expenses and other current assets		416	151	Current liabilities other	9,026	14,017
Interest rate contracts		-	-	-	Liabilities other	1,663	1,184
Foreign exchange contracts	Prepaid expenses and other current assets		-	7,558	Current liabilities other	67	15
		416	7,709			10,756	15,216
Derivatives not designated as hedging instruments	Balance sheet location	Yen in millions					
		Fair value March 31		Balance sheet location		Fair value March 31	
		Asset derivatives	2011	2012	Liability derivatives	2011	2012
Interest rate contracts	Prepaid expenses and other current assets		314	5	Current liabilities other	3,630	4,390
Interest rate contracts		-	-	-	Liabilities other	-	-
Foreign exchange contracts	Prepaid expenses and other current assets		14,353	10,798	Current liabilities other	19,361	21,612
Foreign exchange contracts	Assets other	9	5			-	-
Credit contracts	Prepaid expenses and other current assets		18	1	Current liabilities other	12	-
		14,694	10,809			23,003	26,002
Total derivatives		15,110	18,518			33,759	41,218

Presented below are the effects of derivative instruments on the consolidated statements of income for the fiscal years ended March 31, 2010, 2011 and 2012 (yen in millions).

Derivatives under fair value hedging relationships	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative		
		Fiscal year ended March 31		
		2010	2011	2012
Interest rate contracts	Financial services revenue	(3,475)	588	(2,998)
Foreign exchange contracts	Foreign exchange gain or (loss), net	97	(18)	(49)
Total		(3,378)	570	(3,047)

Yen in millions
Fiscal year ended March 31, 2011

Derivatives under cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivative Amount	Gain or (loss) reclassified from accumulated OCI into income (effective portion)		Gain or (loss) recognized in income on derivative (ineffective portion)	
		Location	Amount	Location	Amount
Interest rate contracts	(108)	Interest expense	329	Interest expense	-
Total	(108)	Total	329	Total	-

Yen in millions
Fiscal year ended March 31, 2012

Derivatives under cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivative Amount	Gain or (loss) reclassified from accumulated OCI into income (effective portion)		Gain or (loss) recognized in income on derivative (ineffective portion)	
		Location	Amount	Location	Amount
Interest rate contracts	171	Interest expense	308	Interest expense	-
Total	171	Total	308	Total	-

Edgar Filing: SONY CORP - Form 6-K

At March 31, 2012, amounts related to derivatives qualifying as cash flow hedges amounted to a net reduction of equity of 1,050 million yen.

Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative (Yen in millions)		
		Fiscal year ended March 31		
		2010	2011	2012
Interest rate contracts	Financial services revenue	(884)	(3,332)	(3,303)
Interest rate contracts	Financial services expenses	32	32	-
Foreign exchange contracts	Financial services revenue	1,468	(1,294)	(79)
Foreign exchange contracts	Foreign exchange gain or (loss), net	(8,779)	8,311	4,324
Equity contracts	Financial services revenue	83	-	-
Bond contracts	Financial services revenue	68	44	-
Credit contracts	Financial services revenue	(518)	(101)	(25)
Total		(8,530)	3,660	917

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

	Yen in millions			
	March 31, 2011		March 31, 2012	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange contracts:				
Foreign exchange forward contracts	1,364,147	(8,825)	1,227,889	(7,305)
Currency option contracts purchased	5,822	19	9,878	91
Currency option contracts written	423	(9)	152	(1)
Currency swap agreements	117,028	2,015	519,041	2,206
Other currency contracts	46,201	1,734	48,347	1,743
Interest rate contracts:				
Interest rate swap agreements	448,353	(13,589)	451,416	(19,435)
Credit contracts:				
Credit default swap agreements	4,841	6	1,367	1

15. Pension and severance plans

Upon terminating employment, employees of Sony Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below. In July 2004, Sony Corporation and certain of its subsidiaries amended their pension plans and introduced a point-based plan under which a point is added every year reflecting the individual employee's performance over that year. Under the point-based plan, the amount of payment is determined based on the sum of cumulative points from past services and interest points earned

on the cumulative points regardless of whether or not the employee is voluntarily retiring.

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

From April 1, 2012, Sony Corporation and substantially all of its subsidiaries in Japan have modified existing defined benefit pension plans such that life annuities will no longer accrue additional service benefits, with those participants instead accruing fixed-term annuities. The defined benefit pension plans were closed to new participants and a defined contribution plan was also introduced. The changes have no impact on Sony's results of operations and financial position as of and for the fiscal year ended March 31, 2012.

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, 2010, 2011 and 2012 were as follows:

Japanese plans:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Service cost	30,980	29,589	29,774
Interest cost	15,402	16,067	15,196
Expected return on plan assets	(16,969)	(17,987)	(15,401)
Recognized actuarial loss	16,000	11,802	12,219
Amortization of prior service costs	(10,391)	(10,391)	(10,380)
Net periodic benefit costs	35,022	29,080	31,408

Foreign plans:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Service cost	3,645	4,160	3,348
Interest cost	12,083	11,165	10,082
Expected return on plan assets	(8,652)	(9,135)	(9,049)
Amortization of net transition asset	67	20	139
Recognized actuarial loss	857	2,911	2,771
Amortization of prior service costs	30	(32)	(448)
Losses (gains) on curtailments and settlements	1,766	(31)	1,111
Net periodic benefit costs	9,796	9,058	7,954

The estimated net actuarial loss, prior service cost and obligation (asset) existing at transition for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next fiscal year are 11,262 million yen, 10,671 million yen and 59 million yen, respectively.

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

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2011	2012	2011	2012
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	709,554	735,853	231,341	206,497
Service cost	29,589	29,774	4,160	3,348
Interest cost	16,067	15,196	11,165	10,082
Plan participants' contributions	-	-	764	684
Amendments	-	(1,119)	(6,677)	440
Actuarial (gain) loss	6,424	25,098	(6,869)	12,376
Foreign currency exchange rate changes	-	-	(16,994)	(3,273)
Curtailments and settlements	(404)	(301)	(166)	(577)
Effect of changes in consolidated subsidiaries	-	8,852	-	3,104
Benefits paid	(25,377)	(24,294)	(10,227)	(11,040)
Benefit obligation at end of the fiscal year	735,853	789,059	206,497	221,641
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	515,701	536,648	134,226	140,387
Actual return on plan assets	4,327	18,447	10,930	11,421
Foreign currency exchange rate changes	-	-	(9,121)	(1,872)
Employer contribution	34,892	15,745	13,029	9,033
Plan participants' contributions	-	-	764	684
Curtailments and settlements	-	-	(217)	(1,386)
Effect of changes in consolidated subsidiaries	-	4,592	-	2,331
Benefits paid	(18,272)	(19,185)	(9,224)	(9,459)
Fair value of plan assets at end of the fiscal year	536,648	556,247	140,387	151,139
Funded status at end of the fiscal year	(199,205)	(232,812)	(66,110)	(70,502)

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans		Foreign plans	
	Yen in millions		Yen in millions	
	March 31		March 31	
	2011	2012	2011	2012
Noncurrent assets	1,454	1,769	3,894	4,399
Current liabilities	-	-	(2,716)	(2,943)
Noncurrent liabilities	(200,659)	(234,581)	(67,288)	(71,958)
Ending balance	(199,205)	(232,812)	(66,110)	(70,502)

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	
	2011	2012	2011	2012
Prior service cost (credit)	(86,470)	(75,840)	(3,930)	(2,933)
Net actuarial loss	278,895	292,382	33,919	38,196
Obligation existing at transition	-	-	204	52
Ending balance	192,425	216,542	30,193	35,315

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	
	2011	2012	2011	2012
Accumulated benefit obligations	731,666	786,679	183,954	189,360

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	
	2011	2012	2011	2012
Projected benefit obligations	729,691	781,983	176,755	170,314
Accumulated benefit obligations	725,504	779,604	167,609	163,002
Fair value of plan assets	530,300	549,017	121,338	111,667

Weighted-average assumptions used to determine benefit obligations as of March 31, 2011 and 2012 were as follows:

	Japanese plans		Foreign plans	
	March 31		March 31	
	2011	2012	2011	2012
Discount rate	2.1 %	1.9 %	5.2 %	4.7 %
Rate of compensation increase	*	*	3.5	3.5

* 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, 2010, 2011 and 2012 were as follows:

	Japanese plans						Foreign plans					
	Fiscal year ended March 31			Fiscal year ended March 31			Fiscal year ended March 31			Fiscal year ended March 31		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Discount rate	2.2	%	2.3	%	2.1	%	6.5	%	5.5	%	5.2	%
Expected return on plan assets	3.6		2.9		3.0		6.5		5.9		6.5	
Rate of compensation increase	2.7		*		*		3.2		4.0		3.5	

*As of March 31, 2011 and 2012, substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Sony reviews these assumptions for changes in circumstances.

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

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

The investment objectives of Sony's plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The obligations are estimated using actuarial assumptions, based on the current economic environment and other pertinent factors. Sony's investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing its dependence on contributions from Sony. To mitigate any potential concentration risk, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2012, are, as a result of Sony's asset liability management, 28% of equity securities, 58% of fixed income securities and 14% of other investments for the pension plans of Sony Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 46% of equity securities, 39% of fixed income securities and 15% 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:

Asset class	Fair value at March 31, 2011	Japanese plans Yen in millions		
		Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	25,151	25,151	-	-
Equity:				
Equity securities (a)	127,695	125,692	2,003	-
Fixed income:				
Government bonds (b)	226,183	-	226,183	-
Corporate bonds (c)	23,375	-	23,375	-
Asset-backed securities (d)	3,451	-	3,451	-
Commingled funds (e)	63,693	-	63,693	-
Commodity funds (f)	1,991	-	1,991	-
Private equity (g)	19,888	-	-	19,888
Hedge funds (h)	43,688	-	-	43,688
Real estate	1,533	-	-	1,533
Total	536,648	150,843	320,696	65,109

Asset class	Fair value at March 31, 2012	Japanese plans Yen in millions		
		Fair value measurements using inputs considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	14,586	14,586	-	-
Equity:				
Equity securities (a)	130,283	127,918	2,365	-
Fixed income:				
Government bonds (b)	255,010	-	255,010	-
Corporate bonds (c)	23,853	-	23,853	-
Asset-backed securities (d)	4,722	-	4,722	-
Commingled funds (e)	58,862	-	58,862	-
Commodity funds (f)	1,850	-	1,850	-
Private equity (g)	23,388	-	-	23,388
Hedge funds (h)	42,258	-	-	42,258
Real estate	1,435	-	-	1,435
Total	556,247	142,504	346,662	67,081

- (a) Includes approximately 64 percent and 65 percent of Japanese equity securities, and 36 percent and 35 percent of foreign equity securities for the fiscal years ended March 31, 2011 and 2012, respectively.
- (b) Includes approximately 65 percent and 64 percent of debt securities issued by Japanese national and local governments, and 35 percent and 36 percent of debt securities issued by foreign national and local governments for

the fiscal years ended March 31, 2011 and 2012, respectively.

(c) Includes debt securities issued by Japanese and foreign corporation and government related agencies.

(d) Includes primarily mortgage-backed securities.

- (e) Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 39 percent and 42 percent of investments in equity, 58 percent and 56 percent of investments in fixed income, and 3 percent and 2 percent of investments in other for the fiscal years ended March 31, 2011 and 2012, respectively.
- (f) Represents commodity futures funds.
- (g) Includes multiple private equity funds of funds that primarily invest in venture, buyout, and distressed markets in the U.S. and Europe.
- (h) Includes primarily funds that invest in a portfolio of a broad range of hedge funds to diversify the risks and reduce the volatilities associated with a single hedge fund.

Asset class	Fair value at March 31, 2011	Foreign plans Yen in millions		
		Level 1	Level 2	Level 3
Cash and cash equivalents	860	860	-	-
Equity:				
Equity securities (a)	38,512	33,273	5,239	-
Fixed income:				
Government bonds (b)	21,405	-	21,405	-
Corporate bonds (c)	14,994	-	10,148	4,846
Asset-backed securities	2,053	-	2,053	-
Insurance contracts (d)	6,718	-	6,718	-
Commingled funds (e)	50,517	-	49,987	530
Real estate and other (f)	5,328	45	1,510	3,773
Total	140,387	34,178	97,060	9,149

Asset class	Fair value at March 31, 2012	Foreign plans Yen in millions		
		Level 1	Level 2	Level 3
Cash and cash equivalents	859	859	-	-
Equity:				
Equity securities (a)	36,497	30,514	5,983	-
Fixed income:				
Government bonds (b)	43,504	-	43,504	-
Corporate bonds (c)	9,192	-	5,231	3,961
Asset-backed securities	648	-	648	-
Insurance contracts (d)	9,283	-	9,283	-
Commingled funds (e)	43,902	-	43,902	-
Real estate and other (f)	7,254	20	2,151	5,083
Total	151,139	31,393	110,702	9,044

- (a) Includes primarily foreign equity securities.
- (b) Includes primarily foreign government debt securities.

