SONY CORP
Form 20-F
June 19, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

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

or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from/to

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission file number 1-6439

Sony Kabushiki Kaisha

(Exact Name of Registrant as specified in its charter)

SONY CORPORATION

(Translation of Registrant s name into English)

Japan

(Jurisdiction of incorporation or organization)

7-1, KONAN 1-CHOME, MINATO-KU,

TOKYO 108-0075 JAPAN

(Address of principal executive offices)

J. Justin Hill, Senior Vice President, Investor Relations

Sony Corporation of America

25 Madison Avenue, 26th Floor

New York, NY 10010-8601

Telephone: 212-833-6722

E-mail: ir@sony.com

(Name, Telephone, E-mail and Address of Company Contact Person)

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

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares*	New York Stock Exchange
Common Stock**	New York Stock Exchange

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

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

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

None

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

None

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

Title of Class	Outstanding as of March 31, 2018 (Tokyo Time)	Outstanding as of March 31, 2018 (New York Time)
Common Stock	1,265,425,048	
American Depositary Shares		113,751,938

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

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

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

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

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

Large accelerated filer	Accelerated filer	Non-accelerated filer	Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

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

Item 17 Item 18

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

Yes No

Table of Contents

Cautionary Statement

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

(i) Sony s ability to maintain product quality and customer satisfaction with its products and services;

(ii) Sony s ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including image sensors, game and network platforms, smartphones and televisions, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing customer preferences;

(iii) Sony s ability to implement successful hardware, software, and content integration strategies, and to develop and implement successful sales and distribution strategies in light of new technologies and distribution platforms;

(iv) the effectiveness of Sony s strategies and their execution, including but not limited to the success of Sony s acquisitions, joint ventures, investments, capital expenditures, restructurings and other strategic initiatives;

(v) changes in laws, regulations and government policies in the markets in which Sony and its third-party suppliers, service providers and business partners operate, including those related to taxation, as well as growing consumer focus on corporate social responsibility;

(vi) Sony s continued ability to identify the products, services and market trends with significant growth potential, to devote sufficient resources to research and development, to prioritize investments and capital expenditures correctly and to recoup its investments and capital expenditures, including those required for technology development and product capacity;

(vii)

Sony s reliance on external business partners, including for the procurement of parts, components, software and network services for its products or services, the manufacturing, marketing and distribution of its products, and its other business operations;

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

(ix) Sony s ability to meet operational and liquidity needs as a result of significant volatility and disruption in the global financial markets or a ratings downgrade;

(x) Sony s ability to forecast demands, manage timely procurement and control inventories;

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

(xii) Sony s ability to recruit, retain and maintain productive relations with highly skilled personnel;

(xiii) Sony s ability to prevent unauthorized use or theft of intellectual property rights, to obtain or renew licenses relating to intellectual property rights and to defend itself against claims that its products or services infringe the intellectual property rights owned by others;

(xiv) the impact of changes in interest rates and unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;

Table of Contents

(xv) shifts in customer demand for financial services such as life insurance and Sony s ability to conduct successful asset liability management in the Financial Services segment;

(xvi) risks related to catastrophic disasters or similar events;

(xvii) the ability of Sony, its third-party service providers or business partners to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony s business information and the personally identifiable information of its employees and customers, potential business disruptions or financial losses; and

(xviii) the outcome of pending and/or future legal and/or regulatory proceedings.

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

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

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

TABLE OF CONTENTS

Table of Contents

Table of Contents

Item 1. ***Identity of Directors, Senior Management and Advisers***
Not Applicable

Item 2. ***Offer Statistics and Expected Timetable***
Not Applicable

Item 3. ***Key Information***

A. Selected Financial Data

	Fiscal year ended March 31				
	2014	2015	2016	2017	**2018**
	(Yen in millions, yen per share amounts)				
Income statement data:					
Sales and operating revenue	7,767,266	8,215,880	8,105,712	7,603,250	**8,543,982**
Equity in net income (loss) of affiliated companies	(7,374)	3,921	2,238	3,563	**8,569**
Operating income	26,495	68,548	294,197	288,702	**734,860**
Income before income taxes	25,741	39,729	304,504	251,619	**699,049**
Income taxes	94,582	88,733	94,789	124,058	**151,770**
Net income (loss) attributable to Sony Corporation s stockholders	(128,369)	(125,980)	147,791	73,289	**490,794**
Comprehensive income (loss)	121,978	34,317	(44,915)	143,652	**553,220**
Data per share of Common Stock:					
Net income (loss) attributable to Sony Corporation s stockholders*					
Basic	(124.99)	(113.04)	119.40	58.07	**388.32**
Diluted	(124.99)	(113.04)	117.49	56.89	**379.75**
Cash dividends declared Interim	12.50		10.00	10.00	**12.50**
	(12.12 cents)		(8.09 cents)	(8.79 cents)	**(11.11 cents)**
Cash dividends declared Fiscal year-end	12.50		10.00	10.00	**15.00**
	(12.19 cents)		(9.01 cents)	(9.13 cents)	**(13.75 cents)**
Balance sheet data:					
Sony Corporation s stockholders equity	2,258,137	2,317,077	2,463,340	2,497,246	**2,967,366**
Common stock	646,654	707,038	858,867	860,645	**865,678**
Net assets	2,783,141	2,928,469	3,124,410	3,135,422	**3,647,157**
Total assets	15,333,720	15,834,331	16,673,390	17,660,556	**19,065,538**
Number of shares issued at fiscal year-end (thousands of shares of common stock)	1,044,708	1,169,773	1,262,494	1,263,764	**1,266,552**
Sony Corporation s stockholders equity per share of common stock	2,163.63	1,982.54	1,952.79	1,977.72	**2,344.96**

* Refer to Note 22 of the consolidated financial statements.

	Average	High	Low	Period-end
		(Yen)		
Yen exchange rates per U.S. dollar:				
Fiscal year ended March 31				
2014	100.15	105.25	92.96	102.98
2015	109.75	121.50	101.26	119.96
2016	120.04	125.58	111.30	112.42
2017	108.25	118.32	100.07	111.41
2018	**110.80**	**114.25**	**104.83**	**106.20**
2018				
January		113.18	108.38	109.31
February		110.40	106.10	106.62
March		106.91	104.83	106.20
April		109.33	105.99	109.28
May		111.08	108.62	108.73
June (through June 8)		**110.00**	**109.45**	**109.45**

The yen exchange rates represent noon buying rates for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York for the business days in the respective periods.

B. Capitalization and Indebtedness

Not Applicable

C. Reasons for the Offer and Use of Proceeds

Not Applicable

D. Risk Factors

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

Sony must overcome increasingly intense competition, which could lead to lower revenue or operating margins.

Sony has several business segments in different industries with many product and service categories, which cause it to compete with many existing and new competitors ranging from large multinational companies to highly specialized entities that focus on only one or a few businesses and also, potentially, with outsourced manufacturing service partners that currently supply products to Sony. These competitors may have greater financial, technical, labor and marketing resources available to them than those available to Sony. Sony s financial condition and operating results depend on its ability to efficiently anticipate and respond to these established and new competitors.

The competitive factors Sony faces vary depending on the nature of the business. For example, Sony s electronics businesses compete on the basis of various factors including price and function, while Sony s Music and Pictures businesses compete for talent, such as artists, songwriters, actors, directors and producers, and for entertainment content that is created, acquired, licensed and/or distributed. Competition on price in the electronics businesses can lead to lower margins when costs do not fall at a proportional rate, and competition for talent and appealing product in the entertainment businesses can also lead to lower profitability if the higher costs required for such talent and content creation cannot be recouped through greater sales. Moreover, even for those products where Sony believes it has a strong competitive advantage, such as image sensors, it is possible that its competitors technological capabilities will accelerate such that Sony would be unable to maintain its advantageous market position. In its consumer electronics businesses, to produce products that appeal to changing and increasingly diverse consumer preferences or to overcome the fact that a relatively high percentage of consumers already possess similar products, Sony must develop superior technology, anticipate consumer tastes and rapidly develop attractive and differentiated products with competitive prices and features. Sony faces increasingly intense pricing pressure from competitors, retailer consolidation, new sales/distribution channels and shorter product cycles in a variety of consumer product categories. In the Music and Pictures segments, operating results can be impacted by worldwide consumer acceptance of their products, which is difficult to predict, by other competing products released at or near the same time and by alternative forms of entertainment and leisure activities available to consumers.

If Sony is unable to maintain its advantageous market position in the fields in which it has a technological or other competitive advantage, Sony is unable to effectively anticipate and counter the ongoing price erosion that frequently affects its consumer products or the cost pressures affecting its businesses, there is a change in existing business models or consumer preferences, or the average prices of Sony s consumer products decrease faster than Sony is able to reduce manufacturing costs, Sony s operating results and financial condition may be adversely impacted.

To remain competitive and stimulate customer demand, Sony must invest in research and development to achieve product and service innovations and successfully manage frequent introductions of such new products and services.

To strengthen the competitiveness of its products and services, Sony continues to invest in research and development (R&D), particularly in growth areas such as image sensors and the Game & Network Services (G&NS) segment. However, Sony may not be successful in investing in R&D if it fails to identify products, services and market trends with significant growth potential. In addition, Sony s investments may not yield the innovation or the expected results quickly enough, or competitors may lead Sony in technological innovation. This may hinder Sony s ability to commercialize new and competitive products and services.

In the consumer electronics, network services and mobile communication industries, Sony must continually introduce, enhance and stimulate customer demand for products and services. Sales of these products and services are particularly sensitive to the significant weighting of consumer demand to the year-end holiday season. In Sony s G&NS segment, the successful introduction and penetration of gaming platforms is a significant factor driving sales and profitability, and this success is affected by the ability to provide customers with attractive software line-ups and online services. However, there is no assurance that third-party software developers and publishers, major contributors to this effort, will continue to develop and release software. In addition, Sony believes that integrating its hardware, software, entertainment content and network services, and investing in R&D to effect such integration, is essential in generating revenue growth and profitability. However, this strategy depends on its ability to further develop network services technologies, coordinate and prioritize strategic and operational issues among Sony s various business units and sales channels, continually introduce enhanced and competitively priced hardware that is seamlessly connected to network platforms with user interfaces that are innovative and attractive to consumers and also standardize technological and interface specifications industry-wide and across Sony s networked products and business units. In addition, the G&NS, Music and Pictures segments must invest substantial amounts, which may include significant upfront investments, in internally developed software titles, artist advances, motion picture productions, television productions and broadcast programming before knowing whether their products will receive customer acceptance. Furthermore, underperformance of Pictures products in the initial distribution market is correlated with weak performance in subsequent distribution markets, which would have an adverse effect on Sony s results in the year of initial release as well as future years.