- (c) Includes primarily foreign corporate debt securities.
- (d) Represents annuity contracts with or without profit sharing.
- (e) 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.
- (f) 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. There were no changes in valuation techniques during the fiscal years ended March 31, 2011 and 2012.

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. The valuation methodology is applied consistently from period to period.

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.

Edgar Filing: SONY CORP - Form 6-K

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, 2011 and 2012:

	Japanese plans Yen in millions			Total
	Fair value measurement using significant unobservable inputs (Level 3)			
	Private equity	Hedge funds	Real estate	
Beginning balance at April 1, 2010	21,337	51,498	1,655	74,490
Return on assets held at end of year	(1,449)	2,467	(122)	896
Return on assets sold during the year	-	(436)	-	(436)
Purchases, sales, and settlements, net	-	(9,841)	-	(9,841)
Transfers, net	-	-	-	-
Ending balance at March 31, 2011	19,888	43,688	1,533	65,109
Return on assets held at end of year	450	470	(98)	822
Return on assets sold during the year	-	-	-	-
Purchases, sales, and settlements, net	3,050	(1,900)	-	1,150
Transfers, net	-	-	-	-
Ending balance at March 31, 2012	23,388	42,258	1,435	67,081

	Foreign plans Yen in millions				Total
	Fair value measurement using significant unobservable inputs (Level 3)				
	Corporate bonds	Asset-backed securities	Commingled funds	Real estate and other	
Beginning balance at April 1, 2010	4,571	75	528	3,777	8,951
Return on assets held at end of year	503	-	9	490	1,002
Return on assets sold during the year	-	5	-	-	5
Purchases, sales, and settlements, net	260	(72)	-	(159)	29
Transfers, net	-	-	-	-	-
Other *	(488)	(8)	(7)	(335)	(838)

Ending balance at March 31, 2011	4,846	-	530	3,773	9,149
Return on assets held at end of year	447	-	-	558	1,005
Return on assets sold during the year	-	-	-	-	-
Purchases, sales, and settlements, net	(1,209)	-	(530)	156	(1,583)
Transfers, net	-	-	-	-	-
Other *	(123)	-	-	596	473
Ending balance at March 31, 2012	3,961	-	-	5,083	9,044

* 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 18 billion yen to the Japanese plans and approximately 9 billion yen to the foreign plans during the fiscal year ending March 31, 2013. At the end of the fiscal year ended March 31, 2011, Sony had expected to contribute approximately 35 billion yen to the Japanese plans. However, Sony actually contributed 16 billion yen to the plans in the fiscal year ended March 31, 2012.

The expected future benefit payments are as follows:

Fiscal year ending March 31	Japanese plans Yen in millions	Foreign plans Yen in millions
2013	26,197	9,418
2014	28,084	9,485
2015	30,972	10,461
2016	33,553	10,163
2017	34,518	10,827
2018 – 2022	209,895	58,880

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, 2010, 2011 and 2012 have resulted from the following:

	Number of shares
Balance at March 31, 2009	1,004,535,364
Exercise of stock acquisition rights	36,100
Balance at March 31, 2010	1,004,571,464
Exercise of stock acquisition rights	65,200
Balance at March 31, 2011	1,004,636,664
Exercise of stock acquisition rights	1,500
Balance at March 31, 2012	1,004,638,164

At March 31, 2012, 22,417,400 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, 2010, 2011 and 2012.

(2) Retained earnings:

The amount of statutory retained earnings of Sony Corporation available for dividends to shareholders as of March 31, 2012 was 310,522 million yen. The appropriation of retained earnings for the fiscal year ended March 31, 2012, including cash dividends for the six-month period ended March 31, 2012, has been incorporated in the accompanying consolidated financial statements. This appropriation of retained earnings was approved at the meeting of the Board of Directors of Sony Corporation held on May 9, 2012 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 30,809 million yen and 7,891 million yen at March 31, 2011 and 2012, respectively.

(3) Other comprehensive income:

Other comprehensive income for the fiscal years ended March 31, 2010, 2011 and 2012 were comprised of the following:

	Yen in millions		
	Pre-tax amount	Tax benefit/(expense)	Net-of-tax amount
For the fiscal year ended March 31, 2010:			
Unrealized gains (losses) on securities, net -			
Unrealized holding gains arising during the period*	74,501	(22,469)	33,502
Less : Reclassification adjustment included in net income	(1,896)	661	(1,235)
Unrealized gains (losses) on derivative instruments, net -			
Unrealized holding gains arising during the period	2,040	(415)	1,625
Less : Reclassification adjustment included in net income	(566)	489	(77)
Pension liability adjustment*	45,767	(22,074)	23,720
Foreign currency translation adjustments -			
Translation adjustments arising during the period	4,583	(22)	4,561
Less : Reclassification adjustment included in net income	2,289	-	2,289
Other comprehensive income	126,718	(43,830)	64,385

	Yen in millions		
	Pre-tax amount	Tax benefit/(expense)	Net-of-tax amount
For the fiscal year ended March 31, 2011:			
Unrealized gains (losses) on securities, net -			
Unrealized holding losses arising during the period*	(42,311)	12,996	(25,445)
Less : Reclassification adjustment included in net income	21,548	(8,104)	13,444
Unrealized gains (losses) on derivative instruments, net -			
Unrealized holding losses arising during the period	(662)	52	(610)
Less : Reclassification adjustment included in net income	(785)	(158)	(943)
Pension liability adjustment*	3,164	(6,463)	(3,176)
Foreign currency translation adjustments -			
Translation adjustments arising during the period	(118,840)	1,256	(117,584)
Less : Reclassification adjustment included in net income	(832)	-	(832)
Other comprehensive income (loss)	(138,718)	(421)	(135,146)

	Pre-tax amount	Yen in millions Tax benefit/(expense)	Net-of-tax amount
For the fiscal year ended March 31, 2012:			
Unrealized gains (losses) on securities, net -			
Unrealized holding gains arising during the period*	28,712	(10,162)	12,369
Less : Reclassification adjustment included in net income	3,417	(1,240)	2,177
Unrealized gains (losses) on derivative instruments, net -			
Unrealized holding losses arising during the period	(177)	(70)	(247)
Less : Reclassification adjustment included in net income	911	(125)	786
Pension liability adjustment*	(29,239)	(3,934)	(34,668)
Foreign currency translation adjustments -			
Translation adjustments arising during the period*	(32,640)	74	(32,961)
Less : Reclassification adjustment included in net income	14,655	-	14,655
Other comprehensive income (loss)	(14,361)	(15,457)	(37,889)

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

During the fiscal years ended March 31, 2010, 2011 and 2012, losses of 2,289 million yen, gains of 832 million yen and losses of 14,655 million yen, respectively, of foreign currency translation adjustments were transferred from accumulated other comprehensive income to net income as a result of the liquidation or sale of certain foreign subsidiaries and affiliates. The amount transferred during the fiscal year ended March 31, 2012 includes losses of 12,772 million yen as a result of the other-than-temporary impairment loss on the shares of S-LCD. Refer to Note 5.

17. Stock-based compensation plans

The stock-based compensation expense for the fiscal years ended March 31, 2010, 2011 and 2012 was 2,202 million yen, 1,952 million yen and 1,952 million yen, respectively. The income tax benefit related to the stock-based compensation expense for the fiscal years ended March 31, 2010, 2011 and 2012 was 271 million yen, 322 million yen and 287 million yen, respectively. The total cash received from exercises under all of the stock-based compensation plans during the fiscal years ended March 31, 2010, 2011 and 2012 was 114 million yen, 198 million yen and 4 million yen, respectively. Sony issued new shares upon exercise of these rights. The actual income tax benefit realized for tax deductions from exercises under all the stock-based compensation plans for the fiscal years ended March 31, 2010, 2011 and 2012 was insignificant.

Sony has three types of stock-based compensation plans as incentive plans for selected directors, corporate executive officers and employees.

(1) Stock Acquisition Rights plan:

Sony has an equity-based compensation plan that issues common stock acquisition rights for the purpose of granting stock options to selected directors, corporate executive officers and employees of Sony, pursuant to the Companies Act. The stock acquisition rights generally vest ratably over a period of three years 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, 2010, 2011 and 2012 was 813 yen, 1,036 yen and 345 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, 2010, 2011 and 2012 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Weighted-average assumptions	Fiscal year ended March 31					
	2010		2011		2012	
Risk-free interest rate	2.08	%	1.60	%	1.08	%
Expected lives	6.49	years	6.64	years	6.77	years
Expected volatility*	33.70	%	35.74	%	36.88	%
Expected dividends	0.99	%	0.83	%	1.85	%

* 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, 2012 is as follows:

	Number of shares	Fiscal year ended March 31, 2012		
		Weighted-average exercise price Yen	Weighted-average remaining life Years	Total intrinsic value Yen in millions
Outstanding at beginning of the fiscal year	17,011,400	3,458		
Granted	2,537,500	1,520		
Exercised	1,500	2,347		
Forfeited or expired	667,100	3,326		
Outstanding at end of the fiscal year	18,880,300	3,188	5.78	336
Exercisable at end of the fiscal year	13,952,100	3,548	4.64	-

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2010, 2011 and 2012 was 20 million yen, 26 million yen and 0.2 million yen, respectively.

As of March 31, 2012, there was 1,425 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 2.01 years.

(2) Convertible Bonds plan:

Sony had an equity-based compensation plan for selected executives of Sony's U.S. subsidiaries using U.S. dollar-denominated non-interest bearing convertible bonds, which had characteristics similar to that of an option plan. Each convertible bond could be converted into 100 shares of the common stock of Sony Corporation at an exercise price based on the prevailing market rate shortly before the date of grant. The convertible bonds vested ratably over a three-year period and were exercisable up to ten years from the date of grant. As the convertible bonds were issued in exchange for a non-interest bearing employee loan and a right of offset exists between the convertible bonds and the employee loans, no accounting recognition was given to either the convertible bonds or the employee loans in Sony's consolidated balance sheets.

A summary of the activities regarding the convertible bond plan during the fiscal year ended March 31, 2012 is as follows:

	Fiscal year ended March 31, 2012	
	Number of shares	Weighted-average exercise price Yen
Outstanding at beginning of the fiscal year	548,500	6,931
Expired	(548,500)	6,931
Outstanding at end of the fiscal year	-	

There were no shares granted or exercised under the convertible bond plan during the fiscal years ended March 31, 2010, 2011 and 2012. At March 31, 2012, the remaining exercisable shares expired under this plan and there are no further shares outstanding or exercisable under the convertible bond plan as of March 31, 2012.

(3) Stock Appreciation Rights (“SARs”) plan:

Sony granted SARs in the United States of America for selected employees. Under the terms of these plans, employees upon exercise of such rights receive cash equal to the amount that the market price of Sony Corporation’s common stock exceeds the strike price of the SARs. The SARs generally vest ratably over a period of three years, and are generally exercisable up to ten years from the date of grant.

There were no SARs granted during the fiscal years ended March 31, 2010, 2011 and 2012. As of March 31, 2012, there were 23,200 SARs outstanding and the weighted-average exercise price was 4,298 yen. All SARs were exercisable as of March 31, 2012.

The compensation expense for the SARs is measured as the excess of the quoted market price of Sony Corporation’s common stock over the SARs strike price. SAR compensation expense for the fiscal years ended March 31, 2010, 2011, and 2012 was insignificant.

18. Great East Japan Earthquake and Thai Floods

(1) Great East Japan Earthquake

On March 11, 2011, Japan experienced a massive earthquake and tsunami (the “Great East Japan Earthquake”). The disaster caused significant damage to certain fixed assets including buildings, machinery and equipment as well as inventories in manufacturing sites and warehouses located principally in northeastern Japan.

For the fiscal year ended March 31, 2011, Sony incurred incremental losses and expenses including repair, removal and cleaning costs directly related to the damage caused by the disaster of 10,897 million yen, including the disposal or impairment of fixed assets of 7,668 million yen. These losses and expenses were primarily recorded in other operating (income) expense, net in the consolidated statements of income and were offset by insurance recoveries of 10,841 million yen, the amount that was deemed probable up to the extent of the corresponding losses recognized, as described below. The restoration costs anticipated to occur on or after April 1, 2011 were not recorded in the period ended March 31, 2011. In addition, Sony also incurred other losses and expenses of 11,821 million yen, which included idle facility costs at manufacturing sites, and an additional provision for life insurance policy reserves. These losses and expenses were primarily recorded in cost of sales and financial services expenses in the consolidated

statements of income.

For the fiscal year ended March 31, 2012, Sony incurred incremental losses and expenses including repair, removal, restoration and cleaning costs directly related to the damage caused by the disaster of 5,864 million yen. These losses and expenses were primarily recorded in cost of sales in the consolidated statements of income and were partially offset by insurance recoveries of 2,159 million yen, as described below. In addition, Sony also incurred other losses and expenses of 6,294 million yen, which included idle facility costs at manufacturing sites. These losses and expenses were primarily recorded in cost of sales in the consolidated statements of income.

65

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

Insurance claims in the amount of 15,000 million yen, the total coverage amount, were agreed to by the insurance carriers as a final settlement and were paid in March 2012. Of this amount, 2,000 million yen is due to a certain carrier as reinsurance and recorded in other current liabilities in the consolidated balance sheets. The insurance proceeds are primarily included in investing activities in the consolidated statements of cash flows.

(2) Thai Floods

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

For the fiscal year ended March 31, 2012, Sony incurred incremental losses and expenses including repair, removal and cleaning costs directly related to the damage caused by the Floods of 13,236 million yen, including the disposal or impairment of fixed assets of 7,882 million yen. These losses and expenses were primarily recorded in other operating (income) expense, net in the consolidated statements of income and were offset by insurance recoveries as described below. The restoration costs anticipated to occur on or after April 1, 2012 were not recorded in the fiscal year ended March 31, 2012 and will be recorded when the services are rendered and liabilities incurred. In addition, Sony also incurred other losses and expenses of 13,899 million yen, which included idle facility costs at manufacturing sites and other additional expenses. These losses and expenses were mainly recorded in cost of sales in the consolidated statements of income.

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

Insurance claims in the amount of 50,416 million yen were agreed to by the insurance carriers and were paid during the fiscal year ended March 31, 2012. Of this amount, Sony received 26,316 million yen for fixed assets, inventories and additional expenses, of which 17,520 million yen represents the portion of insurance recoveries in excess of the carrying value before the damage caused by the Floods of the insured fixed assets and inventories, and were recorded in cost of sales and other operating (income) expense, net in the consolidated statements of income. The remaining amount of the insurance claims paid of 24,100 million yen was for business interruption insurance recoveries, which applies to the lost profit which occurred after the Floods to December 31, 2011, and were recorded in other operating revenue in the consolidated statements of income. The insurance proceeds for fixed assets and for other than fixed assets are included in investing activities and operating activities in the consolidated statements of cash flows, respectively.

In addition, as of March 31, 2012, Sony still had pending insurance claims for damage to fixed assets, inventories, additional expenses and business interruption. Sony recorded insurance receivables of 5,788 million yen which represents the portion of the insurance claims that were deemed probable of collection up to the extent of the amount of corresponding losses recognized in the same period and substantially all relate to damaged assets and inventories. Sony concluded that the recoveries from these insurance claims are probable based on the coverage under valid policies, communications with the insurance carriers, Sony's past claims history with the insurance carriers, and

Sony's assessment that the insurance carriers have the financial ability to pay the claims. These receivables were primarily recorded in prepaid expenses and other current assets in the consolidated balance sheets.

19. Restructuring charges and asset impairments

As part of its effort to improve the performance of the various businesses, Sony has undertaken a number of restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, such as exiting a business or product category or implementing a headcount reduction program, which are designed to generate a positive impact on future profitability. For the fiscal years ended March 31, 2010, 2011 and 2012, Sony recorded total restructuring charges of 116,472 million yen, 62,318 million yen and 52,645 million yen, respectively.

Sony anticipates recording approximately 75 billion yen of restructuring charges for the fiscal year ending March 31, 2013.

The changes in the accrued restructuring charges for the fiscal years ended March 31, 2010, 2011 and 2012 are as follows:

	Yen in millions			Total
	Employee termination benefits	Non-cash write-downs and disposals, net*	Other associated costs	
Balance at March 31, 2009	53,813	-	11,461	65,274
Restructuring costs	65,133	31,928	19,411	116,472
Non-cash charges	-	(31,928)	-	(31,928)
Cash payments	(88,803)	-	(21,754)	(110,557)
Adjustments	(2,925)	-	(156)	(3,081)
Balance at March 31, 2010	27,218	-	8,962	36,180
Restructuring costs	38,264	8,294	15,760	62,318
Non-cash charges	-	(8,294)	-	(8,294)
Cash payments	(47,521)	-	(19,086)	(66,607)
Adjustments	(2,376)	-	(662)	(3,038)
Balance at March 31, 2011	15,585	-	4,974	20,559
Sony Ericsson acquisition	8,789	-	2,190	10,979
Restructuring costs	25,453	20,428	6,764	52,645
Non-cash charges	-	(20,428)	-	(20,428)
Cash payments	(24,928)	-	(4,862)	(29,790)
Adjustments	98	-	(1,130)	(1,032)
Balance at March 31, 2012	24,997	-	7,936	32,933

* Significant asset impairments excluded from restructuring charges are described below.

The total amount of costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2010, 2011 and 2012 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Consumer Products & Services	31,255	25,532	8,972
Professional, Device & Solutions	41,067	19,507	25,645
Pictures	5,605	2,722	1,273
Music	5,225	2,662	5,710
Financial Services	5,078	5,010	1,822

Edgar Filing: SONY CORP - Form 6-K

Sony Mobile*	-	-	537
All Other and Corporate	28,242	6,885	8,686
Total net charges	116,472	62,318	52,645

*Sony acquired Ericsson's shares in Sony Ericsson and it became a wholly-owned subsidiary of Sony. Subsequent to the acquisition, Sony Ericsson was renamed Sony Mobile. Refer to Note 24.

In addition to the restructuring charges in the tables above, Sony recorded in cost of sales 7,851 million, 4,751 million yen and 2,115 million yen of non-cash charges related to depreciation associated with restructured assets for the fiscal years ended March 31, 2010, 2011 and 2012, respectively. Depreciation associated with restructured assets as used in the context of the disclosures regarding restructuring activity refers to the increase in depreciation expense caused by shortening the useful life or updating the salvage value of depreciable fixed assets to coincide with the end of production under an approved restructuring plan. Any impairment of the asset is recognized immediately in the period.

Consumer Products & Services segment

In an effort to improve the performance of the Consumer Products & Services segment, Sony has undergone a number of restructuring efforts to reduce its operating costs. These efforts included headcount reduction programs, initiatives to advance rationalization of manufacturing operations, shifting and aggregating manufacturing to low-cost areas, and utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs). Significant restructuring activities are as follows:

Retirement programs -

In an effort to improve the performance of the Consumer Products & Services segment, Sony has undergone several headcount reduction programs to further reduce operating costs. 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. As a result of these measures, Sony recorded in the Consumer Products & Services segment restructuring charges related mainly to employee termination benefits totaling 20,189 million yen, 14,035 million yen and 8,134 million yen for the fiscal years ended March 31, 2010, 2011 and 2012, respectively, in selling, general and administrative expenses in the consolidated statements of income. These staff reductions were achieved worldwide mostly through the implementation of early retirement programs. Sony will continue to implement programs to reduce headcount by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions.

Realignment of manufacturing operations in Japan -

During the fiscal year ended March 31, 2010, Sony implemented extensive measures to better compete in terms of speed to market and profitability, including the reevaluation of both its domestic and overseas manufacturing operations. As part of this process, manufacturing operations in Japan for certain product categories were consolidated in order to increase the efficiency of these manufacturing operations.

As a result of this realignment of manufacturing operations in Japan, restructuring charges for the closure of production facilities totaling 7,132 million yen were recorded which consisted mainly of personnel related costs and the disposal or impairment of assets. Of the total restructuring charges, 3,586 million yen for employee termination benefits were recorded in selling, general and administrative expenses and 3,261 million yen for the disposal or impairment of assets was recorded in other operating (income) expense, net in the consolidated statements of income. In addition to the restructuring charges, 4,823 million yen of non-cash charges related to depreciation associated with restructured assets were recorded in cost of sales in the consolidated statements of income as a result of this realignment of manufacturing operations in Japan.

Sales and transfers of manufacturing operations outside of Japan -

During the fiscal year ended March 31, 2011, Sony sold and transferred certain manufacturing operations outside of Japan to third parties to reduce operating costs. The resulting restructuring charges included expenses of 11,583 million yen related to the transfer of a factory in Barcelona and the impairment of related assets.

Cash flows from the sales and transfers of manufacturing operations are included in sales of businesses in the consolidated statements of cash flows.

Professional, Device & Solutions segment

In an effort to improve the performance of the Professional, Device & Solutions segment, Sony has undergone a number of restructuring efforts to reduce operating costs. These efforts included headcount reduction programs, initiatives to advance rationalization of manufacturing operations, shifting and aggregating manufacturing to low-cost areas, and utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs). Significant restructuring activities are as follows:

Retirement programs -

In an effort to improve the performance of the Professional, Device & Solutions segment, Sony has undergone several headcount reduction programs to further reduce operating costs. 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. As a result of these measures, Sony recorded in the Professional, Device & Solutions segment restructuring charges related mainly to employee termination benefits totaling 23,002 million yen, 14,073 million yen and 6,925 million yen for the fiscal years ended March 31, 2010, 2011 and 2012, respectively, in selling, general and administrative expenses in the consolidated statements of income. These staff reductions were achieved worldwide mostly through the implementation of early retirement programs. Sony will continue to implement programs to reduce headcount by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions.

Realignment of manufacturing operations in Japan -

During the fiscal year ended March 31, 2010, Sony implemented extensive measures to better compete in terms of speed to market and profitability, including the reevaluation of both its domestic and overseas manufacturing operations. As part of this process, manufacturing operations in Japan for certain product categories were consolidated in order to increase the efficiency of these manufacturing operations.

As a result of this realignment of manufacturing operations in Japan, restructuring charges for the closure of production facilities totaling 6,087 million yen consisted mainly of personnel related costs and the disposal or impairment of assets. Of the total restructuring charges, 5,273 million yen for employee termination benefits were recorded in selling, general and administrative expenses and 455 million yen for the disposal or impairment of assets were recorded in other operating (income) expense, net in the consolidated statements of income. In addition to the restructuring charges, 799 million yen of non-cash charges related to depreciation associated with restructured assets were recorded in cost of sales in the consolidated statements of income as a result of this realignment of manufacturing operations in Japan.

Sale and asset-impairment of small- and medium-sized TFT LCD business -

In an effort to increase efficiency and strengthen operations in the small- and medium-sized TFT LCD business by consolidating manufacturing operations, Sony recorded 7,832 million yen for the impairment of TFT LCD related fixed assets for the fiscal year ended March 31, 2010. These charges were recorded in other operating (income) expense, net in the consolidated statements of income.

As described in Note 25, Sony sold its small- and medium-sized TFT LCD business to Japan Display Inc. During the fiscal year ended March 31, 2012, Sony recorded an impairment loss of 19,187 million yen in other operating (income) expense, net in the consolidated statements of income, as the long-lived assets used by the business were classified as held for sale and recorded at the lesser of carrying value or fair value.

Asset-impairment of OLED related equipment -

During the fiscal year ended March 31, 2010, Sony recorded 5,265 million yen for the impairment of OLED related equipment, which was rendered obsolete due to the utilization of an alternative technology in the manufacture of OLED products. These charges were recorded in other operating (income) expense, net in the consolidated statements of income.

Pictures segment

In an effort to improve the performance of the Pictures segment, Sony has undergone a number of restructuring efforts to reduce operating costs and rationalize certain operations.

The resulting restructuring charges, included in the table above, were related mainly to employee termination benefits and included in selling, general and administrative expenses in the consolidated statements of income.

Music segment

In an effort to improve the performance of the Music segment due to the continued contraction of the physical music market, Sony has undergone a number of restructuring efforts to reduce operating costs.

The resulting restructuring charges, included in the table above, were related mainly to employee termination benefits and included in selling, general and administrative expenses in the consolidated statements of income.

Financial Services segment

In an effort to improve the performance of the Financial Services segment, Sony has undergone restructuring efforts to reduce operating costs.

During the fiscal year ended March 31, 2010, Sony recorded restructuring charges of 3,718 million yen in financial service expenses and 1,360 million yen in other operating (income) expense, net in the consolidated statements of income. These restructuring charges were related mainly to the realignment of credit financing operations and the disposal or impairment of assets. During the fiscal year ended March 31, 2011, Sony recorded restructuring charges of 3,371 million yen in financial service expenses and 1,639 million yen in other operating (income) expense, net in the consolidated statements of income. These restructuring charges related mainly to the partial sale of a leasing and credit card business.

Cash flows from the partial sale of a leasing and credit card business are included in sales of businesses in the consolidated statements of cash flows.