The successful introductions of, and transitions to, new products and services depend on a number of factors, such as the timely and successful completion of development efforts, market acceptance, planning and executing an effective marketing strategy, managing new product introductions, managing production ramp-up issues, the availability of application software for new products, quality control and the concentration of consumer demand in the year-end holiday season. If Sony cannot achieve the expected results from its investment in R&D, adequately manage frequent introductions of new products and services and obtain consumer acceptance of its new products and services, or if Sony is not successful in implementing its integration strategy, Sony s reputation, operating results and financial condition may be adversely impacted.

Sony s strategic initiatives, including acquisitions, joint ventures, investments, capital expenditures and restructurings, may not be successful in achieving their strategic objectives.

Sony actively engages in acquisitions, joint ventures, capital expenditures and other strategic investments to acquire new technologies, efficiently develop new businesses and enhance its business competitiveness. For example, on May 22, 2018, Sony signed a legally binding memorandum of understanding to acquire an approximately 60% equity interest in EMI Music Publishing. (The closing of this transaction is subject to certain conditions, including regulatory approvals.)

When making acquisitions, Sony s financial results may be adversely affected by the significant cost of the acquisition and/or integration expenses, failure to achieve synergies, failure to generate expected revenue and cost improvements, loss of key personnel and assumption of liabilities.

Table of Contents

When establishing joint ventures and strategic partnerships, Sony s financial and operating results may be adversely affected by strategic or cultural differences with partners, conflicts of interest, failure to achieve synergies, additional funding or debt guarantees required to maintain the joint venture or partnership, requirements to buy out a joint venture partner, sell its shares or dissolve a partnership, insufficient management control including control over cash flow, loss of proprietary technology and know-how, impairment losses and reputational harm from the actions or activities of a joint venture that uses the Sony brand.

Sony invests heavily in production facilities and equipment in its electronics businesses, including fabrication facilities used to make image sensors for smartphones and other products. Sony may not be able to recover these capital expenditures in part or full or in the planned timeframe due to the competitive environment, lower-than-expected consumer demand or changes in the financial condition or business decisions of Sony s major customers. Sony invested 45.0 billion yen and 106.6 billion yen of capital in the fiscal years ended March 31, 2017 and 2018, respectively, mainly for the purpose of increasing image sensor production capacity.

Further, Sony is implementing restructuring and transformation initiatives to enhance profitability, business autonomy and shareholder value and to clearly position each business within the overall business portfolio. For example, Sony transferred its battery business to Murata Manufacturing Co., Ltd. Group in the fiscal year ended March 31, 2018. The expected benefits of these initiatives, including the expected level of profitability, may not be realized due to internal and external impediments or market conditions worsening beyond expectations. If Sony is not successful in achieving its restructuring and transformation initiatives, Sony s operating results, financial condition, reputation, competitiveness or profitability may be adversely affected. Sony incurred restructuring charges in the amount of 38.3 billion yen, 60.2 billion yen and 22.4 billion yen in the fiscal years ended March 31, 2016, 2017 and 2018, respectively.

Sony s sales and profitability may be affected by the operating performance of wholesalers, retailers, other resellers and third-party distributors.

Sony is dependent for the distribution of its products on wholesalers, retailers, other resellers and third-party distributors, many of whom also distribute competitors products. For example, in some cases, Sony s smartphones sold through cellular network carriers are subsidized by the carriers. There is no assurance that such subsidies will be continued at all or in the same amounts upon renewal of Sony s agreements with these carriers or in agreements Sony enters into with new carriers. In addition, the Pictures segment depends on third-party exhibitors to distribute its motion pictures, and cable, satellite and other distribution systems to distribute its motion pictures and television programming; a decline in the licensing fees received from these third parties may adversely affect the Pictures segment s sales. The Pictures segment s worldwide television networks are also distributed on third-party cable, satellite and other distribution systems and the failure to renew, or renewal on less favorable terms of, television carriage contracts (broadcasting agreements) with these third-party distributors may adversely affect the Pictures segment s ability to generate advertising and subscription sales through these networks.

Sony invests in programs to incentivize wholesalers, retailers, and other resellers and third-party distributors to position and promote Sony s products, but there is no assurance that these programs will provide a significant return or incremental revenue by persuading consumers to buy Sony products instead of competitors products.

The operating results and financial condition of many wholesalers, retailers, other resellers and third-party distributors have been adversely impacted by competition, especially from online retailers, and weak economic conditions. If their financial condition continues to weaken, they stop distributing Sony s products, or uncertainty regarding demand for Sony s products or other factors cause them to reduce their ordering, marketing, subsidizing, or distributing Sony s products, Sony s operating results and financial condition may be adversely impacted.

As a global company, Sony is subject to a wide range of laws and regulations and a growing consumer focus on corporate social responsibility in many countries. Those laws and regulations, as well as consumer focus, might change in significant ways, leading to an increase in the costs of Sony s operations, a curtailment of Sony s activities, and/or an adverse effect on Sony s reputation.

As a global company, Sony is subject to the laws and regulations of many countries throughout the world that affect its traditional and online operations in a number of areas, including advertising, promotions, consumer protection, import and export requirements, anti-corruption, anti-competition, environmental protection, privacy, data protection, content and broadcast regulation, labor, taxation, foreign exchange controls, as well as laws relating to the collection, use, retention, security and transfer of personally identifiable information, or PII.

Table of Contents

Compliance with these laws and regulations may be onerous and expensive. These laws and regulations continue to develop and may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business. Any such developments could make Sony s products less attractive to its customers, delay introduction of new products in one or more regions or cause Sony to change or limit its business practices. For example, a change in labor regulations or policies may significantly change local labor environments. Such a change in China or another country or regions in which Sony or a partner manufactures could cause interruptions in production and shipping of Sony s products or components thereof, a sharp rise in local labor costs, or a shortage of well-trained employees, which may adversely affect Sony s operating results. In addition, changes in laws or regulations or the judicial interpretation thereof that Sony relies on or Sony is subject to in conducting its operations, including online operations, as well as Sony s failure to anticipate such changes, may subject Sony to greater risk of liability, increase the costs of compliance, or limit Sony s ability to engage in certain operations or lead to discontinuance of certain operations.

Violation of applicable laws or regulations by Sony, its employees, third-party suppliers, business partners and agents may subject Sony to fines, penalties, legal judgments, restrictions on business operations and/or reputational damage. Additionally, there is a growing global regulatory and consumer focus on corporate social responsibility and sourcing practices and increasing regulatory obligations of public disclosure regarding these matters. In particular, there is increased attention on labor practices, including work environments at electronic component manufacturers and original design manufacturing/original equipment manufacturing, or ODM/OEM, product manufacturers operating in Asia. Increased regulation or public pressure in this area could cause Sony s compliance costs to increase, particularly since Sony uses many parts, components and materials to manufacture its products and relies on suppliers to provide these parts, components and materials but does not directly control the suppliers procurement or employment practices. A finding of non-compliance, or the perception that Sony has not responded appropriately to growing consumer concern for such issues, whether or not Sony is legally required to do so, may adversely affect Sony s reputation, operating results and financial condition.

Sony must manage its large and increasing volume of procurement from third-party suppliers and business partners to control inventory levels, availability, costs and quality of parts, components, software and network services within volatile markets.

Sony s products and services increasingly rely on third-party suppliers and business partners for parts, components, software and network services, including semiconductors, chipsets for PlayStation game consoles and mobile products, liquid crystal display (LCD) panels and the Android OS that is used in mobile products, televisions and services. External suppliers and partners shortages, fluctuations in pricing, quality issues, discontinued support, changes in business terms or prioritization of customers outside the electronics sector or of Sony s competitors can adversely affect Sony s operating results, brand and reputation. Reliance on third-party software and technologies may make it increasingly difficult for Sony to differentiate its products from competitors products. Also, shortages or delayed shipments of critical parts or components may result in a reduction or suspension of production at Sony s or its business partners manufacturing sites, particularly where Sony is substantially reliant on one supplier, where there is limited production capacity for custom parts or components, or where there are initial manufacturing capacity constraints for products, parts or components that use new technologies.

Sony places orders for parts and components in line with production and inventory plans determined in advance based on its forecast of consumer demand, which is highly volatile and difficult to predict. Inaccurate forecasts of consumer demand or inadequate business planning can lead to a shortage or excess inventory, which can disrupt production plans and result in lost sales opportunities or inventory adjustments, respectively. Sony writes down the value of its inventory when the underlying parts, components or products have become obsolete, when inventory levels exceed the amount expected to be used, or when the value of the inventory is otherwise recorded at a value higher than net realizable value. For example, Sony recorded a 6.5 billion yen inventory write-down of certain image sensors for mobile products in the fiscal year ended March 31, 2017. Such lost sales opportunities, inventory adjustments, or shortages of parts and components have had and may have an adverse impact on Sony s operating results and financial condition.

Sony s sales, profitability and operations are sensitive to global and regional economic and political trends and conditions.

Sony s sales and profitability are sensitive to economic trends in its major markets. In the fiscal year ended March 31, 2018, 30.7%, 21.5% and 21.6% of Sony s sales and operating revenue were attributable to Japan, the U.S. and Europe, respectively. These markets may be subject to significant economic downturns, resulting in an adverse impact on Sony s operating results and financial condition. An actual or expected deterioration of economic conditions in any of Sony s major markets may result in a decline in consumers consumption and adverse impacts on the businesses of commercial customers, resulting in reduced demand for Sony s products and services. For example, in the Pictures segment, a general decline in the economy may result in decreased overall spending within the advertising market and a decline in third-party television networks ability to generate revenues, which could result in lower license fees paid by these networks for Sony s content, which may adversely affect the Picture segment s revenues.

In addition, Sony s operations are conducted in many countries and regions around the world, and these international operations, particularly in certain emerging markets, can create challenges. For example, in Sony s electronics businesses, production and procurement of products, parts and components in China and other Asian countries and regions increase the time necessary to supply products to other markets worldwide, which can make it more difficult to meet changing customer demand in a timely manner. Further, in certain countries and regions, Sony may encounter difficulty in planning and managing operations due to unfavorable political or economic factors, such as armed conflicts, deterioration in foreign relations, non-compliance with expected business conduct and a lack of adequate infrastructure. If international or domestic political and military instability disrupts Sony s business operations or those of its business partners Sony s operating results and financial condition may be adversely affected.