Sony Mobile segment

As a result of the acquisition of Sony Ericsson, which was subsequently renamed Sony Mobile, Sony reflected in the consolidated balance sheets 10,979 million yen of restructuring liabilities which related to restructuring activities undertaken by Sony Ericsson prior to Sony's acquisition of Ericsson's 50% equity interest in Sony Ericsson, but which had not yet been paid or settled by Sony Ericsson. The restructuring liability relates to activities previously accrued by Sony Ericsson but which were unpaid as of the acquisition date representing severance costs of 8,789 million yen and other associated costs of 2,190 million yen.

In an effort to improve the performance of the Sony Mobile segment, Sony has undergone restructuring efforts to reduce operating costs.

The resulting restructuring charges, included in the table above, were related mainly to employee termination benefits and included in selling, general and administrative expenses in the consolidated statements of income from February 16, 2012 through March 31, 2012.

All Other and Corporate

Realignment of manufacturing operations in Japan -

During the fiscal year ended March 31, 2010, Sony implemented extensive measures to better compete in terms of speed to market and profitability, including the reevaluation of both its domestic and overseas manufacturing operations. As part of this process, mobile phone customer service and manufacturing operations in Japan were consolidated in order to establish an integrated operational structure from manufacturing through to customer service.

As a result of this realignment, restructuring charges for the closure of production facilities totaling 6,041 million yen were recorded, which consisted mainly of personnel related costs and the disposal or impairment of assets. Of the total restructuring charges, 4,900 million yen for employee termination benefits was recorded in selling, general and administrative expenses, and 862 million yen for the disposal or impairment of assets was recorded in other operating (income) expense, net in the consolidated statements of income. In addition to the restructuring charges, 553 million

yen of non-cash charges related to depreciation associated with restructured assets were recorded in cost of sales in the consolidated statements of income.

Withdrawal from property lease contract -

During the fiscal year ended March 31, 2010, Sony withdrew from the property management operation of an entertainment complex in Japan and terminated the property lease contract. Sony recorded 6,495 million yen of termination payments in cost of sales in the consolidated statements of income.

Corporate restructuring charges related to headquarters -

During the fiscal year ended March 31, 2010, Sony underwent headquarters restructuring activities. As a result, 5,897 million yen for employee termination benefits were recorded in selling, general and administrative expenses in the consolidated statements of income for the fiscal year ended March 31, 2010.

Other asset impairment information

Asset-impairment of LCD television business related long-lived assets -

Sony recorded impairment losses of 27,100 million yen and 16,700 million yen for the fiscal years ended March 31, 2010 and 2012, respectively, included within the Consumer Products & Services segment, related to the LCD television assets group. These impairment losses primarily reflect a decrease in the estimated fair value of property, plant and equipment and certain intangible assets.

During the fiscal year ended March 31, 2010, management updated its strategic plans, which resulted in decreases in the assets' estimated service periods and corresponding estimated future cash flows leading to the impairment loss.

During the fiscal year ended March 31, 2012, the corresponding estimated future cash flows leading to the impairment charge reflect the continued deterioration in LCD television market conditions in Japan, Europe and North America, and unfavorable foreign exchange rates.

Sony excluded these losses on impairment from restructuring charges as they were not directly related to Sony's ongoing restructuring initiatives.

Asset-impairment of network business related long-lived assets -

Sony recorded an impairment loss of 12,601 million yen for the fiscal year ended March 31, 2012, included within the Consumer Products & Services segment, related to the network business asset group, which has made investments in network improvements and security enhancements. This impairment loss primarily reflects a decrease in the estimated fair value of certain intangible and other long-lived assets.

During the fiscal year ended March 31, 2012, the corresponding estimated future cash flows leading to the impairment charge reflect management's revised forecast over the limited period applicable to the impairment determination.

Sony excluded this loss on impairment from restructuring charges as it was not directly related to Sony's ongoing restructuring initiatives.

20. Supplemental consolidated statements of income information

(1) Other operating (income) expense, net:

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

	Yen in millions		
	March 31		
	2010	2011	2012
GSN remeasurement gain *1	-	(26,991)	-
Sony Ericsson remeasurement gain *1	-	-	(102,331)
(Gain) loss on sale of interests in subsidiaries and affiliates, net *1,2	(30,529)	(4,465)	(2,882)
(Gain) loss on sale, disposal or impairment of assets, net *2,3	73,517	18,006	45,619
	42,988	(13,450)	(59,594)

*1 Refer to Note 24.

*2 Refer to Note 25.

*3 Refer to Notes 13, 18 and 19.

(2) Research and development costs:

Research and development costs charged to cost of sales for the fiscal years ended March 31, 2010, 2011 and 2012 were 432,001 million yen, 426,814 million yen and 433,477 million yen, respectively.

(3) Advertising costs:

Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2010, 2011 and 2012 were 383,540 million yen, 396,425 million yen and 357,106 million yen, respectively.

(4) Shipping and handling costs:

Shipping and handling costs for finished goods included in selling, general and administrative expenses for the fiscal years ended March 31, 2010, 2011 and 2012 were 83,622 million yen, 91,926 million yen and 76,644 million yen, respectively, which included the internal transportation costs of finished goods.

21. Income taxes

Domestic and foreign components of income (loss) before income taxes and the provision for current and deferred income taxes attributable to such income are summarized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Income (loss) before income taxes:			
Sony Corporation and all subsidiaries in Japan	45,290	143,917	(106,496)
Foreign subsidiaries	(18,378)	61,096	23,310
	26,912	205,013	(83,186)
Income taxes - Current:			
Sony Corporation and all subsidiaries in Japan	42,723	60,514	33,921
Foreign subsidiaries	36,397	57,404	74,624
	79,120	117,918	108,545
Income taxes - Deferred:			
Sony Corporation and all subsidiaries in Japan	(25,589)	365,665	2,794
Foreign subsidiaries	(39,573)	(58,244)	203,900
	(65,162)	307,421	206,694
Total income tax expense	13,958	425,339	315,239

As discussed in Note 2, current income taxes and deferred income taxes in foreign subsidiaries for the fiscal year ended March 31, 2010 have been revised, with an increase in current income taxes by 30,422 million yen and a corresponding decrease to deferred income taxes. This revision had no impact on total income tax expense.

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

	Fiscal year ended March 31		
	2010	2011	2012
Statutory tax rate	41.0 %	41.0 %	(41.0 %)
Non-deductible expenses	10.3	1.3	4.2
Income tax credits	(18.0)	(2.0)	(3.6)
Change in statutory tax rate	(4.6)	0.9	(36.2)
Change in valuation allowances	4.7	174.5	491.0
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	5.8	1.5	(21.2)
Lower tax rate applied to life and non-life insurance business in Japan	(30.3)	(2.8)	(7.8)
Foreign income tax differential	(17.6)	(10.5)	6.7
Adjustments to tax accruals and reserves	16.2	4.5	(15.9)
Effect of equity in net income (loss) of affiliated companies	46.0	(2.8)	60.0
Sony Ericsson remeasurement gain	-	-	(50.6)
Insurance recovery tax exemptions related to the Floods	-	-	(5.2)
Other	(1.6)	1.9	(1.4)
Effective income tax rate	51.9 %	207.5 %	379.0 %

In November 2011, the Japanese legislature enacted tax law changes which included lowering the national tax rate, limiting the annual use of net operating loss carryforwards to 80% of taxable income and increasing the net operating loss carryforward period from seven to nine years for losses incurred in the tax years ending on or after April 1, 2008. As a result, the statutory tax rate during the fiscal years ending March 31, 2013 to March 31, 2015 will be approximately 38% and from the fiscal year ending March 31, 2016 will be approximately 36%. The limitation on the use of net operating loss carryforwards, however, may result in cash tax payments being due if there is taxable income in Japan even though Sony Corporation and its national tax filing group in Japan have significant net operating loss carryforwards available. These tax law changes take effect for Sony from April 1, 2012. Because accounting for income taxes requires the measurement of deferred tax assets and liabilities using the enacted tax rates, the tax law changes resulted in a net deferred tax expense of 32,729 million yen.

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

	Yen in millions	
	March 31	
	2011	2012
Deferred tax assets:		
Operating loss carryforwards for tax purposes	387,982	533,912
Accrued pension and severance costs	103,674	87,871
Film costs	16,405	40,566
Warranty reserves and accrued expenses	94,065	82,842
Future insurance policy benefits	26,177	22,907
Inventory	35,989	37,431
Depreciation	35,128	39,473
Tax credit carryforwards	74,284	73,945
Reserve for doubtful accounts	8,404	5,580
Impairment of investments	33,743	34,387
Deferred revenue in the Pictures segment	19,254	21,980
Other	140,745	146,777
Gross deferred tax assets	975,850	1,127,671
Less: Valuation allowance	(473,713)	(868,233)
Total deferred tax assets	502,137	259,438
Deferred tax liabilities:		
Insurance acquisition costs	(155,073)	(140,190)
Future insurance policy benefits	(62,933)	(66,998)
Unbilled accounts receivable in the Pictures segment	(40,469)	(45,467)
Unrealized gains on securities	(33,101)	(43,831)
Intangible assets acquired through stock exchange offerings	(32,136)	(28,139)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(46,261)	(27,920)
Other	(46,970)	(73,399)
Gross deferred tax liabilities	(416,943)	(425,944)
Net deferred tax assets (liabilities)	85,194	(166,506)

As discussed in Note 2, the presentation of deferred income taxes in other assets as of March 31, 2011 in the consolidated balance sheets have been revised to conform with the presentation as of March 31, 2012 to reflect the results of an analysis of deferred tax assets in relation to certain unrecognized tax benefits that was completed during the fiscal year ended March 31, 2012. This revision increased total deferred tax assets by 61,115 million yen, which is composed of an increase of gross deferred tax assets and valuation allowance by 71,126 million yen and 10,011 million yen, respectively, as of March 31, 2011.

The significant increase in the deferred tax asset for film costs is as a result of a change in the method of amortization for film costs for tax return purposes. For book purposes, film costs are amortized on an individual-film-forecast method based on the ratio of current period actual revenues to the estimated remaining total revenues. For tax purposes, there is a film by film election to amortize film costs on either the income forecast method or the straight line method. Sony elected straight line for all films released in the fiscal year ended March 31, 2012.

The valuation allowance mainly relates to deferred tax assets of certain consolidated subsidiaries with operating loss carryforwards and tax credit carryforwards for tax purposes that are not more-likely-than-not to be realized. The net changes in the total valuation allowance were increases of 5,741 million yen, 347,460 million yen and 394,520 million yen for the fiscal years ended March 31, 2010, 2011 and 2012, respectively.

The increase during the fiscal year ended March 31, 2011 was primarily due to the additional valuation allowance recorded on deferred tax assets at Sony Corporation and its national tax filing group in Japan. Sony Corporation and its national tax filing group in Japan were in a three year cumulative loss position in the fiscal year ended March 31, 2011. In Japan, Sony Corporation files a standalone tax filing for local tax purposes and a consolidated national tax filing with its wholly-owned Japanese subsidiaries for national tax purposes. As the national tax filing group only includes wholly-owned subsidiaries, certain Japanese subsidiaries are excluded, the most significant of which are Sony Financial Holdings Inc. and its subsidiaries. Due to the cumulative losses in recent years, and because the net operating losses in Japan have a relatively short carryforward period of seven to nine years, a limited number of years remain in the carryforward period. The first year of expiration of the remaining net operating losses in Japan would be 2014 for local taxes and 2016 for national taxes. Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available positive and negative evidence, it is more likely than not that such assets will not be realized. While the cumulative loss position and the remaining limited years in the carryforward period were significant negative evidence, there was positive evidence in the form of a history of taxable income and a history of utilizing assets before expiration, as well as the availability of tax strategies regarding the utilization of the deferred tax assets. However, based on the near term forecast at the end of the fiscal year ended March 31, 2011, including the anticipated impact of the Great East Japan Earthquake and the lesser weight provided to longer range forecasts when an entity is in a cumulative loss, Sony did not believe that the objectively verifiable positive evidence was sufficient to overcome the significant negative evidence of the cumulative loss. As the weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objectively verifiable negative evidence of recent financial reporting losses. Accordingly, Sony, based on the weight of the available positive and negative evidence, established a valuation allowance of 362,316 million yen as of March 31, 2011.

The increase during the fiscal year ended March 31, 2012 was primarily due to the additional valuation allowances recorded on deferred tax assets in the U.S. and the U.K. and additional valuation allowances recorded in Japan for Sony Corporation and certain Japanese subsidiaries. As of March 31, 2012, Sony has concluded that with respect to Sony Americas Holding Inc. (“SAHI”) and its consolidated tax filing group in the U.S., and Sony Europe Limited (“SEU”), a subsidiary in the U.K., the cumulative loss position was significant negative evidence that was difficult to overcome. There was positive evidence in the form of tax planning actions and strategies, the long carryforward periods for utilization, as well as a history of taxable income and utilization of assets before expiration. The tax planning strategies included changes in film amortization methods in the U.S. as described above, the success of which depends on future forecasts of income. Notwithstanding this positive evidence, the weight given to evidence is commensurate with the extent to which it can be objectively verified. It is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objectively verifiable negative evidence of recent financial reporting losses. Accordingly, Sony, based on the weight of the available positive and negative evidence, established a valuation allowance of 203,025 million yen for SAHI and its consolidated tax filing group in the U.S., and 20,694 million yen for SEU, as of March 31, 2012. Sony Corporation and its national tax filing group in Japan remain in a cumulative loss position as of March 31, 2012, as a result, during the fiscal year ended March 31, 2012, Sony recorded an additional valuation allowance against certain deferred tax assets at Sony Corporation and its national tax filing group in Japan. In addition, several Japanese subsidiaries are also in a cumulative loss position as of March 31, 2012 and, therefore, recorded valuation allowances of 32,631 million yen against their separate deferred tax assets for local tax purposes.

Prior to its acquisition, Sony Ericsson, principally due to its cumulative loss position, had a valuation allowance against deferred tax assets mainly in Sweden in the amount of 78,393 million yen, for which Sony reported the impact of the valuation allowance through its 50% equity interest in Sony Ericsson.

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

Edgar Filing: SONY CORP - Form 6-K

	Yen in millions	
	2011	March 31
		2012
Current assets - Deferred income taxes	133,059	36,769
Other assets - Deferred income taxes	300,702	100,460
Current liabilities - Other	(42,340)	(19,236)
Long-term liabilities - Deferred income taxes	(306,227)	(284,499)
Net deferred tax assets (liabilities)	85,194	(166,506)

As discussed in Note 2, deferred income taxes in other assets and net deferred tax assets as of March 31, 2011 have been revised, resulting in an increase of 61,115 million yen.

At March 31, 2012, deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries and corporate joint ventures not expected to be remitted in the foreseeable future totaling 1,043,693 million yen, and on the gain of 61,544 million yen on a subsidiary's sale of stock arising from the issuance of common stock of Sony Music Entertainment (Japan) Inc. ("SMEJ") in a public offering to third parties in November 1991, as Sony does not anticipate any significant tax consequences on possible future disposition of its investment based on its tax planning strategies. The unrecognized deferred tax liabilities as of March 31, 2012 for such temporary differences cannot be determined.

At March 31, 2012, Sony has operating loss carryforwards for tax purposes, the tax effect of which totaled 533,912 million yen, which will be available as an offset against future taxable income on tax returns to be filed in various tax jurisdictions. With the exception of 125,537 million yen with no expiration period, substantially all of the total operating loss carryforwards expire at various periods between the fiscal years ending March 31, 2013 and 2021 and the remaining amounts expire in periods up to 20 years depending on the jurisdiction.

Tax credit carryforwards for tax purposes at March 31, 2012 amounted to 73,945 million yen. With the exception of 14,021 million yen with no expiration period, total available tax credit carryforwards expire at various dates primarily up to 10 years.

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

	Yen in millions		
	2010	March 31 2011	2012
Balance at beginning of the fiscal year	276,627	229,228	225,120
Reductions for tax positions of prior years	(38,450)	(39,005)	(25,302)
Additions for tax positions of prior years	4,816	19,947	59,159
Additions based on tax positions related to the current year	10,873	41,201	44,307
Settlements	(5,921)	(1,478)	(4,046)
Lapse in statute of limitations	(1,506)	(7,770)	(3,807)
Foreign currency translation adjustments	(17,211)	(17,003)	(7,120)
Balance at end of the fiscal year	229,228	225,120	288,311
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	76,125	87,497	77,925

The major changes in the total gross amount of unrecognized tax benefit balances relate to the Bilateral Advance Pricing Agreements ("APAs") filed for certain subsidiaries in the Consumer Products & Services, Professional, Device & Solutions and All Other segments with respect to their intercompany cross-border transactions. These APAs include agreements between Sony and two taxing authorities under the authority of the mutual agreement procedure specified in income tax treaties. Sony reviews its estimated tax expense based on the progress made in these procedures and makes adjustments to its estimates as necessary. Because these are government to government negotiations, it is possible that the final outcomes of the agreements may differ from Sony's current assessment of the more-likely-than-not outcomes of such agreements.

During the fiscal year ended March 31, 2010, Sony recorded 4,707 million yen of interest expense and 1,565 million yen of penalties.

During the fiscal year ended March 31, 2011, Sony recorded 3,612 million yen of interest expense and reversed 261 million yen of penalties. At March 31, 2011, Sony had recorded liabilities of 14,523 million yen and 4,407 million yen for the payments of interest and penalties, respectively.

During the fiscal year ended March 31, 2012, Sony reversed 1,336 million yen of interest expense and 333 million yen of penalties. At March 31, 2012, Sony had recorded liabilities of 13,187 million yen and 4,074 million yen for the payments of interest and penalties, respectively.

Sony operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited by Japanese and foreign taxing authorities. As a result of audit settlements, the conclusion of current examinations, the expiration of the statute of limitations in several jurisdictions and other reevaluations of Sony's tax positions, it is expected that the amount of unrecognized tax benefits will change in the next twelve months. Accordingly, Sony believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to 122,227 million yen within the next twelve months.

Sony remains subject to examinations by Japanese taxing authorities for tax years from 2005 through 2011, and by the U.S. and other foreign taxing authorities for tax years from 1998 through 2011.

22. Reconciliation of the differences between basic and diluted EPS

Reconciliation of the differences between basic and diluted EPS for the fiscal years ended March 31, 2010, 2011 and 2012 is as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Net loss attributable to Sony Corporation's stockholders for basic and diluted EPS computation	(40,802)	(259,585)	(456,660)
	Thousands of shares		
Weighted-average shares outstanding	1,003,520	1,003,559	1,003,578
Effect of dilutive securities:			
Stock acquisition rights	-	-	-
Convertible bonds	-	-	-
Weighted-average shares for diluted EPS computation	1,003,520	1,003,559	1,003,578
	Yen		
Basic EPS	(40.66)	(258.66)	(455.03)
Diluted EPS	(40.66)	(258.66)	(455.03)

Potential shares of common stock upon the exercise of stock acquisition rights and convertible bonds, which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2010, 2011 and 2012 were 17,600 thousand shares, 19,383 thousand shares and 22,417 thousand shares, respectively. All potential shares were excluded as anti-dilutive for those fiscal years ended March 31, 2010, 2011 and 2012 due to Sony incurring a net loss attributable to Sony Corporation's stockholders for those fiscal years.

23. Variable interest entities

Sony has, from time to time, entered into various arrangements with VIEs. These arrangements include facilities which provide for the leasing of certain property, several joint ventures in the recorded music business, the U.S. based music publishing business, the financing of film production and the outsourcing of manufacturing operations. In addition, Sony has entered into several accounts receivable sales programs that involve VIEs, which are described in Note 6. For the VIEs that are described below, it has been determined that Sony is the primary beneficiary and,

accordingly, these VIEs are consolidated by Sony.

Sony leases the headquarters building of its U.S. subsidiary from a VIE. At the end of the lease term which expires in December 2015, Sony has agreed to either renew the lease, purchase the building or remarket it to a third-party on behalf of the owner. Under the lease, Sony has provided a minimum guarantee to the VIE that if the sales price is less than 255 million U.S. dollars, Sony is obligated to make up the lesser of the shortfall or 214 million U.S. dollars. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIE's economic performance, as well as the obligation to absorb the losses of the VIE due to the minimum guarantee. As a result, it has been determined that Sony is the primary beneficiary. Sony has not provided any additional support to the VIE other than its contractually obligated lease payments. Sony has the option to purchase the building at any time during the lease term for 255 million U.S. dollars. The debt held by the VIE is unsecured and there is no recourse to the creditors outside of Sony. The assets of the VIE are not available to settle the obligations of Sony. At March 31, 2012, the VIE had property, plant and equipment of 14,332 million yen and long-term debt of 20,991 million yen which were included in Sony's consolidated balance sheets.

Sony's U.S. subsidiary that is engaged in the recorded music business has entered into several joint ventures with companies involved in the production and creation of recorded music. Sony has reviewed these joint ventures and determined that they are VIEs. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIEs' economic performance, as well as the obligation to absorb the losses of these VIEs as Sony is responsible for providing funding to these VIEs, and in most cases absorbs all losses until the VIEs become profitable. As a result, it has been determined that Sony is the primary beneficiary. The assets of these VIEs are not available to settle the obligations of Sony. On an aggregate basis, the total assets and liabilities for these VIEs at March 31, 2012 were 17,552 million yen and 7,918 million yen, respectively.

Sony's U.S. based music publishing subsidiary is a joint venture with a third-party investor and has been determined to be a VIE. The subsidiary owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. Under the terms of the joint venture, Sony has the obligation to fund any working capital deficits as well as any acquisition of music publishing rights made by the joint venture. In addition, the third-party investor receives a guaranteed annual dividend of up to 17.5 million U.S. dollars through December 31, 2013. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIE's economic performance, as well as the obligation to absorb the losses of the VIE due to its obligation to provide funding to the joint venture. As a result, it has been determined that Sony is the primary beneficiary. The assets of the music publishing subsidiary are not available to settle the obligations of Sony. At March 31, 2012, the assets and liabilities of the VIE that were included in Sony's consolidated balance sheets were as follows:

	Yen in millions
Assets:	
Cash and cash equivalents	5,239
Account receivables, net	248
Other current assets	20,523
Property, plant and equipment, net	863
Intangibles, net	54,566
Goodwill	12,483
Other noncurrent assets	6,708
Total assets	100,630
Liabilities:	
Accounts payable and accrued expenses	32,835
Other current liabilities	5,222
Other noncurrent liabilities	1,254
Total liabilities	39,311

VIEs in which Sony holds a significant variable interest, but is not the primary beneficiary are described as follows:

In connection with the September 2010 refinancing of the debt obligations of the third-party investor in the music publishing subsidiary described above, Sony has issued a guarantee to a creditor of the third-party investor in which Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 303 million U.S. dollars to the creditor should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony's music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor's rights to the underlying collateral. The assets of the third-party investor that are being used as collateral were placed in a separate trust which is also a VIE in which Sony has significant variable interests. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the trust. The assets held by the trust consist

solely of the third-party investor's 50% ownership interest in the music publishing subsidiary. At March 31, 2012, the fair value of the assets held by the trust exceeded 303 million U.S. dollars.

Sony's subsidiary in the Pictures segment entered into a joint venture agreement with a VIE to acquire the international distribution rights, as defined, to 12 pictures. The subsidiary is required to distribute these pictures internationally, for contractually defined fees determined as percentages of gross receipts and is responsible for all distribution and marketing expenses, which are recouped from such distribution fees, each as defined. The VIE was capitalized with total financing of 406 million U.S. dollars. Of this amount, 11 million U.S. dollars was contributed by the subsidiary, 95 million U.S. dollars was provided by unrelated third-party investors and the remaining funding was provided through a 300 million U.S. dollar bank credit facility. Under the agreement, the subsidiary's 11 million U.S. dollars equity investment is the last equity to be repaid. Based on the factors above, it was previously determined that the subsidiary was the primary beneficiary as it had the power to direct the activities of the VIE and was projected to absorb a significant amount of the losses or residual returns of the VIE. As of March 31, 2009, the bank credit facility had been terminated and the third-party investors have been repaid their 95 million U.S. dollar investment. On May 11, 2009, the subsidiary repurchased from the VIE the international distribution rights to the 12 pictures and the VIE received a participation interest in these films on identical financial terms to those described above. As a result of repurchasing the international distribution rights from the VIE, Sony determined that the subsidiary was no longer the primary beneficiary as it no longer had the power to direct the activities of the VIE and was not projected to absorb a significant amount of the losses or residual returns of the VIE. No gain or loss was recognized by the subsidiary on the deconsolidation of the VIE. As of March 31, 2012, the subsidiary's balance sheet includes no film costs related to the international distribution rights acquired from the VIE and 748 million yen of participation liabilities recorded within accounts payable, other and accrued expenses as well as other noncurrent liabilities due to the VIE. On April 11, 2012, the subsidiary acquired the VIE's participation interest for 22 million U.S. dollars. As a result of this acquisition, the VIE no longer has any financial interest in these pictures.

Sony's subsidiary in the Pictures segment entered into two separate production/co-financing agreements with VIEs to co-finance 19 films that were released over the 31 months ended July 31, 2008. The subsidiary received 565 million U.S. dollars over the term of the agreements to fund the production or acquisition cost of films (including fees and expenses). Under these agreements, the subsidiary is responsible for the marketing and distribution of the product through its global distribution channels. The VIEs share in the net profits, as defined, of the films after the subsidiary recoups a distribution fee, its marketing and distribution expenses, and third-party participation and residual costs, each as defined. As the subsidiary did not have the power to direct the activities of these VIEs, the subsidiary is not the primary beneficiary of either of the VIEs. At March 31, 2012, there were no amounts recorded on the subsidiary's balance sheet that related to either of the VIEs other than the investors' earned but unpaid share of the films' net profits, as defined.