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

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

Although Sony seeks to reduce its exposure to foreign exchange risk by hedging a portion of its net short-term foreign currency exposure shortly before the transactions are projected to occur, such hedging activity may not offset any, or only a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place.

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

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

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

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

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

Sony s success depends on the ability to recruit, retain and maintain productive relations with highly skilled personnel.

In order to continue to develop, design, manufacture, market, and sell products and services, in increasingly competitive markets, Sony must attract, retain and maintain productive relations with key personnel, both internally and externally, including its executive team, other management professionals, creative talent and other highly skilled employees such as hardware and software engineers. However, such key personnel are in high demand. In addition, business divestitures, restructuring or other transformation initiatives may lead to an unintended loss of experienced human resources or know-how. Actual or threatened work slowdowns or stoppages related to unionized workers, particularly in the entertainment businesses, could lead to delayed releases or cost increases. If these incidents occur or if Sony is unable to attract, retain and maintain productive relations with its highly skilled employees and key management professionals, Sony s operating results and financial condition may be adversely affected.

Sony s intellectual property might be subject to unauthorized use or theft and it might encounter restrictions in its use of intellectual property owned by third parties.

Sony s intellectual property relating to Sony s products and services, including those of the electronics businesses, such as image sensors, might be subject to unauthorized use or theft. For example, digital technology, the availability of digital media, and global internet penetration impact Sony s ability to protect its copyrighted content from unauthorized duplication, digital theft and counterfeiting, putting pressure on legitimate product sales. Sony has incurred and will continue to incur expenses to help protect its intellectual property rights; however, Sony s various initiatives to prevent such unauthorized use or theft of intellectual property might not achieve their intended result, which could adversely affect Sony s competitive position and the value of its investment in R&D. Additionally, Sony s intellectual property rights may be challenged or invalidated, or such intellectual property rights may not be sufficient to provide Sony with competitive advantages.

Many of Sony s products and services are designed under the license of patents and other intellectual property rights owned by third parties. Based upon past experience and industry practice, Sony believes it will be able to obtain or renew licenses relating to various intellectual property rights that its business needs in the future; however, such licenses may not be available at all or on acceptable terms, and as a consequence Sony may need to redesign or discontinue its marketing, selling or distribution of such products or services.

Claims have been and may be asserted against Sony that its products or services, including third-party parts, components, software and network services used in Sony s products or services, infringe the intellectual property rights of other parties. Such claims may be asserted by competitors or by other rights holders, particularly as products and services evolve to include new technologies and enhanced functionality. Such claims might require Sony to enter into settlement or license agreements, pay significant damage awards, face an injunction or refrain from marketing, selling or distributing certain of its products and services.

The failure to prevent unauthorized use or theft of Sony s intellectual property rights, the failure to enter into licenses for necessary third-party intellectual property rights, the invalidation of Sony s intellectual property rights or the settlement of an infringement claim against Sony by others may adversely impact Sony s reputation, operating results and financial condition.

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

Technology, particularly digital technology, used in the Music and Pictures segments continues to evolve, rapidly leading to alternative methods for the delivery, consumption and storage of digital content. These technological advancements have changed consumer behavior and empowered consumers to seek more control over when, where and how they consume digital content. The prevalence of enhanced internet capabilities and other new media may continue to reduce the demand for packaged physical media and impact traditional broadcast television and in-theater motion picture viewership, which could negatively affect revenues from

Table of Contents

Sony s entertainment businesses. Digital distribution revenues, such as those from subscription streaming services, may not be sufficient to offset the decline in physical media sales that has affected and may continue to affect the operating results of Sony s Music and Pictures segments. If Sony is unable to adequately respond to these changes, or fails to effectively anticipate or adapt to new market changes, Sony s operating results and financial condition may be adversely impacted.

Changes in the regulation and performance of financial markets may adversely affect the operating results and financial condition of Sony s Financial Services segment.

Sony s Financial Services segment operates in industries subject to comprehensive regulation and supervision, including the Japanese insurance and banking industries. Future developments or changes in laws, regulations or policies may lead to increased compliance costs or limitations on operations in the Financial Services segment. In addition, Sony Corporation s ability to receive funds from its affiliate Sony Financial Holdings Inc. (SFH) in the form of financial support or loans is restricted by guidelines issued by regulatory agencies in Japan.

Changes in interest rates, foreign exchange rates and the value of Japanese government and corporate bonds, equities, real estate and other asset classes may have an adverse effect on the operating results and financial condition of the Financial Services segment. For example, the life insurance business has invested most of its general account assets in ultra-long-term Japanese government and corporate bonds to match the liability characteristics of the long-term maturity insurance policies it has underwritten. The life insurance business has guaranteed yields on outstanding policies while its investment portfolio could be reduced by the market changes discussed above. The banking businesses have invested most of their total loan balance, or over half of their total assets, in their mortgage loans account. An increase in non-performing loans or a decline in prices of the real estate collateral from the market changes discussed above or deterioration of credit quality may have an adverse effect on operating results and financial condition through an increase in the allowance for doubtful accounts.

The market changes discussed above, Sony s management of these changes or the occurrence of earthquakes, pandemic disease or other catastrophic events in Japan could expose the life and non-life insurance businesses to increasing costs or adverse impact on their ability to meet policy commitments.

The insurance businesses policy reserves and deferred insurance acquisition costs are calculated based on many actuarial assumptions that are uncertain. Significant differences between these actuarial assumptions and actual situations may result in additional policy reserves being recorded and the accelerated amortization of deferred acquisition costs, through the changes of calculation assumptions. In particular, the insurance businesses calculate policy reserves and deferred insurance acquisition costs based on the actuarial assumptions, assuming the future schedule of insurance premium revenue, yield of investments, claims to be paid for occurrence of insured events and other factors. The review of these actuarial assumptions is required at least once in each fiscal year.

Sony s facilities and operations are subject to damage and disruption as a result of catastrophic disasters, outages or similar events that could lead to supply chain, manufacturing and other business disruptions and have an adverse impact on Sony s operating results.

Sony s headquarters and many of Sony s most advanced device manufacturing facilities, including those for semiconductors, are located in Japan, where the risk of earthquakes is relatively high. A major earthquake in Japan, especially in Tokyo, the Tokai area or the Kyushu and Tohoku areas, where Sony headquarters, certain product manufacturing sites and semiconductor manufacturing sites, respectively, are located, could cause substantial damage to Sony s business operations, including damage to buildings, machinery, equipment and inventories, and the interruption of production at manufacturing facilities. For example, the earthquake of April 14, 2016 and subsequent earthquakes in the Kumamoto region in Japan caused damage to a semiconductor manufacturing site in Kyushu, which interrupted production at the site.

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

Sony s brand image, reputation and business may be harmed and Sony may be subject to legal and regulatory claims if there is a breach or other compromise of Sony s information security or that of its third-party service providers or business partners.

Sony, its third-party service providers, suppliers and other business partners make extensive use of information technology to support business operations, and to provide network and online services to customers. These operations and services, as well as Sony s business information, may be intentionally or inadvertently compromised by malicious third parties, including state-sponsored organizations, Sony employees, third-party service providers or other business partners. Such organizations or individuals may use a variety and combination of techniques, such as installing malicious software, exploiting vulnerabilities in information technology, using social engineering to mislead employees and business partners into disclosing passwords and sensitive information, and coordinating distributed denial-of-service attacks to render services unavailable. As cyber-attacks become increasingly sophisticated and automated, and as tools and resources become more readily available, there can be no guarantee that Sony s actions, security measures and controls designed to prevent, detect or respond to intrusion, to limit access to data, to prevent loss, destruction, alteration, or exfiltration of business information, or to limit the negative impact from such attacks can provide absolute security against compromise. As a result, Sony s business information, including personal information, may be lost, destroyed, disclosed, misappropriated, altered, or accessed without consent, and Sony s information technology systems or operations, or those of its service providers or other business partners, may be disrupted. Malicious adversaries may also use unauthorized access to Sony s networks as a platform to compromise Sony s third-party business partners without Sony s knowledge. Sony has previously been the subject of sophisticated and targeted attacks. For example, in the fiscal year ended March 31, 2015, Sony s Pictures segment was subject to a cyber-attack that resulted in unauthorized access to, and theft and disclosure of, Sony business information, including employee information and other information, and the destruction of data. Additionally, Sony s network services, online game businesses and websites have been subject to cyber-attacks by groups and individuals with a range of motives and expertise, resulting in unauthorized access, denial of service, and the theft and/or disclosure of customer information.

Any of the above incidents can result in significant remediation costs. In addition, a disruption to Sony s network and online services, information technology, or other compromise of its information security may have serious consequences to its business and operations, including lost revenues, damage to relationships with business partners and other third parties, disclosure, alteration, destruction or use of proprietary information and the failure to retain or attract customers. Moreover, such disruptions and breaches may result in a diversion of management s attention and resources. Further, it may result in adverse media coverage, which may harm Sony s brand image and reputation. Sony may also be subject to legal claims or legal proceedings, including regulatory investigations and actions. Sony s cyber insurance may not cover all expenses and losses and, accordingly, such breaches or other compromises of Sony s information security or that of its third-party service providers or business partners may have an adverse impact on Sony s operating results and financial condition.

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

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

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

Sony s products and services, such as consumer products, non-consumer products, parts and components, semiconductors, software and network services are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur and as demand increases for mobile products and online services. Also, many Sony products are connected to the internet, and regularly communicate with services provided by Sony or third parties.

Table of Contents

Sony s efforts to adapt to rapid advancements in technologies and increased demand for mobile products and online services, while also maintaining product quality, may not be successful and may increase exposure to product liability. As a result, Sony may incur both reputational damages and expenses in connection with, for example, product recalls and after-sales services. In addition, Sony may not be successful in introducing after-sales upgrades, enhancements or new features to existing products and services, or in enabling existing products and services to continue to conveniently and effectively integrate with other technologies and online services. Moreover, cyber-attacks targeting internet-connected products have increased significantly. For example, customer information and Sony or third-party technical information may be misappropriated, the functionality of Sony s products and services may be impaired, or Sony products may be used in denial-of-service attacks. There can be no guarantee that Sony s security measures will prevent products from being compromised.