Additionally, on January 19, 2007, the subsidiary entered into a third production/co-financing agreement with another VIE to co-finance a majority of the films submitted through March 2012. The subsidiary received a commitment from the VIE that it would fund up to 525 million U.S. dollars on a revolving basis to fund the production or acquisition cost of films (including fees and expenses). Under the agreement, the subsidiary is responsible for the marketing and distribution of the product through its global distribution channels. The VIE shares in the net profits, as defined, of the films after the subsidiary recoups a distribution fee, its marketing and distribution expenses, and third-party participation and residual costs, each as defined. As the subsidiary did not have the power to direct the activities of the VIE, the subsidiary is not the primary beneficiary of the VIE. On December 16, 2011, the subsidiary and the VIE agreed to modify the production/co-financing agreement (the "Modification"). Per the Modification, the VIE paid the subsidiary 20 million U.S. dollars and transferred selected rights in the films financed prior to the Modification (the "Previously Financed Films") to the subsidiary, including the VIE's share in the net profits in the Previously Financed Films. In exchange, the subsidiary released the VIE from its obligation to finance future films and the VIE received a participation interest in the Previously Financed Films. As the subsidiary, after the Modification, continues to not have the power to direct the activities of the VIE, the subsidiary is not the primary beneficiary of the VIE. At March 31, 2012, there were no amounts recorded on the subsidiary's balance sheet that related to the VIE other than the VIE's participation interest in the Previously Financed Films.

In January 2010, Sony sold 90.0% of its interest in a Mexican subsidiary which primarily manufactured LCD televisions, as well as other assets including machinery and equipment of 4,520 million yen and inventories of 5,619 million yen, to a contract manufacturer. The continuing entity, which would perform this manufacturing going forward, is a VIE as it is thinly capitalized and dependent on funding from the parent entity. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities that most significantly impact the VIE's economic performance nor does Sony have the obligation to absorb the losses of the VIE. In connection with the sale of Sony's controlling interest in the subsidiary, Sony received 11,189 million yen and recorded a loss of 1,664 million yen during the fiscal year ended March 31, 2010. Concurrent with the sale, Sony entered into an agreement with the VIE and its parent company in which Sony agreed to purchase a significant share of the LCD televisions that Sony sells in certain markets, including the U.S. market. As of March 31, 2012, the amounts recorded on Sony's consolidated balance sheets that relate to the VIE include receivables recorded within prepaid expenses and other current assets of 10,295 million yen and accounts payable, trade of 18,830 million yen. Sony's maximum exposure to losses is considered insignificant.

As described in Note 6, accounts receivable sales programs in Japan and in the Financial Services segment also involve VIEs that formerly met the criteria to be a QSPE. These VIEs are all special purpose entities of the sponsor banks. In addition, a counterparty of the accounts receivable transactions in the U.S. includes a VIE. Based on a qualitative assessment, Sony is not the primary beneficiary and therefore does not consolidate these entities as Sony does not have the power to direct the activities, an obligation to absorb losses, or the right to receive the residual returns of these VIEs. Sony's maximum exposure to losses from these VIEs is considered insignificant.

As described in Note 25, in connection with the sale of the small- and medium-sized TFT LCD business, Sony will transfer to a third-party legal ownership of a certain subsidiary within the former small- and medium-sized TFT LCD business during the fiscal year ending March 31, 2013. As of March 31, 2012, this entity is a VIE. Based on a qualitative assessment, Sony is not the primary beneficiary and therefore does not consolidate the entity after the sale as Sony does not have the power to direct the activities of the VIE nor does Sony have an obligation to absorb the losses or the right to receive the residual returns of this VIE. Sony's maximum exposure to losses is considered insignificant.

24. Acquisitions

(1) Game Show Network acquisition

In April 2009, Sony sold a portion of its 50% ownership interest in GSN, which operates a U.S. cable network and online business, to the other investor in GSN, which resulted in cash proceeds of 8,831 million yen and a gain of 8,322 million yen for the fiscal year ended March 31, 2010. The gain was recorded in other operating (income) expense, net.

In March 2011, Sony acquired an additional 5% equity interest in GSN from the successor in interest to the other investor (the "Current Investor") for 4,849 million yen, resulting in Sony owning a 40% equity interest in GSN. As part of the acquisition, Sony obtained a controlling interest in GSN, including the ability to appoint the majority of representatives on the GSN management committee, control over approval of the budget for GSN and control over the hiring, terminating, and setting compensation of the senior management of GSN. This acquisition will strengthen Sony's presence in U.S. cable networks and Sony expects that it will allow GSN to further exploit and benefit from the light entertainment assets in the Pictures segment.

In addition to acquiring the additional 5% equity interest in GSN, Sony granted a put right to the Current Investor and received a call right from the Current Investor for an additional 18% equity interest in GSN. The put right is exercisable during three windows starting on April 1 of 2012, 2013 and 2014 and lasting for 60 business days (each such period, a "Trigger Window"). In the event that GSN's audited financial statements for the most recent completed calendar year are not available on April 1, the Trigger Window shall commence on the day when GSN's audited financial statements are delivered to the Current Investor. As of May 31, 2012, GSN's audited financial statements for the year ended December 31, 2011 have not been delivered to the Current Investor. The exercise price of the put is calculated using a formula based on an agreed upon multiple of the earnings of GSN with a minimum price of 234 million U.S. dollars and a maximum price of 288 million U.S. dollars. Sony's call right is exercisable only if the put is not exercised, and may be exercised for 60 business days immediately after the last put window has expired. The exercise price of the call is calculated using the same formula as the put with a minimum price of 234 million U.S. dollars. A buy/sell provision also applies to the equity interests in GSN owned by Sony and the Current Investor and may be exercised annually for a 60 business day window beginning April 1, 2015.

Prior to the March 2011 acquisition, Sony's interest in GSN was accounted for under the equity method of accounting. As a result of Sony obtaining a controlling interest in GSN, Sony consolidated GSN using the acquisition method of accounting and recorded the fair value of the identifiable assets, liabilities assumed, redeemable

noncontrolling interest, noncontrolling interest and residual goodwill of GSN. In accordance with the accounting guidance for business combinations achieved in stages, Sony remeasured the 35% equity interest in GSN that it owned prior to the acquisition at a fair value of 33,940 million yen which resulted in the recognition of a gain of 26,991 million yen recorded in other operating (income) expense, net.

The following table summarizes the preliminary and final fair values assigned to the assets and liabilities of GSN that were recorded in the Pictures segment. Due to the fact that the acquisition closed in March 2011, certain areas of the purchase price allocation were not yet finalized as of the fiscal year ended March 31, 2011, including the fair value of certain tangible assets and liabilities acquired, the valuation of intangible assets acquired, income taxes and residual goodwill. The measurement period adjustments did not have a significant impact on Sony's results of operations and financial position and, therefore, Sony has not retrospectively adjusted the consolidated financial statements.

	Yen in millions		
	Acquired assets and liabilities recorded at fair value as of acquisition date (Preliminary)	Measurement period Adjustments	Acquired assets and liabilities recorded at fair value as of acquisition date (Final)
Cash and cash equivalents	4,039		4,039
Notes and accounts receivable, trade	3,089		3,089
Prepaid expenses and other current assets	395		395
Film costs	4,178		4,178
Property, plant and equipment	220		220
Intangibles	46,749	574	47,323
Goodwill	46,432	(527)	45,905
Other noncurrent assets	38		38
Total assets	105,140	47	105,187
Notes and accounts payable, trade	970		970
Accounts payable, other and accrued expenses	4,131		4,131
Other current liabilities	59		59
Other noncurrent liabilities	1,683	47	1,730
Total liabilities	6,843	47	6,890
Redeemable noncontrolling interest	18,779		18,779
Noncontrolling interest	40,728		40,728
Total	38,790		38,790

The portion of the noncontrolling interest that can be put to Sony is accounted for as redeemable securities because redemption is outside of Sony's control. As such, the redeemable noncontrolling interest is reported in the mezzanine equity section in the consolidated balance sheets. The fair value of the noncontrolling interest was calculated using a combination of a discounted cash flow model and market comparables of similar transactions and companies. A lack of control discount was not applied in determining the fair value of the noncontrolling interest as the cash flows attributable to the noncontrolling interest holder are expected to be proportional to the cash flows attributable to the controlling interest holder.

No value was allocated to in-process research and development in this acquisition. Goodwill represents unidentifiable intangible assets, such as future growth from new revenue streams and synergies with Sony's existing assets and businesses, and is calculated as the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this

acquisition is included in the Pictures segment.

82

The intangible assets are comprised of the following:

	Yen in millions Acquired intangibles recorded at fair value	Years Weighted-average amortization period
Intangibles subject to amortization		
Television carriage agreements (broadcasting agreements)	33,698	20
Other	4,736	3
Intangible having an indefinite life		
Trademarks	8,889	-
Total intangibles	47,323	

The results of operations of GSN are included in the Pictures segment after the acquisition date. The following unaudited supplemental pro forma financial information presents the combined results of operations of Sony and GSN as though the acquisition had occurred as of the beginning of the fiscal years ended March 31, 2010 and 2011:

	Yen in millions, except per share data Fiscal year ended March 31	
	2010	2011
	(Unaudited)	
Net sales	6,313,222	6,325,310
Operating income	60,685	199,445
Net loss attributable to Sony Corporation's stockholders	(33,655)	(259,731)
Basic EPS	(33.54)	(258.81)
Diluted EPS	(33.54)	(258.81)

The unaudited supplemental pro forma financial information is based on estimates and assumptions, which Sony believes are reasonable and is not intended to represent or be indicative of what Sony's consolidated net loss attributable to Sony Corporation's stockholders would have been had the acquisition been completed at the beginning of each of these periods and should not be taken as indicative of Sony's future consolidated net loss attributable to Sony Corporation's stockholders. The unaudited supplemental pro forma financial information includes a gain from remeasurement of the previously owned equity interest and incremental intangible asset amortization, net of the related tax effects.

(2) Sony Ericsson acquisition

On February 15, 2012, Sony acquired Ericsson's 50% equity interest in Sony Ericsson, resulting in Sony Ericsson becoming a wholly-owned subsidiary of Sony. The transaction also provided Sony with a broad intellectual property cross-licensing ("IP cross-licensing") agreement and ownership of five essential patent families relating to wireless handset technology. The total consideration consisted of 107,174 million yen (1,050 million euros) of cash. The agreement with Ericsson also provided for contingent consideration depending on the level of certain specified costs. Based on the estimated level of the specified costs, no amounts were expected to be paid under this arrangement and therefore no amounts were recorded as additional consideration. This acquisition will integrate Sony Ericsson, renamed Sony Mobile, into Sony's platform of network-connected consumer electronics products with the aim of accelerating convergence.

Prior to the acquisition, Sony's interest in Sony Ericsson was accounted for under the equity method of accounting. As a result of Sony obtaining a controlling interest in Sony Ericsson, Sony consolidated Sony Ericsson using the acquisition method of accounting and recorded the fair value of the identifiable assets, liabilities assumed, noncontrolling interest and residual goodwill of Sony Ericsson. In accordance with the accounting guidance for business combinations achieved in stages, Sony remeasured the 50% equity interest in Sony Ericsson that it owned prior to the acquisition at a fair value of 71,449 million yen which resulted in the recognition of a gain of 102,331 million yen recorded in other operating (income) expense, net. Sony elected not to record a deferred tax liability corresponding to the difference between the financial reporting basis which was remeasured to fair value upon an acquisition of a controlling interest in a foreign entity and the tax basis in the previously held ownership interest. In addition, accumulated translation adjustments of 11,690 million yen remained as a component of accumulated other comprehensive income.

The following table summarizes the fair values assigned to the assets and liabilities of Sony Ericsson that were recorded in the Sony Mobile segment and the IP cross-licensing that was assigned to Corporate for segment reporting purposes.

	Yen in millions Acquired assets and liabilities recorded at fair value as of the acquisition date
Cash and cash equivalents	35,331
Notes and accounts receivable, trade	54,522
Inventories	54,095
Prepaid expenses and other current assets	28,618
Property, plant and equipment	18,075
Intangibles	123,097
Goodwill	128,522
Other noncurrent assets	22,463
Total assets	464,723
Notes and accounts payable, trade	66,522
Accounts payable, other and accrued expenses	61,467
Other current liabilities	136,938
Other noncurrent liabilities	7,126
Total liabilities	272,053

Noncontrolling interest	14,047
Total	178,623

No value was allocated to in-process research and development in this acquisition as no material amounts were identified; however, certain significant research and development activities were substantially completed as of the acquisition date and included within acquired intangible assets as developed technology. Goodwill represents unidentifiable intangible assets, such as future growth from new revenue streams, increased market share particularly in emerging markets and the U.S., synergies with existing Sony assets and businesses and an assembled workforce, and is calculated as the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the Sony Mobile segment.

The intangible assets are comprised of the following:

	Yen in millions Acquired intangibles recorded at fair value	Years Weighted-average amortization period
Intangibles subject to amortization		
IP cross-licensing	60,834	6
Developed technology	24,599	9
Customer relationships	19,597	14
Trademarks	14,086	7
Other	3,981	7
Total intangibles	123,097	

The following unaudited supplemental pro forma financial information presents the combined results of operations of Sony and Sony Ericsson as though the acquisition had occurred as of the beginning of the fiscal year ended March 31, 2011:

	Yen in millions, except per share data Fiscal year ended March 31	
	2011	2012
	(Unaudited)	
Net sales	6,901,151	5,941,131
Operating income (loss)	231,895	(187,725)
Net loss attributable to Sony Corporation's stockholders	(226,038)	(654,833)
Basic EPS	(225.24)	(652.50)
Diluted EPS	(225.24)	(652.50)

The unaudited supplemental pro forma financial information is based on estimates and assumptions, which Sony believes are reasonable and is not intended to represent or be indicative of what Sony's consolidated net loss attributable to Sony Corporation's stockholders would have been had the acquisition been completed at the beginning of the fiscal year ended March 31, 2011 and should not be taken as indicative of Sony's future consolidated net loss attributable to Sony Corporation's stockholders. The unaudited supplemental pro forma financial information includes:

- the elimination of equity in net income (loss) and consolidation of Sony Ericsson;
- the gain from remeasurement of the previously owned equity interest;
- incremental intangible asset amortization, net of the related tax effects;
- certain royalty adjustments; and
- additional debt issuance costs and interest expense, incurred in connection with the acquisition.

(3) Sony Semiconductor acquisition

On April 1, 2011, Sony Semiconductor Kyushu Corporation, a wholly-owned subsidiary of Sony Corporation, acquired from Toshiba Corporation (“Toshiba”) for 57,451 million yen semiconductor fabrication equipment and certain related assets. Sony Semiconductor Kyushu Corporation has subsequently changed its name to Sony Semiconductor Corporation, effective November 1, 2011. Sony’s goal in acquiring the assets is to further strengthen its production capacity for CMOS image sensors.

The assets were operated by Nagasaki Semiconductor Manufacturing Corporation (“NSM”), a joint venture among Toshiba, Sony Corporation and Sony Computer Entertainment Inc., a wholly-owned subsidiary of Sony Corporation. Subsequent to the acquisition, Sony entered into a three year sale and leaseback transaction regarding certain of the acquired machinery and equipment with its equity interest affiliate, SFI Leasing Company, Limited, and received proceeds of 50,537 million yen based on the amounts recorded at fair value in the acquisition. These transactions are included within other in the investing activities section of the consolidated statements of cash flows.

In connection with the acquisition, Toshiba and Sony terminated their NSM joint venture relationship. Sony also entered into a supply arrangement to manufacture and supply system LSIs to Toshiba for one year following the acquisition.

The following table summarizes the fair values assigned to the assets acquired at the acquisition date.

	Yen in millions Acquired assets recorded at fair value
Inventories	4,370
Other current assets	82
Machinery and equipment	51,083
Intangibles	1,223
Other noncurrent assets	693
Total	57,451

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

(4) Other acquisitions

During the fiscal year ended March 31, 2010, Sony completed acquisitions for total consideration of 17,616 million yen, of which 1,420 million yen was contingent consideration. The remaining consideration was paid primarily in cash. As a result of the acquisitions, Sony recorded 13,425 million yen of goodwill and 3,708 million yen of intangible assets. A portion of the contingent consideration was subsequently reversed into income during the fiscal year ended March 31, 2012 as it was determined that the operating targets that needed to be achieved for the contingent consideration to be paid would not be met. The reversal of the accrued contingent consideration resulted in income of 896 million yen which was recorded in other operating (income) expense, net in the consolidated statements of income for the fiscal year ended March 31, 2012.

During the fiscal year ended March 31, 2011, Sony completed other acquisitions for total consideration of 2,884 million yen which was paid primarily in cash and there was no material contingent consideration subject to future

change. As a result of the acquisitions, Sony recorded 1,415 million yen of goodwill and 1,227 million yen of intangible assets.

During the fiscal year ended March 31, 2012, Sony completed other acquisitions for total consideration of 7,914 million yen which was paid primarily in cash and there was no material contingent consideration subject to future change. As a result of the acquisitions, Sony recorded 5,853 million yen of goodwill and 3,345 million yen of intangible assets.

No significant amounts have been allocated to in-process research and development and all of the entities described above have been consolidated into Sony's results of operations since their respective acquisition dates. Pro forma results of operations have not been presented because the effects of Sony Semiconductor and the other acquisitions, individually and in aggregate, were not material.

25. Divestitures

(1) HBO Latin America and HBO Central Europe

In March 2010, Sony sold a portion of its investment and certain ancillary rights, which was included in the Pictures segment, in its HBO Latin America venture, which owns and operates certain premium pay television businesses in Latin America, to the venture's majority shareholder ("Majority Shareholder"). Sony accounted for this sale in accordance with the accounting guidance for transfers and servicing. Prior to this transaction, Sony owned approximately 29% of this venture, which was accounted for under the equity method, and, as a result of this transaction, Sony owned approximately 8% of this venture (the "Retained Interest"), which was accounted for under the cost method.

As consideration for the transaction, Sony received cash proceeds of 19,424 million yen and received a put option valued at 1,371 million yen and the sale resulted in a gain of 18,035 million yen for the fiscal year ended March 31, 2010. In November 2010, Sony notified the Majority Shareholder that Sony intended to exercise the put option. The purchase of the Retained Interest by the Majority Shareholder was completed in March 2011 which resulted in cash proceeds of 5,285 million yen and a gain of 3,329 million yen for the fiscal year ended March 31, 2011.

In January 2010, in a separate transaction, Sony sold its entire investment, which was included in the Pictures segment, in its HBO Central Europe joint venture, which owns and operates a premium pay television business in Central Europe, to an affiliate of the Majority Shareholder. The sale resulted in cash proceeds of 7,660 million yen and a gain of 3,957 million yen for the fiscal year ended March 31, 2010.

The above mentioned transactions and the other transactions which were not material individually and in aggregate were recorded in other operating (income) expense, net due to either the nature of the transaction or in consideration of factors including the relationship to Sony's core operations.

(2) Small- and medium-sized TFT LCD business

In March 2012, Sony sold the small- and medium-sized TFT LCD business, which was included in the Professional, Device & Solutions segment, to Japan Display Inc. The sale proceeds are subject to the finalization of certain post-closing conditions and adjustments. In connection with the sale, Sony will transfer legal ownership of a certain subsidiary within the former small- and medium-sized TFT LCD business to Japan Display Inc. during the fiscal year ended March 31, 2013. As of March 31, 2012, this entity is a VIE, although Sony is not the primary beneficiary and therefore does not consolidate the entity after the sale. Refer to Note 23. During the fiscal year ended March 31, 2012, Sony recorded an impairment loss of 19,187 million yen in other operating (income) expense, net in the consolidated statements of income, as the disposal group was classified as held for sale and recorded at the lesser of carrying value or fair value. Following the sale, Sony purchased an equity interest in Japan Display Inc. which Sony accounts for under the cost method.

(3) S-LCD Corporation

In the fiscal year ended March 31, 2012, Sony sold all of its shares of S-LCD, the LCD panel manufacturing joint venture. Refer to Note 5.

(4) Chemical products business

During the fiscal year ended March 31, 2012, Sony entered into a memorandum of understanding with a third-party to sell the chemical products business, which is included in the Professional, Device & Solutions segment. Sony

classified certain assets and liabilities related to the business as held for sale as of March 31, 2012, and anticipates completing the divestiture during the fiscal year ending March 31, 2013. No impairment loss was recognized as a result of the held for sale classification. The assets and liabilities held for sale are comprised of 14,756 million yen of current assets including accounts receivable and inventories, 29,182 million yen of goodwill, 19,028 million yen of other noncurrent assets including property, plant and equipment, 17,554 million yen of current liabilities including accounts payable and accrued expenses, and 2,657 million yen of noncurrent liabilities. The current and noncurrent assets and liabilities were reclassified to prepaid expenses and other current assets, other assets, other current liabilities and other liabilities in the consolidated balance sheets.

26. Collaborative arrangements

Sony's collaborative arrangements primarily relate to arrangements entered into, through a subsidiary in the Pictures segment, with one or more active participants to jointly finance, produce and/or distribute motion picture or television product under which both the subsidiary and the other active participants share in the risks and rewards of ownership. These arrangements are referred to as co-production and distribution arrangements.

Sony typically records an asset for only the portion of the motion picture or television product it owns and finances. Sony and the other participants typically distribute the product in different media or markets. Revenues earned and expenses incurred for the media or markets in which Sony distributes the product are typically recorded on a gross basis. Sony typically does not record revenues earned and expenses incurred when the other participants distribute the product. Sony and the other participants typically share in the profits from the distribution of the product in all media or markets. For motion picture product, if Sony is a net receiver of (1) Sony's share of the profits from the media or markets distributed by the other participants less (2) the other participants' share of the profits from the media or markets distributed by Sony then the net amount is recorded as net sales. If Sony is a net payer then the net amount is recorded in cost of sales. For television product, Sony records its share of the profits from the media or markets distributed by the other participants as sales, and the other participants' share of the profits from the media or markets distributed by Sony as cost of sales.

For the years ended March 31, 2010, 2011 and 2012, 4,687 million yen, 4,866 million yen and 10,990 million yen, respectively, were recorded as cost of sales for amounts owed to the other participants and 9,936 million yen, 10,244 million yen and 14,625 million yen, respectively, were recorded as net sales for amounts due from the other participants in these collaborative arrangements.

27. Commitments, contingent liabilities and other

(1) Commitments:

A. Loan commitments

Subsidiaries in the Financial Services segment have entered into loan agreements with their customers in accordance with the condition of the contracts. As of March 31, 2012, the total unused portion of the lines of credit extended under these contracts was 20,051 million yen. The aggregate amounts of future year-by-year payments for these loan commitments cannot be determined.

B. Purchase commitments and other

Purchase commitments and other outstanding at March 31, 2012 amounted to 276,016 million yen. The major components of these commitments are as follows:

In the ordinary course of business, Sony makes commitments for the purchase of property, plant and equipment. As of March 31, 2012, such commitments outstanding were 35,725 million yen.

Certain subsidiaries in the Pictures segment have entered into agreements with creative talent for the development and production of motion pictures and television programming as well as agreements with third parties to acquire completed motion pictures, or certain rights therein, and to acquire the rights to broadcast certain live action sporting events. These agreements cover various periods mainly within 5 years. As of March 31, 2012, these subsidiaries were committed to make payments under such contracts of 117,187 million yen.

Certain subsidiaries in the Music segment have entered into long-term contracts with recording artists and companies for the production and/or distribution of prerecorded music and videos. These contracts cover various periods mainly within 5 years. As of March 31, 2012, these subsidiaries were committed to make payments of 41,853 million yen under such long-term contracts.

The schedule of the aggregate amounts of year-by-year payment of purchase commitments during the next five years and thereafter is as follows:

Fiscal year ending March 31	Yen in millions
2013	141,236
2014	55,209
2015	35,330
2016	23,281
2017	13,310
Later years	7,650
Total	276,016

In addition to the above, Sony has other commitments as follows:

On November 11, 2011, an investor group including Sony (collectively the “Group”) executed a definitive agreement with Citigroup, Inc. (“Citi”) whereby the Group will acquire EMI Music Publishing from Citi for total consideration of 2.2 billion U.S. dollars. The transaction is subject to certain closing conditions, including regulatory approvals. Upon the receipt of all necessary regulatory approvals and the resolution of all other closing conditions, Sony expects to invest approximately 325 million U.S. dollars and own approximately 38% of the newly formed entity that will ultimately acquire EMI Music Publishing from Citi, with an ability to increase the investment and ownership up to 40%.

During the fiscal year ended March 31, 2012, there was a receipt of an advance payment from a commercial customer. As a result, as of March 31, 2012, Sony recorded 15,173 million yen in other current liabilities and 35,404 million yen in other long-term liabilities based on anticipated delivery dates. The advance payment is subject to reimbursement under certain contingent conditions of the contract, including a downgrade of Sony’s credit rating by either S&P (lower than “BBB”) or Moody’s (lower than “Baa2”). The advance payment amounts will be reduced at the time of future product sales to the commercial customer.