As a result, the quality of Sony s existing products and services may not remain satisfactory to consumers and become less marketable, less competitive or obsolete, and Sony s reputation, operating results and financial condition may be adversely affected. Moreover, allegations of security vulnerability, health and safety issues related to Sony products, or lawsuits related to product quality, health issues arising from products or product safety, regardless of merit, may adversely impact Sony s operating results and financial condition, either directly or as a result of the impact on Sony s brand image and reputation as a producer of high-quality products and services. These issues are relevant to Sony products sold directly to customers, whether manufactured by Sony or a third party, and also to products of other companies that are equipped with Sony s components, such as semiconductors.

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

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

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

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

Further losses in jurisdictions where Sony has established valuation allowances against deferred tax assets, the inability of Sony to fully utilize its deferred tax assets, limitations on the use of its deferred tax assets under local law, exposure to additional tax liabilities or changes in Sony s tax rates could adversely affect Sony s net income and financial condition.

Sony is subject to income taxes in Japan and numerous other jurisdictions, and in the ordinary course of its business there are many situations where the ultimate tax determination can be uncertain, because of the transfer pricing for its intercompany transactions, and Sony is subject to continuous review by tax authorities of numerous jurisdictions. The calculation of Sony s tax provision and the carrying value of tax assets, including net operating loss carryforwards and tax credit carryforwards, require significant judgment and the use of estimates,

Table of Contents

including estimates of future taxable income. As additional evidence becomes available, Sony reassesses these assets to determine if they remain appropriate or whether a reduction by a valuation allowance is appropriate. As of March 31, 2018, total established valuation allowances were 899.8 billion yen. An increase in a valuation allowance may have an adverse impact on Sony s net income and financial condition.

Deferred tax assets are evaluated on a jurisdiction by jurisdiction basis. As of March 31, 2018, Sony and/or its subsidiaries had valuation allowances principally in Japan and the U.S. Additionally, deferred tax assets could expire unused or otherwise not be realizable for a variety of reasons including the lack of sufficient taxable income in the appropriate jurisdiction. Sony s net income and financial condition could be adversely affected when the deferred tax assets expire unused.

In some jurisdictions, the use of net operating loss carryforwards or tax credits to reduce taxable income in a subsequent period is limited to a fixed percentage of taxable income or may only be used to offset taxes on income from certain sources. Thus, it is possible that even with significant net operating loss carryforwards or tax credits, Sony could record and pay taxes in a jurisdiction where it has taxable income.

In addition to the above, Sony s future effective tax rates may be unfavorably affected by changes in both the statutory rates and the mix of earnings in countries with differing statutory rates or by other factors such as changes in tax laws and regulations or their interpretation, including limitations or restrictions on various tax deductions and credits, including deductions for royalties and interest.

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

Sony has a significant amount of goodwill, intangible assets and other long-lived assets, including production facilities and equipment in its electronics businesses. A decline in financial performance, market capitalization, reduced estimates of future cash flows, changes in global economic conditions or changes in estimates and assumptions used in the impairment analysis, which in many cases requires significant judgment, could result in impairment charges against these assets. Goodwill and indefinite lived intangible assets are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below the carrying amount. Such an event or change in circumstances would include unfavorable variances from or adjustments to established business plans, significant changes in forecasted results or volatility inherent to external markets and industries. The increased levels of global competition and the faster pace of technological change to which Sony is exposed can result in greater volatility of these estimates, assumptions and judgments, and increase the likelihood of impairment charges. In addition, the recoverability of the carrying value of long-lived assets held and used and long-lived assets to be disposed of is reviewed whenever events or changes in circumstances, including the types of events or changes described above with respect to goodwill and intangible assets, indicate that the carrying value of the assets or asset groups may not be recoverable. If the carrying value of the asset or asset group is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the asset or asset group exceeds its fair value. For example, in the fiscal year ended March 31, 2016, Sony recorded impairment charges related to long-lived assets, both in the camera module business in the Semiconductors segment, amounting to 59.6 billion yen, and in the battery business in the Components segment, amounting to 30.6 billion yen. In the fiscal year ended March 31, 2017, Sony recorded a 23.9 billion yen impairment charge against long-lived assets in the Semiconductors segment resulting from the termination of the development and manufacturing of certain high-functionality camera modules for external sale, as well as a 112.1 billion yen impairment charge related to goodwill in the Pictures segment. In the fiscal year ended March 31, 2018, Sony recorded a 31.3 billion yen impairment charge against long-lived assets in the Mobile Communications segment. Any such charge may adversely affect Sony s operating results and financial condition.

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

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

Table of Contents

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

Item 4. Information on the Company

A. History and Development of the Company

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

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

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

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

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

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

In July 1987, Sony Chemicals Corporation, a subsidiary of Sony Corporation, was listed on the Second Section of the TSE. The subsidiary changed its name to Sony Chemical & Information Device Corporation in July 2006, and changed its name again to Dexerials Corporation in October 2012.

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

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

In November 1993, Sony established Sony Computer Entertainment Inc. (SCEI) in Japan. SCEI changed its name to Sony Interactive Entertainment Inc. (SIEI) in April 2016.

In October 1995, Sony/ATV Music Publishing LLC (Sony/ATV) was formed as a 50-50 joint venture company between Sony Corporation and Michael Jackson. In September 2016, the joint venture became a wholly-owned subsidiary of Sony Corporation.

In January 2000, acquisition transactions by way of a share exchange were completed such that three subsidiaries which had been listed on the TSE SMEJ, Sony Chemicals Corporation (currently Dexerials Corporation), and Sony Precision Technology Inc. (which was merged into Sony EMCS Corporation) became wholly-owned subsidiaries of Sony Corporation. In September 2012, Sony Corporation completed the sale of certain of its chemical products businesses, including Sony Chemical & Information Device Corporation (currently Dexerials Corporation) to Development Bank of Japan Inc.

Table of Contents

In October 2001, Sony Ericsson Mobile Communications AB (Sony Ericsson), a 50-50 joint venture company between Sony Corporation and Telefonaktiebolaget LM Ericsson (Ericsson) of Sweden, was established. In February 2012, Sony acquired Ericsson s 50% equity interest in Sony Ericsson. As a result of the acquisition, Sony Ericsson became a wholly-owned subsidiary of Sony and changed its name to Sony Mobile Communications AB.

In October 2002, Aiwa Co., Ltd. (Aiwa), then a TSE-listed subsidiary, became a wholly-owned subsidiary of Sony Corporation. In December 2002, Aiwa was merged into Sony Corporation.

In June 2003, Sony Corporation adopted the Company with Three Committees corporate governance system in line with the revised Japanese Commercial Code then effective. (Refer to Board Practices in Item 6. *Directors, Senior Management and Employees.*)

In April 2004, Sony Corporation established SFH, a financial holding company, in Japan. Sony Life, Sony Assurance Inc. (Sony Assurance), and Sony Bank Inc. (Sony Bank) became subsidiaries of SFH. In October 2007, SFH was listed on the First Section of the TSE in conjunction with the global initial public offering of shares of SFH by Sony Corporation and SFH.

In April 2004, S-LCD Corporation (S-LCD), a joint venture between Sony Corporation and Samsung Electronics Co., Ltd. of Korea for the manufacture of amorphous thin film transistor LCD panels, was established in Korea. Sony s stake in S-LCD was 50% minus 1 share. In January 2012, Sony sold all of its shares of S-LCD to Samsung Electronics Co., Ltd.

In August 2004, Sony combined its worldwide recorded music business, excluding its recorded music business in Japan, with the worldwide recorded music business of Bertelsmann AG (Bertelsmann), forming a 50-50 joint venture, SONY BMG MUSIC ENTERTAINMENT (SONY BMG). In October 2008, Sony acquired Bertelsmann s 50% equity interest in SONY BMG. As a result of the acquisition, SONY BMG became a wholly-owned subsidiary of Sony. In January 2009, SONY BMG changed its name to Sony Music Entertainment (SME).

In December 2005, Sony Communication Network Corporation, a subsidiary of Sony Corporation, was listed on the Mother s market of the TSE, and was later listed on the First Section of the TSE in January 2008. Sony Communication Network Corporation was renamed So-net Corporation (So-net) in July 2013. In January 2013, Sony Corporation acquired all of the common shares of So-net through a tender offer and subsequent share exchange and, as a result of the acquisition, So-net became a wholly-owned subsidiary of Sony Corporation. So-net was renamed Sony Network Communications Inc. (SNC) in July 2016.

In April 2013, Sony Olympus Medical Solutions Inc. (SOMED), a medical business venture between Sony Corporation and Olympus Corporation (Olympus) was established in Japan. Sony s stake in SOMED is 51%.

In July 2014, Sony Corporation sold its personal computer (PC) business operated under the VAIO brand to Japan Industrial Partners, Inc.

In July 2014, pursuant to a separation of Sony s businesses into distinct subsidiaries, the television business was split out and began operations as Sony Visual Products Inc. (SVP).

In October 2015, the video and sound business was split out and began operations as Sony Video & Sound Products Inc. (SVS).

In April 2016, the semiconductors business was split out and began operations as Sony Semiconductor Solutions Corporation (SSS).

In April 2017, the imaging products and solution business was split out and began operations as Sony Imaging Products & Solutions Inc. (SIPS), which completed the sequential separation of Sony s business units into distinct subsidiaries.

In September 2017, Sony transferred its battery businesses to the Murata Manufacturing Co., Ltd. Group.

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

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

Table of Contents

Principal Capital Investments

In the fiscal years ended March 31, 2016, 2017 and 2018, Sony s capital expenditures were 468.9 billion yen, 272.2 billion yen and 332.1 billion yen, respectively. Sony s capital expenditures are expected to be approximately 360.0 billion yen during the fiscal year ending March 31, 2019. For a breakdown of principal capital expenditures and divestitures (including interests in other companies), refer to Item 5. *Operating and Financial Review and Prospects.* The funding requirements of such various capital expenditures are expected to be financed by cash provided principally by operating and financing activities or the existing balance of cash and cash equivalents.

In the fiscal year ended March 31, 2018, Sony invested approximately 128.1 billion yen in the Semiconductors segment. This investment included approximately 106.6 billion yen to increase image sensor production capacity.

B. Business Overview

Sony is engaged in the development, design, production, manufacture, offer and sale of various kinds of electronic equipment, instruments and devices for consumer, professional and industrial markets such as network services, game hardware and software, televisions, audio and video recorders and players, still and video cameras, mobile phones, and semiconductors. Sony is engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs as well as the production and distribution of animation titles, including game applications based on animation titles. Sony is also engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. 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.

Sony has striven to ensure the implementation of 1) clearly attributable accountability and responsibility, 2) management policies with an emphasis on sustainable profit generation and 3) the acceleration of decision-making processes and reinforcement of business competitiveness. To achieve this, Sony has separated its business units within Sony Corporation to form distinct subsidiaries and operate them alongside existing Sony Group companies. These separations include SVP in July 2014, SVS in October 2015, SSS in April 2016, and SIPS in April 2017. As a result of this separation of businesses, all segments are now being operated as subsidiaries of Sony Corporation.

Sony realigned its business segments from the first quarter of the fiscal year ended March 31, 2018. As a result of this realignment, the operations of the former Components segment are now included in All Other.

Products and Services

Game & Network Services (G&NS)

Sony Interactive Entertainment LLC (SIE) undertakes product research, development, design, marketing, sales, production, distribution and customer service for PlayStation® hardware, software, content and network services.

The G&NS segment includes the Network and Hardware and Others categories. Network includes network services relating to game, video and music content provided by SIE; and Hardware and Others includes home and portable game consoles, packaged software and peripheral devices.

Music

Recorded Music:

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

19

Table of Contents

Music Publishing:

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

Visual Media and Platform:

Visual Media and Platform includes the production and distribution of animation titles, game applications based on animation titles and various service offerings for music and visual products. These businesses are operated primarily by SMEJ.

Pictures

Motion Pictures:

Motion Pictures includes the worldwide production, acquisition and distribution of live-action and animated motion pictures. SPE s motion picture production organizations include Columbia Pictures, Screen Gems, TriStar Pictures, Sony Pictures Animation, Stage 6 Films, AFFIRM Films and Sony Pictures Classics. SPE also operates Sony Pictures Imageworks, a visual effects and animation unit, and manages a studio facility, Sony Pictures Studios, which includes post-production facilities.

Television Productions:

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

Media Networks:

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

Home Entertainment & Sound (HE&S)

SVP undertakes product research, development, design, marketing, sales, production, distribution and customer services for televisions. SVS undertakes product research, development, design, marketing, sales, production, distribution and customer services for video and sound products.

Imaging Products & Solutions (IP&S)

SIPS undertakes product research, development, design, manufacturing, sales, distribution and customer service for interchangeable lens cameras, compact digital cameras, consumer and professional video cameras as well as display products such as projectors and medical equipment. Additionally, SIPS is responsible for the broadcast/professional solutions business and the FeliCa contactless IC (integrated circuit) card technology business. SOMED undertakes development support to provide comprehensive medical and imaging device solutions for operating rooms and other medical areas.

The IP&S segment includes the Still and Video Cameras as well as Other categories. Still and Video Cameras includes interchangeable lens cameras, compact digital cameras, consumer video cameras and video cameras for broadcast. Other includes display products such as projectors and medical equipment.

Mobile Communications (MC)

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

Table of Contents

Semiconductors

SSS and its subsidiary Sony Semiconductor Manufacturing Corporation undertake product research, development, design, manufacturing, marketing, sales, production, distribution and customer services for complementary metal oxide semiconductor (CMOS) image sensors, charge-coupled devices (CCDs), large-scale integration systems (LSIs) and other semiconductors.

Financial Services

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

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

All Other

All Other consists of various operating activities, including the batteries, recording media and storage media businesses, the disc manufacturing business outside of Japan and the PC business, which was sold in July 2014. Certain costs related to the PC business remain in All Other.

Sales and Distribution

Electronics*

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

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

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

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

Japan:

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

United States:

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

Europe:

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

Table of Contents

China:

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

Asia-Pacific:

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

Other Areas:

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

PlayStation® hardware, software and content and network services are marketed and distributed by SIE, SIEI, and Sony Interactive Entertainment Europe, Ltd. (SIEE).

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

Music

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

Sony owns and acquires rights to musical compositions, exploits and markets these compositions, receives royalties or fees for their use and conducts its music publishing business in countries other than Japan primarily under the Sony/ATV name. Sony/ATV, previously a 50%-owned and consolidated joint venture, became a wholly-owned subsidiary of Sony on September 30, 2016 as a result of Sony s acquisition of the 50% equity interest in Sony/ATV owned by the Estate of Michael Jackson (the Estate).

SMEJ creates artwork and produces packaged home entertainment products including music/games, and organizes various events in Japan through Sony Music Communications Inc. and its affiliates. SMEJ also produces, markets, and distributes animation products and game applications based on animation titles under the Aniplex name.

Pictures

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

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

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

The worldwide home entertainment distribution of SPE s motion pictures and television programming (and product acquired or licensed from others) is handled through Sony Pictures Home Entertainment, except in certain countries where SPE has joint distribution or sub-distribution arrangements with other studios, or arrangements with independent local distributors. Product is distributed in various home media formats including DVD, Blu-ray Disc and Digital Distribution. Digital Distribution includes electronic sell-through and video-on-demand distributed on cable, direct broadcast satellite (DBS) providers and digital platforms, as well as hotel pay-per-view.

The worldwide television distribution of SPE s motion pictures and television programming (and product acquired or licensed from others) is handled through Sony Pictures Television. SPE s library of motion pictures and television programming is licensed to linear distributors such as broadcast television networks, pay and basic cable networks and DBS providers, as well as to digital platforms such as subscription and advertising supported digital platforms (including Sony s PlayStation™ Network, Netflix, Amazon, Crackle and YouTube Red).

SPE s television networks are distributed through cable, DBS providers, telecommunications companies and digital platforms to viewers around the world. These networks generate advertising, subscription and other ancillary revenues.

Financial Services

Sony Life conducts its life insurance business primarily in Japan. Sony Life s core business is providing death protection and other insurance products to individuals, primarily through a consulting-based sales approach utilizing its experienced team of Lifeplanner® sales employees as well as partner independent sales agents. Sony Life provides tailor-made life insurance products that are optimized for each customer. As of March 31, 2018, Sony Life employed 5,142 Lifeplanner® sales employees. Sony Life maintains an extensive service network which mainly consists of the Lifeplanner® channel and the independent agent channel in Japan. The Lifeplanner® channel is characterized by recruitment of high-caliber sales professionals from industries outside the life insurance industry, quality improvement through education and training, performance-linked compensation and high productivity. Lifeplanner® sales employees offer custom-made packages. Most of the agents in the independent agent channel are corporate and non-exclusive agents, primarily shop-style agents. Shop-style agents are a sub-channel of the independent agent channel, who offer insurance in local stores and provide customers with opportunities to compare various insurers products. To enhance Sony Life s relationship with independent agents, Sony Life s agent support staff provides independent agents with various support services, including recruiting, training and sales promotion activities. As part of its plan to expand its sales of individual annuity products, Sony Life established a Japanese joint venture company with AEGON N.V. in August 2009. The 50-50 joint venture, known as AEGON Sony Life Insurance Co., Ltd., began operations in Japan in December 2009.

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

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

All Other

Sony Energy Devices Corporation and Sony Storage Media Solutions Corporation sell their battery and storage media products, respectively, through Sony s Electronics sales companies, mentioned in the Electronics Sales and Distribution section above, as well as through their own sales forces. Sony DADC group (Sony DADC) offers Blu-ray Disc , DVD and CD media replication services as well as digital and physical supply chain solutions to business customers.

Table of Contents

Sales to External Customers by Geographic Area

The following table shows Sony s consolidated sales to external customers in each of its major markets for the periods indicated.

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Japan	2,317,312	2,392,790	**2,625,619**
United States	1,733,759	1,673,768	**1,835,705**
Europe	1,881,329	1,634,683	**1,841,457**
China	540,497	557,995	**674,718**
Asia-Pacific	959,171	866,712	**1,024,179**
Other Areas	673,644	477,302	**542,304**
Total	8,105,712	7,603,250	**8,543,982**

Sources of Supply

Sony procures raw materials, parts and components used in the production of its products on a global basis on the most favorable terms that it can achieve. These items are purchased from various suppliers around the world. Sony has a general policy of maintaining multiple suppliers for important parts and components and, in the fiscal year ended March 31, 2018, Sony continued to optimize the number of its suppliers to achieve efficiencies and to minimize procurement risk when possible.

When raw materials, parts and components become scarce, the cost of production rises. For example, LCD panels and memory devices, which are used in multiple applications, can influence Sony s performance when the cost of such parts and components fluctuates substantially. With regard to raw materials, the market price of copper has the potential to proportionately affect the cost of the parts and components that utilize copper, such as printed circuit boards and power cables. The price of resin and sheet steel, which is widely used in mechanical parts and components, may also fluctuate and impact the cost of those parts and components.

After-Sales Service

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

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

To further help ensure customer satisfaction, Sony maintains customer information centers in its principal markets and web support information for all markets.

Patents and Licenses

Sony has a number of Japanese and foreign patents relating to its products. Sony is licensed to use a number of patents owned by others, covering a wide range of products. Certain of these licenses are important to Sony s business. Sony products that employ DVD player functionality, including PlayStation®4 (PS4) and PlayStation®3 (PS3) hardware, are substantially dependent upon patents that relate to technologies specified in the DVD specifications and are licensed from Dolby Laboratories Licensing Corporation. Sony products that employ Blu-ray Disc player functionality and DVD player functionality, including PS4 and PS3 hardware, are substantially dependent upon patents that relate to technologies specified in the Blu-ray Disc specifications and are licensed by MPEG LA LLC and One-Blue, LLC, in addition to the patents that relate to technologies specified in the DVD specifications, as described above. Sony s smartphone products are substantially dependent upon patents that relate to technologies specified in certain codec standards and are licensed by MPEG LA LLC and Via Licensing Corporation, as well as patents that relate to CDMA technologies specified by the standard-setting bodies within the telecommunications industry and are licensed by Qualcomm Incorporated and NTT DOCOMO, INC. Sony considers its overall license position beneficial to its operations.