(2) Contingent liabilities:

Sony had contingent liabilities, including guarantees given in the ordinary course of business, which amounted to 78,743 million yen at March 31, 2012. The major components of these contingent liabilities are as follows:

As discussed in Note 23, Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 303 million U.S. dollars to the creditor of the third-party investor of Sony’s U.S. based music publishing subsidiary should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony’s music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor’s rights to the underlying collateral. At March 31, 2012, the fair value of the collateral exceeded 303 million U.S. dollars.

In May 2011, Sony Corporation’s U.S. subsidiary, Sony Electronics Inc., received a subpoena from the U.S. Department of Justice (“DOJ”) Antitrust Division seeking information about its secondary batteries business. Sony understands that the DOJ and one agency outside the United States are investigating competition in the secondary batteries market. Based on the current stage of the proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of this matter.

Beginning earlier in 2011, the network services of PlayStation®Network, Qriocity™, Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of May 31, 2012, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from the cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including orders for reports issued by the Ministry of Economy, Trade and Industry of Japan as well as the Financial Services Agency of Japan, formal and/or informal requests for information from Attorneys General from a number of states in the United States and the U.S. Federal Trade Commission, various U.S. congressional inquiries and others. Additionally, Sony Corporation and/or certain of its subsidiaries have been named in a number of purported class actions in certain jurisdictions, including the United States. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of these matters.

In October 2009, Sony Corporation's U.S. subsidiary, Sony Optiarc America Inc., received a subpoena from the DOJ seeking information about its optical disk drive business. Sony understands that the DOJ and agencies outside the United States are investigating competition in optical disk drives. Subsequently, a number of purported class action lawsuits were filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Based on the current stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

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

(3) Redeemable noncontrolling interest:

As discussed in Note 24, in connection with the GSN transaction, Sony granted a put right to the Current Investor for an additional 18% interest in GSN. The put right is exercisable during three windows starting on April 1 of 2012, 2013 and 2014 and lasting for 60 business days (each such period, a "Trigger Window"). In the event that GSN's audited financial statements for the most recently completed calendar year are not available on April 1, the Trigger Window will commence on the day when the GSN audited financial statements are delivered to the Current Investor. As of May 31, 2012, GSN's audited financial statements for the year ended December 31, 2011 have not been delivered to the Current Investor. The exercise price of the put is calculated using a formula based on an agreed upon multiple of the earnings of GSN with a minimum price of 234 million U.S. dollars and a maximum price of 288 million U.S. dollars. The portion of the noncontrolling interest that can be put to Sony is accounted for as redeemable securities because redemption is outside of Sony's control and is reported in the mezzanine equity section in the consolidated balance sheets at March 31, 2012.

(4) Product warranty liabilities:

The changes in product warranty liability for the fiscal years ended March 31, 2010, 2011 and 2012 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Balance at beginning of the fiscal year	57,922	50,856	54,940
Additional liabilities for warranties	46,686	48,610	60,073
Settlements (in cash or in kind)	(45,218)	(36,537)	(39,954)
Changes in estimate for pre-existing warranty reserve	(7,649)	(4,802)	(4,397)
Translation adjustment	(885)	(3,187)	(2,802)
Balance at end of the fiscal year	50,856	54,940	67,860

28. Business segment information

The reportable segments presented below are the segments of Sony for which separate financial information is available and for which operating profit or loss amounts are evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The CODM does not evaluate segments using discrete asset information. Sony’s CODM is its Chairman, Chief Executive Officer and President.

Sony realigned its reportable segments from the first quarter of the fiscal year ended March 31, 2012, to reflect modifications to the organizational structure as of April 1, 2011, primarily repositioning the operations of the previously reported Consumer, Professional & Devices (“CPD”) and Networked Products & Services (“NPS”) segments. In connection with this realignment, the operations of the former CPD and NPS segments are included in two newly established segments, namely the Consumer Products & Services (“CPS”) segment and the Professional, Device & Solutions (“PDS”) segment.

The CPS segment includes televisions, home audio and video, digital imaging, personal and mobile products, and the game business. The equity results of S-LCD are also included within the CPS segment. The PDS segment includes professional solutions, semiconductors and components. The Pictures segment is engaged in the development, production and acquisition, manufacture, marketing, distribution and broadcasting of image-based software, including motion picture, home entertainment and television products. The Music segment includes SME, SMEJ and a 50% owned U.S. based joint venture in the music publishing business, Sony/ATV Music Publishing LLC. The Financial Services segment primarily represents individual life insurance and non-life insurance businesses in the Japanese market, a credit financing business and a bank business in Japan. On February 15, 2012, Sony acquired Ericsson’s 50% equity interest in Sony Ericsson, which changed its name to Sony Mobile Communications upon becoming a wholly-owned subsidiary of Sony. Accordingly, the Sony Ericsson segment that had been presented as a separate segment was renamed the Sony Mobile segment in the fourth quarter. The Sony Mobile segment includes Sony’s equity in net income (loss) of Sony Ericsson through February 15, 2012 and sales, operating revenue and operating income (loss) from February 16, 2012 through March 31, 2012, as well as a gain of 102,331 million yen recorded on the remeasurement of Sony’s 50% equity interest in Sony Ericsson at fair value upon obtaining control through the acquisition of Ericsson’s 50% equity interest in Sony Ericsson. Refer to Note 24. All Other consists of various operating activities, including a mobile phone OEM business in Japan, So-net Entertainment Corporation, an Internet-related service business subsidiary operating mainly in Japan and the disc manufacturing business. Sony’s products and services are generally unique to a single operating segment. In connection with the realignment, all prior period amounts in the segment disclosures have been restated to conform to the current fiscal year’s presentation.

Sales and operating revenue:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Sales and operating revenue:			
Consumer Products & Services -			
Customers	3,638,137	3,771,610	3,061,214
Intersegment	74,228	78,223	75,543
Total	3,712,365	3,849,833	3,136,757
Professional, Device & Solutions -			
Customers	1,080,984	1,066,574	967,603
Intersegment	438,002	436,690	346,168
Total	1,518,986	1,503,264	1,313,771
Pictures -			
Customers	705,237	599,654	656,097
Intersegment	-	312	1,624
Total	705,237	599,966	657,721
Music -			
Customers	511,097	457,771	430,751
Intersegment	11,519	12,972	12,038
Total	522,616	470,743	442,789
Financial Services -			
Customers	838,300	798,495	868,971
Intersegment	13,096	8,031	2,924
Total	851,396	806,526	871,895
Sony Mobile -			
Customers	-	-	77,732
Intersegment	-	-	-
Total	-	-	77,732
All Other -			
Customers	379,862	377,822	378,071
Intersegment	80,904	70,004	64,598
Total	460,766	447,826	442,669
Corporate and elimination	(557,368)	(496,885)	(450,122)
Consolidated total	7,213,998	7,181,273	6,493,212

CPS intersegment amounts primarily consist of transactions with All Other.

PDS intersegment amounts primarily consist of transactions with the CPS segment.

The Sony Mobile segment includes sales and operating revenue from February 16, 2012 through March 31, 2012.

All Other intersegment amounts primarily consist of transactions with the Pictures segment, the Music segment and the CPS segment.

Corporate and elimination includes certain brand and patent royalty income.

Segment profit or loss:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Operating income (loss):			
Consumer Products & Services	(101,403)	10,817	(229,807)
Professional, Device & Solutions	(35,435)	27,650	(20,194)
Pictures	42,814	38,669	34,130
Music	36,513	38,927	36,887
Financial Services	162,492	118,818	131,421
Sony Mobile	(34,514)	4,155	31,407
All Other	(4,976)	7,116	(3,546)
Total	65,491	246,152	(19,702)
Corporate and elimination	(33,719)	(46,331)	(47,573)
Consolidated operating income (loss)	31,772	199,821	(67,275)
Other income	43,834	44,966	23,478
Other expenses	(48,694)	(39,774)	(39,389)
Consolidated income (loss) before income taxes	26,912	205,013	(83,186)

Operating income (loss) is Sales and operating revenue less Costs and expenses, and includes Equity in net income (loss) of affiliated companies.

The Sony Mobile segment includes Sony's equity in net loss for Sony Ericsson of 57,680 million yen through February 15, 2012 and the operating income (loss) from February 16, 2012 through March 31, 2012, as well as a gain of 102,331 million yen recorded on the remeasurement of Sony's 50% equity interest in Sony Ericsson at fair value upon obtaining control through the acquisition of Ericsson's 50% equity interest in Sony Ericsson.

Corporate and elimination includes headquarters restructuring costs and certain other corporate expenses, including the amortization of certain intellectual property assets such as the cross-licensing intangible assets acquired from Ericsson at the time of the Sony Mobile acquisition, which are not allocated to segments.

Other significant items:

	Yen in millions		
	2010	Fiscal year ended March 31 2011	2012
Equity in net income (loss) of affiliated companies:			
Consumer Products & Services	387	7,214	(64,078)
Professional, Device & Solutions	(1,034)	(130)	(198)
Pictures	4,347	2,483	(516)
Music	(80)	(265)	(372)
Financial Services	(1,345)	(1,961)	(1,252)
Sony Mobile	(34,514)	4,155	(57,680)
All Other	2,004	2,566	2,399
Consolidated total	(30,235)	14,062	(121,697)
Depreciation and amortization:			
Consumer Products & Services	100,710	68,579	69,717
Professional, Device & Solutions	142,411	122,057	124,956
Pictures	8,427	7,996	10,825
Music	13,427	12,166	10,789
Financial Services, including deferred insurance acquisition costs	56,531	62,077	56,322
Sony Mobile	-	-	869
All Other	22,452	20,805	16,656
Total	343,958	293,680	290,134
Corporate	27,046	31,686	29,460
Consolidated total	371,004	325,366	319,594

The Sony Mobile segment includes Sony's equity in net income (loss) in Sony Ericsson through February 15, 2012 and the equity in net income (loss) of Sony Mobile from February 16, 2012 through March 31, 2012.

The Sony Mobile segment includes the depreciation and amortization from February 16, 2012 through March 31, 2012.

The following table includes a breakdown of sales and operating revenue to external customers by product category in the CPS and PDS segments. The CPS and PDS segments are each managed as a single operating segment by Sony's management.

Sales and operating revenue:	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Consumer Products & Services			
Televisions	1,005,773	1,200,491	840,359
Home Audio and Video	302,678	285,297	241,885
Digital Imaging	664,502	642,570	497,957
Personal and Mobile Products	809,369	828,375	722,301
Game	840,711	798,405	744,285
Other	15,104	16,472	14,427
Total	3,638,137	3,771,610	3,061,214
Professional, Device & Solutions			
Professional Solutions	295,360	287,394	280,645
Semiconductors	299,715	358,396	375,891
Components	476,097	410,090	297,108
Other	9,812	10,694	13,959
Total	1,080,984	1,066,574	967,603
Pictures	705,237	599,654	656,097
Music	511,097	457,771	430,751
Financial Services	838,300	798,495	868,971
Sony Mobile	-	-	77,732
All Other	379,862	377,822	378,071
Corporate	60,381	109,347	52,773
Consolidated total	7,213,998	7,181,273	6,493,212

The Sony Mobile segment includes sales and operating revenue from February 16, 2012 through March 31, 2012.

Geographic Information:

Sales and operating revenue attributed to countries based on location of external customers for the fiscal years ended March 31, 2010, 2011 and 2012 and property, plant and equipment, net as of March 31, 2011 and 2012 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2010	2011	2012
Sales and operating revenue:			
Japan	2,099,297	2,152,552	2,104,669
United States	1,595,016	1,443,693	1,211,849
Europe	1,644,698	1,539,432	1,268,258
China	485,512	562,048	495,101
Asia-Pacific	708,061	726,364	636,489
Other Areas	681,414	757,184	776,846
Total	7,213,998	7,181,273	6,493,212

	Yen in millions	
	March 31	
	2011	2012
Property, plant and equipment, net:		
Japan	684,031	699,647
United States	95,157	82,914
Europe	39,602	55,192
China	39,936	39,388
Asia-Pacific	46,894	37,060
Other Areas	19,248	16,797
Total	924,868	930,998

Geographic information for the fiscal years ended March 31, 2010 and 2011 in the tables above has been restated to reflect the change in geographic classification.

Major areas in each geographic segment excluding Japan, United States and China are as follows:

- (1) Europe: United Kingdom, France, Germany, Russia, Spain and Sweden
- (2) Asia-Pacific: India, South Korea and Oceania
- (3) Other Areas: The Middle East/Africa, Brazil, Mexico and Canada

There are not any individually material countries with respect to the sales and operating revenue and property, plant and equipment, net included in Europe, Asia-Pacific and Other Areas.

Transfers between reportable business segments or geographic areas are made at amounts which Sony's management believes approximate as arms-length transactions.

There were no sales and operating revenue with any single major external customer for the fiscal years ended March 31, 2010, 2011 and 2012.

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/ Masaru Kato
(Signature)

Masaru Kato
Executive Vice President and Chief
Financial Officer

June 1, 2011