Table of Contents

Competition

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

Electronics and All Other

Sony believes that its product planning and product design expertise, the high quality of its products, its record of innovative product introductions and product improvements, the user experience it provides and the ecosystem that supports such an experience, its price competitiveness derived from reductions in manufacturing and indirect costs, and its extensive marketing and servicing efforts are important factors in maintaining its competitive position. Continuing to provide high-value added products, services and experiences is a key factor by which Sony aims to differentiate itself in the highly competitive market of consumer electronics. Sony believes that the success of the G&NS businesses is determined by the availability of attractive software titles and related content, downloadable content, network services and peripherals. In the Semiconductors segment, Sony puts significant effort into keeping Sony s strong competitive position by investing in R&D and production capacity, while also trying to avoid overinvesting and increasing fixed costs by carefully monitoring customer demand, market trends and demand for end-user products.

Music

Success in the music industry is dependent to a large extent upon the artistic and creative abilities of artists, producers and employees and is subject to the vagaries of public taste. The Music segment s future competitive position depends on its continuing ability to attract and develop artists and products that can achieve a high degree of public acceptance as well as offer efficient services. In addition, Sony believes that the success of the Music segment s animation products and game applications business, Aniplex, is largely dependent on the creative talent of game producers and developers, and is also subject to the vagaries of public taste.

Pictures

SPE faces intense competition from all forms of entertainment and other leisure activities to attract the attention of audiences worldwide. SPE competes with other motion picture studios and production companies to obtain story rights and talent, including writers, actors, directors and producers, which are essential to the success of SPE s products. SPE competes with other companies, in particular technology companies, who are expanding into the production or distribution of film and television programing. In motion picture production and distribution, SPE faces competition to obtain exhibition and distribution outlets and optimal release dates for its products. In addition, SPE faces competition to acquire motion pictures and television programming from third parties. In television production and distribution, competition arises from the increasing fragmentation of audiences among broadcast and cable networks, DBS providers, digital platforms and other outlets both within and outside of the U.S. Furthermore, broadcast networks in the U.S., or their affiliated production companies, continue to produce their own shows internally. This competitive environment may result in fewer opportunities to produce shows for U.S. networks and a shorter lifespan for ordered shows that do not immediately achieve favorable ratings. SPE s worldwide television networks compete for viewers with broadcast and cable networks, DBS providers, digital platforms and other forms of entertainment. The growth in the number of networks around the world has increased the competition for advertising and subscription revenues, acquisition of programming, and distribution of SPE s television networks by cable, DBS providers, digital platforms and other distribution systems.

Financial Services

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

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

Sony Assurance competes against insurers that sell their policies through sales agents as well as insurers that, like Sony Assurance, primarily sell their policies through direct marketing via the telephone and the

Table of Contents

internet. Competition in Japan s non-life insurance industry has intensified in recent years, in part due to a number of new market entrants, including foreign-owned insurers.

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

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

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

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

Government Regulations

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

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

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

Table of Contents

Social Responsibility Regulations Such as Environmental and Human Rights Regulations

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

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

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

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

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

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

Sony is aware that certain transactions during the fiscal year ended March 31, 2018, as described below, may be disclosable pursuant to Section 13(r) of the Exchange Act.

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

During the fiscal year ended March 31, 2018, a non-U.S. subsidiary of Sony sold medical instruments, including medical printers, print media and monitors, to a third-party-owned dealer in Dubai, which, to the best of Sony s knowledge, planned to resell those products to hospitals and health organizations in Iran, some of which are under the control of the Iranian Ministry of Health. Sony s gross revenue from these sales was approximately 3.0 million U.S. dollars, and Sony has estimated that its net profit from such sales was 0.5 million U.S. dollars.

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

Sony is not aware of any other activity, transaction or dealing by Sony Corporation or any of its affiliates during the fiscal year ended March 31, 2018 that is disclosable in this report under Section 13(r) of the Exchange Act. As of the date of this report, Sony does not anticipate that any activity, transaction or dealing that may be disclosable will be conducted during the fiscal year ending March 31, 2019, except as described above in connection with the wind-down of its representative office or for certain transactions through third-party-owned dealers that Sony believes to be intended for hospitals and health organizations in Iran. Nevertheless, Sony has continued to monitor developments in this area, especially in the light of the United States decision to cease its participation in the Joint Comprehensive Plan of Action of July 14, 2015, among the United States, the United Kingdom, China, France, Russia, Germany, the European Union and Iran, and will determine whether and to

Table of Contents

what extent they affect Sony s business with Iranian customers as currently conducted and may additionally be conducted. Such business activities may require disclosure pursuant to Section 13(r) of the Exchange Act. Sony intends to conduct any such business activities in accordance with applicable law.

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

C. Organizational Structure

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

Name of company	Country of incorporation	(As of March 31, 2018) Percentage owned
Sony Global Manufacturing & Operations Corporation	Japan	100.0
Sony Semiconductor Solutions Corporation	Japan	100.0
Sony Semiconductor Manufacturing Corporation	Japan	100.0
Sony Marketing Inc.	Japan	100.0
Sony Mobile Communications Inc.	Japan	100.0
Sony Network Communications Inc.	Japan	100.0
Sony Interactive Entertainment Inc.	Japan	100.0
Sony Visual Products Inc.	Japan	100.0
Sony Video & Sound Products Inc.	Japan	100.0
Sony Storage Media Solutions Corporation	Japan	100.0
Sony Imaging Products & Solutions Inc.	Japan	100.0
Sony Music Entertainment (Japan) Inc.	Japan	100.0
Sony Financial Holdings Inc.*	Japan	63.0
Sony Life Insurance Co., Ltd.*	Japan	100.0
Sony Bank Inc.*	Japan	100.0
Sony Assurance Inc.*	Japan	100.0
Sony Americas Holding, Inc.	U.S.A.	100.0
Sony Corporation of America	U.S.A.	100.0
Sony Entertainment Inc.	U.S.A.	100.0
Sony Electronics Inc.	U.S.A.	100.0
Sony Interactive Entertainment LLC	U.S.A.	100.0
Sony Pictures Entertainment Inc.	U.S.A.	100.0
CPT Holdings, Inc.	U.S.A.	100.0
Sony Music Entertainment	U.S.A.	100.0
Sony/ATV Music Publishing LLC	U.S.A.	100.0
Sony Europe Limited	U.K.	100.0
Sony Interactive Entertainment Europe Ltd.	U.K.	100.0

Sony Global Treasury Services Plc	U.K.	100.0
Sony Overseas Holding B.V.	Netherlands	100.0
Sony (China) Limited	China	100.0
Sony EMCS (Malaysia) Sdn. Bhd.	Malaysia	100.0
Sony Electronics (Singapore) Pte. Ltd.	Singapore	100.0

** Sony Corporation owns 63% of Sony Financial Holdings Inc., and Sony Financial Holdings Inc. owns 100% of Sony Life Insurance Co., Ltd., Sony Bank Inc. and Sony Assurance Inc.*

D. Property, Plant and Equipment

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

Table of Contents

The following table sets forth information as of March 31, 2018 with respect to plants used for the production of products mainly for electronics products and services with floor space of more than 500,000 square feet:

Location	Approximate floor space (square feet)	Principal products produced
In Japan:		
Nagasaki (Sony Semiconductor Manufacturing Corporation Nagasaki TEC)	2,305,000	CMOS image sensors and other semiconductors
Kumamoto (Sony Semiconductor Manufacturing Corporation Kumamoto TEC)	2,204,000	CCDs, CMOS image sensors, LCDs and other semiconductors
Kagoshima (Sony Semiconductor Manufacturing Corporation Kagoshima TEC)	1,789,000	CCDs and other semiconductors
Oita (Sony Semiconductor Manufacturing Corporation Oita TEC)	975,000	CMOS image sensors and other semiconductors
Kohda, Aichi (Sony Global Manufacturing & Operations Corporation Tokai TEC Kohda Site)	902,000	Compact digital cameras and interchangeable lens cameras
Inazawa, Aichi (Sony Global Manufacturing & Operations Corporation Tokai TEC Inazawa Site)	842,000	Televisions
Tsuruoka, Yamagata (Sony Semiconductor Manufacturing Corporation Yamagata TEC)	703,000	CMOS image sensors and other semiconductors

Kosai, Shizuoka (Sony Global Manufacturing & Operations Corporation Tokai TEC Kosai Site)	576,000	Broadcast- and professional-use video equipment
Kisarazu, Chiba (Sony Global Manufacturing & Operations Corporation Kisarazu TEC)	541,000	Blu-ray Disc players/recorders, audio equipment and video conference systems
Outside of Japan:		
Terre Haute, Indiana, U.S.A. (Sony DADC US Inc.)	1,541,000	Blu-ray Disc -ROMs, CDs, DVDs and UMDs (Universal Media Disc)
Bangi, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. KL TEC)	1,183,000	Televisions, TV components, Blu-ray Disc players/recorders and DVD-players/recorders
Huizhou, China (Sony Precision Devices (Huizhou) Co., Ltd.)	1,027,000	Optical pickups and LCDs
Penang, Malaysia (Sony EMCS (Malaysia) Sdn. Bhd. PG TEC)	1,021,000	Audio equipment
Wuxi, China (Sony Digital Products (Wuxi) Co., Ltd.)	798,000	Compact digital cameras, interchangeable lens cameras etc.
Beijing, China (Sony Mobile Communications (China) Co., Ltd.)	552,000	Mobile phones
Bangkadi, Thailand (Sony Device Technology (Thailand) Co.,Ltd.)	513,000	Image sensor assembly etc.

Table of Contents

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

SPE s corporate offices and motion picture and television production facilities are headquartered in Culver City, California, where it owns and operates a studio facility, Sony Pictures Studios, with aggregate floor space of approximately 1,939,200 square feet. SPE also leases office space and motion picture and television support facilities from third parties and affiliates of Sony Corporation in various worldwide locations. SPE s film and videotape storage operations are located in various leased locations in the U.S. and Europe.

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

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

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

On April 1, 2017, Sony China completed the transfer of all of the equity interest in Sony Electronics Huanan Co., Ltd., which manufactures camera modules, to Shen Zhen O-film Tech Co., Ltd.

On September 1, 2017, Sony completed the transfer to Murata Manufacturing Co., Ltd. Group of the battery-related plants located in Japan, China and Singapore.

Item 4A. *Unresolved Staff Comments*

None

Item 5. *Operating and Financial Review and Prospects*

A. Operating Results

Operating Performance

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in billions)		
Sales and operating revenue	8,105.7	7,603.3	**8,544.0**
Equity in net income of affiliated companies	2.2	3.6	**8.6**
Operating income	294.2	288.7	**734.9**

Income before income taxes	304.5	251.6	**699.0**
Net income attributable to Sony Corporation s stockholders	147.8	73.3	**490.8**

Sales

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, sales and operating revenue (sales) were 8,544.0 billion yen, an increase of 940.7 billion yen compared to the fiscal year ended March 31, 2017. This increase was due to increases in sales in all segments except for the Mobile Communications (MC) segment and All Other. In addition, sales for the fiscal year ended March 31, 2018 included 6.7 billion yen and 2.6 billion yen of insurance recoveries, mainly for opportunity losses related to the 2016 Kumamoto Earthquakes (the Kumamoto Earthquakes) in the Semiconductors segment and the Imaging Products & Solutions (IP&S) segment, respectively.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales were 7,603.3 billion yen, a decrease of 502.5 billion yen, or 6% compared to the fiscal year ended March 31, 2016. This decrease was primarily due to the impact of foreign exchange rates. On a constant currency basis, sales were essentially flat year-on-year, due to significant increases in Game & Network Services (G&NS) and Semiconductors segment sales, substantially offset by a significant decrease in MC segment sales.

Table of Contents

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

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

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, cost of sales increased 435.2 billion yen year-on-year to 5,188.3 billion yen. The ratio of cost of sales to sales improved year-on-year from 72.9% to 70.9%.

R&D costs (all R&D costs are included within cost of sales) increased 11.1 billion yen year-on-year to 458.5 billion yen. The ratio of R&D costs to sales was 6.3% compared to 6.9% in the fiscal year ended March 31, 2017. For further details, refer to *Research and Development* in Item 5.C.

SGA expenses increased 77.2 billion yen year-on-year to 1,583.2 billion yen. The ratio of SGA expenses to sales improved year-on-year from 23.1% to 21.6%.

Other operating expense, net, was 4.1 billion yen, a decrease of 144.9 billion yen year-on-year. This significant improvement was mainly due to the following factors that occurred in the fiscal year ended March 31, 2018 and the absence of the following factors that occurred in the fiscal year ended March 31, 2017. Refer to Note 20 of the consolidated financial statements.

Factors that occurred in the fiscal year ended March 31, 2018

- An impairment charge against long-lived assets: 31.3 billion yen (MC segment)
- A gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business: 28.3 billion yen (Semiconductors segment)
- A gain resulting from the sale of real estate held by a subsidiary: 10.5 billion yen (Music segment)
- A gain resulting from the sale of manufacturing equipment: 8.6 billion yen (Semiconductors segment)

Factors that occurred in the fiscal year ended March 31, 2017

- An impairment charge of goodwill: 962 million U.S. dollars (112.1 billion yen) (Pictures segment)
- An impairment charge related to the transfer of the battery business: 42.3 billion yen (All Other)

An impairment charge against long-lived assets resulting from the termination of the development and manufacturing of certain high-functionality camera modules for external sale: 23.9 billion yen (Semiconductors segment)

A gain on the sale of certain shares of M3: 37.2 billion yen (All Other)

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, cost of sales decreased by 413.9 billion yen year-on-year, to 4,753.0 billion yen. The cost of sales included net charges of 15.4 billion yen in expenses in the Semiconductors segment resulting from the Kumamoto Earthquakes. The ratio of cost of sales to sales improved year-on-year from 73.4% to 72.9%.

R&D costs (all R&D costs are included within cost of sales) decreased by 20.7 billion yen year-on-year, to 447.5 billion yen. The ratio of R&D costs to sales was 6.9% compared to 6.7% in the fiscal year ended March 31, 2016. For further details, refer to *Research and Development* in Item 5.C.

SGA expenses decreased by 186.0 billion yen year-on-year, to 1,506.0 billion yen, mainly due to the impact of the appreciation of the yen. The ratio of SGA expenses to sales improved year-on-year from 24.0% to 23.1%.

Other operating expense, net was 149.0 billion yen, an increase of 101.8 billion yen year-on-year. This significant deterioration was mainly due to the above-mentioned factors that occurred in the fiscal year ended March 31, 2017, as well as the factors listed below that occurred in the fiscal year ended March 31, 2016. Refer to Note 20 of the consolidated financial statements.

Table of Contents

Factors that occurred in the fiscal year ended March 31, 2016

An impairment charge against long-lived assets in the camera module business: 59.6 billion yen (Semiconductors segment)

An impairment charge against long-lived assets in the battery business: 30.6 billion yen (All Other)

A gain on the remeasurement to fair value of SME s 51% equity interest in Orchard Media, Inc. (The Orchard), which had previously been accounted for under the equity method, as a result of SME increasing its ownership interest to 100%: 151 million U.S. dollar (18.1 billion yen) (Music segment)

A gain from the sale of a part of the logistics business, in connection with the formation of a logistics joint venture: 12.3 billion yen (Corporate and elimination)

Equity in Net Income (Loss) of Affiliated Companies

For the fiscal year ended March 31, 2018, equity in net income of affiliated companies was 8.6 billion yen, an increase of 5.0 billion yen year-on-year. This increase was primarily due to an improvement of equity in net income (loss) for SA Reinsurance Ltd. in the Financial Services segment. For the fiscal year ended March 31, 2017, equity in net income of affiliated companies was 3.6 billion yen, an increase of 1.3 billion yen year-on-year.

Operating Income

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, operating income increased 446.2 billion yen year-on-year to 734.9 billion yen. This significant increase was due to the impact of the above-mentioned increase in sales and the positive impact of foreign exchange rates as well as the above-mentioned factors that occurred in the fiscal year ended March 31, 2018. Operating income in the fiscal year ended March 31, 2017 included the above-mentioned factors that occurred in the fiscal year ended March 31, 2017.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, operating income decreased 5.5 billion yen year-on-year, to 288.7 billion yen. This decrease was mainly due to the 962 million U.S. dollars (112.1 billion yen) impairment charge of goodwill recorded in the Pictures segment, substantially offset by an improvement in the operating results of the MC segment and an increase in the operating income of the G&NS segment.

Other Income and Expenses

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2017, other income increased by 9.3 billion yen year-on-year, to 23.7 billion yen, while other expenses increased by 8.0 billion yen year-on-year, to 59.5 billion yen. The net amount of other income and other expenses was an expense of 35.8 billion yen, an improvement of 1.3 billion yen year-on-year primarily due to an increase in interest and dividend income as well as lower losses on the devaluation of securities investments, partially offset by an increase in net foreign exchange losses.

The foreign exchange loss, net, increased by 8.5 billion yen year-on-year, to 30.6 billion yen.

Interest and dividends in other income of 19.8 billion yen were recorded in the fiscal year ended March 31, 2018, an increase of 8.3 billion yen year-on-year. Interest recorded in other expenses totaled 13.6 billion yen, a decrease of 1.0 billion yen year-on-year.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, other income decreased by 52.4 billion yen year-on-year, to 14.4 billion yen, while other expenses decreased by 5.0 billion yen year-on-year, to 51.5 billion yen. The net amount of other income and other expenses was an expense of 37.1 billion yen, a deterioration of 47.4 billion yen year-on-year primarily due to the absence in the fiscal year ended March 31, 2017 of a 46.8 billion yen gain on the sale of certain shares of Olympus recorded in the fiscal year ended March 31, 2016.

Table of Contents

The foreign exchange loss, net, increased by 1.6 billion yen year-on-year, to 22.2 billion yen.

Interest and dividends in other income of 11.5 billion yen were recorded in the fiscal year ended March 31, 2017, a decrease of 1.0 billion yen year-on-year. Interest recorded in other expenses totaled 14.5 billion yen, a decrease of 10.7 billion yen year-on-year, mainly due to a decrease in interest rates.

Income before Income Taxes

For the fiscal year ended March 31, 2018, income before income taxes was 699.0 billion yen, an increase of 447.4 billion yen year-on-year. For the fiscal year ended March 31, 2017, income before income taxes was 251.6 billion yen, a decrease of 52.9 billion yen year-on-year.

Income Taxes

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

During the fiscal year ended March 31, 2018, Sony recorded 151.8 billion yen of income tax expense, resulting in an effective tax rate of 21.7%, which was lower than the effective tax rate of 49.3% in the fiscal year ended March 31, 2017. This lower effective tax rate in the fiscal year ended March 31, 2018 was mainly due to (1) profits recorded at Sony Corporation and its national tax filing group in Japan, and in the U.S. consolidated tax filing group, both of which have established valuation allowances for deferred tax assets, compared to the losses recorded for those groups in the fiscal year ended March 31, 2017 and (2) the negative impact of the nondeductible goodwill charge that was recorded in the fiscal year ended March 31, 2017. In addition, during the fiscal year ended March 31, 2018, Sony recorded a 13.8 billion yen tax benefit related to deferred tax liabilities as a result of U.S. tax reform. Refer to Note 21 of the consolidated financial statements.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

During the fiscal year ended March 31, 2017, Sony recorded 124.1 billion yen of income tax expense, resulting in an effective tax rate of 49.3%, which exceeded the effective tax rate of 31.1% in the fiscal year ended March 31, 2016. This higher effective tax rate was mainly due to the nondeductible impairment charge of goodwill recorded during the fiscal year ended March 31, 2017. Refer to Note 21 of the consolidated financial statements.

Net Income Attributable to Sony Corporation s Stockholders

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, the net income attributable to Sony Corporation s stockholders, which excludes net income attributable to noncontrolling interests, was 490.8 billion yen, an increase of 417.5 billion yen year-on-year.

Net income attributable to noncontrolling interests of 56.5 billion yen was recorded, an increase of 2.2 billion yen year-on-year.

Basic net income per share and diluted net income per share, attributable to Sony Corporation s stockholders for the fiscal year ended March 31, 2018 were 388.32 yen and 379.75 yen, respectively, compared with 58.07 yen and 56.89 yen, respectively, in the fiscal year ended March 31, 2017. Refer to Note 22 of the consolidated financial statements.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, the net income attributable to Sony Corporation s stockholders, which excludes net income attributable to noncontrolling interests, was 73.3 billion yen, a decrease of 74.5 billion yen year-on-year.

Net income attributable to noncontrolling interests of 54.3 billion yen was recorded, a decrease of 7.7 billion yen year-on-year. This decrease was mainly due to the acquisition of the 50% equity interest in Sony/ATV held by the Estate, making Sony/ATV a wholly-owned subsidiary of Sony.

Basic net income per share and diluted net income per share, attributable to Sony Corporation s stockholders for the fiscal year ended March 31, 2017 were 58.07 yen and 56.89 yen, respectively, compared with 119.40 yen and 117.49 yen, respectively, in the fiscal year ended March 31, 2016. Refer to Note 22 of the consolidated financial statements.

Table of Contents

Operating Performance by Business Segment

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

In addition to those significant trends, uncertainties and events listed herein, refer to *Trend Information* in Item 5.D for more information on significant trends, uncertainties and events that had, or may have, an effect on business segment operating performance.

Game & Network Services (G&NS)

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Sales to external customers by product category			
Network	529,318	714,924	**1,033,192**
Hardware & Other	950,457	866,644	**815,106**
Sales to external customers	1,479,775	1,581,568	**1,848,298**
Intersegment sales	72,118	68,231	**95,514**
G&NS segment total sales	1,551,893	1,649,799	**1,943,812**
G&NS segment operating income	88,668	135,553	**177,478**
	(Units in millions)		
Major product unit sales			
PS4 hardware	17.7	20.0	**19.0**

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, Sales increased 294.0 billion yen year-on-year to 1,943.8 billion yen. This increase was primarily due to an increase in PlayStation®4 (PS4) software sales, including sales through the network, the impact of foreign exchange rates, as well as an increase in the number of subscribers for PlayStation®Plus, a paid membership service.

Operating income increased 41.9 billion yen year-on-year to 177.5 billion yen. This increase was primarily due to the above-mentioned increase in sales, partially offset by an increase in selling, general and administrative expenses. During the current fiscal year, there was a 19.8 billion yen positive impact from foreign exchange rate fluctuations.

The operating performance of the G&NS segment for the fiscal year ended March 31, 2018 reflected the continued demand for hardware, software and network services. The expansion of the PS4 eco-system is expected to continue throughout the fiscal year ending March 31, 2019, and Sony intends to expand the network services business during that fiscal year as the PS4 eco-system continues to be in its harvesting period.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales increased 97.9 billion yen year-on-year to 1,649.8 billion yen. This increase was primarily due to an increase in PS4 software sales, including sales through the network, as well as an increase in PS4 hardware sales, partially offset by the impact of foreign exchange rates and the impact of a price reduction for PS4 hardware.

Operating income increased 46.9 billion yen year-on-year to 135.6 billion yen. This significant increase was primarily due to PS4 hardware cost reductions and the above-mentioned increase in PS4 software sales, partially offset by the impact of the price reduction for PS4 hardware and a decrease in PS3 software sales.

Table of Contents

Music

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Sales to external customers by product category			
Recorded Music	412,718	388,948	**446,960**
Music Publishing	71,258	66,541	**74,360**
Visual Media & Platform	118,588	175,278	**263,472**
Sales to external customers	602,564	630,767	**784,792**
Intersegment sales	16,675	16,891	**15,203**
Music segment total sales	619,239	647,658	**799,995**
Music segment operating income	86,509	75,798	**127,786**

The Music segment results include the yen-translated results of SME and Sony/ATV, both U.S.-based operations which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis and the results of SMEJ, a Japan-based music company which aggregates its results in yen. The segment also includes equity in net income for EMI Music Publishing (EMI), an affiliated company accounted for under the equity method for which Sony records 39.8% of EMI s net income in the segment operating income.

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, sales increased 152.3 billion yen year-on-year to 800.0 billion yen. This significant increase was mainly due to higher Visual Media and Platform sales and higher Recorded Music sales. Visual Media and Platform sales increased due to the continued strong performance of *Fate/Grand Order*, a game application for mobile devices. Recorded Music sales increased due to a continued increase in digital streaming revenues. Best-selling music titles included P!nk s *Beautiful Trauma*, DJ Khaled s *Grateful* and Camila Cabello s *Camila*.

Operating income increased 52.0 billion yen year-on-year to 127.8 billion yen. This increase was primarily due to the impact of the above-mentioned increase in sales and the above-mentioned gain recorded on the sale of real estate.

The operating performance of the Music segment for the fiscal year ended March 31, 2018 reflected continued growth in the market for recorded music after many years of historical market decline, as the continued development and growth of digital streaming has continued to offset the decreases in physical and digital download revenues. Additionally, the music industry also faces increased margin pressure from higher artist royalty costs, as well as pressure on top line licensing rates with our digital partners. In this environment, Sony has pursued initiatives to offset the decreases in physical and digital download revenues with increased streaming, broadcast, and other licensing revenues through continued investment in new recorded music and music publishing rights. Sony intends to continue these initiatives in the fiscal year ending March 31, 2019, while also undertaking various measures to maintain the current momentum of *Fate/Grand Order* and other game applications based on animation titles.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales increased 28.4 billion yen year-on-year to 647.7 billion yen, while sales increased significantly year-on-year on a constant currency basis (as described below under Foreign Exchange Fluctuations and Risk Hedging). The significant increase in sales on a constant currency basis was due to higher Visual Media and Platform sales and higher Recorded Music sales. Visual Media and Platform sales increased due to the strong performance of *Fate/Grand Order*, a game application for mobile devices in Japan. Recorded Music sales increased due to an increase in digital streaming revenues. Best-selling music titles included Beyoncé s *Lemonade*, various hit tracks from The Chainsmokers and Sia s *This is Acting*.

Operating income decreased 10.7 billion yen year-on-year to 75.8 billion yen. Operating income decreased primarily due to the absence of the above-mentioned 151 million U.S. dollar (18.1 billion yen) gain that was recorded in the fiscal year ended March 31, 2016 on the remeasurement of SME s equity interest in The Orchard. The operating results of the Music segment were also positively impacted by the above-mentioned increase in sales, partially offset by the negative impact of the appreciation of the yen against the U.S. dollar.

Table of Contents

Pictures

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Sales to external customers by product category			
Motion Pictures	447,355	409,363	**448,945**
Television Productions	270,115	271,886	**289,024**
Media Networks	218,357	219,981	**272,204**
Sales to external customers	935,827	901,230	**1,010,173**
Intersegment sales	2,315	1,899	**894**
Pictures segment total sales	938,142	903,129	**1,011,067**
Pictures segment operating income (loss)	38,507	(80,521)	**41,110**

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

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, sales increased 107.9 billion yen year-on-year (a 10% increase on a U.S. dollar basis) to 1,011.1 billion yen. The significant increase in sales on a U.S. dollar basis was due to higher sales in Media Networks, Motion Pictures, and Television Productions. Media Networks sales increased primarily due to higher advertising and subscription revenues resulting from the acquisition of TEN Sports Network and improved ratings, both in India. Motion Pictures sales increased due to the strong worldwide theatrical performance of *Spider-Man: Homecoming* and *Jumanji: Welcome to the Jungle*, partially offset by lower television licensing revenues for catalog product. Television Productions sales increased due to higher licensing revenues for various U.S. television series including *The Goldbergs*, *The Good Doctor* and *Philip K. Dick s Electric Dreams*, partially offset by lower television licensing revenues for catalog product.

Operating income of 41.1 billion yen was recorded, compared to an operating loss of 80.5 billion yen in the fiscal year ended March 31, 2017. This significant improvement in operating results was primarily due to the absence of the 962 million U.S. dollars (112.1 billion yen) impairment charge of goodwill recorded in the fiscal year ended March 31, 2017. Operating results also improved due to the above-mentioned increase in sales, partially offset by an operating loss from TEN Sports Network, which was acquired in February 2017.

The operating performance of the Pictures segment in the fiscal year ended March 31, 2018 reflected the following underlying market trends. In the market in which Motion Pictures operates, a larger share of film revenue is concentrated in tent-pole films while demand for packaged physical media continues to decline. In this environment, Sony is working to expand the global appeal of its films, enhance developed and acquired intellectual property and maximize digital distribution revenues. In the market in which Television Productions operates, U.S. networks are continuing to seek to own more of the content broadcast on their networks. This impacts the number of series that these networks license from third-party producers such as SPE or the rights SPE retains in the series that are licensed. Sony, which does not own a major U.S. broadcast network, has been striving to build strong relationships with top content creators and major networks around the world to offset this impact. In the market in which Media Networks operates, there has been a gradual movement from a linear carriage environment that is, one in which a viewer watches a program at a particular, pre-scheduled time to a non-linear, on-demand carriage environment, which has put pressure on Media Networks carriage negotiations with distributors. As a result, Sony expects to continue to aim to differentiate its branded channels from the competition. Sony intends to continue these initiatives in the fiscal year ending March 31, 2019.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales decreased 35.0 billion yen year-on-year (a 5% increase on a U.S. dollar basis) to 903.1 billion yen, primarily due to the impact of the appreciation of the yen against the U.S. dollar. The increase in sales on a U.S. dollar basis was primarily due to higher sales for Television Productions and Media Networks. Sales for Television Productions increased primarily due to higher subscription video-on-demand licensing revenues. The increase in sales for Media Networks was due to higher advertising and subscription revenues mainly in India, Latin America and the U.S.

Table of Contents

Operating loss of 80.5 billion yen was recorded, compared to operating income of 38.5 billion yen in the fiscal year ended March 31, 2016. This significant deterioration in operating results was primarily due to the above-mentioned 962 million U.S. dollars (112.1 billion yen) impairment charge of goodwill. The operating results for the Pictures segment were also negatively impacted by higher programming and marketing expenses for Media Networks as well as higher theatrical marketing expenses for Motion Pictures.

Home Entertainment & Sound (HE&S)

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Sales to external customers by product category			
Televisions	797,764	720,557	**861,763**
Audio and Video	354,946	311,771	**357,194**
Other	2,375	1,887	**2,777**
Sales to external customers	1,155,085	1,034,215	**1,221,734**
Intersegment sales	3,957	4,789	**999**
HE&S segment total sales	1,159,042	1,039,004	**1,222,733**
HE&S segment operating income	50,558	58,504	**85,841**
	(Units in millions)		
Major product unit sales			
Televisions	12.2	12.1	**12.4**

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, sales increased 183.7 billion yen year-on-year to 1,222.7 billion yen, primarily due to an improvement in the product mix of televisions reflecting a shift to high value-added models, as well as the impact of foreign exchange rates.

Operating income increased 27.3 billion yen year-on-year to 85.8 billion yen. This increase was primarily due to the impact of the above-mentioned increase in sales and the positive impact of foreign exchange rates, partially offset by an increase in research and development, marketing and other expenses.

The operating performance of the HE&S segment for the fiscal year ended March 31, 2018 reflected the relatively stabilized television market and a continued market shift to high value-added models such as 4K televisions. In this environment, Sony expects to continue to pursue an improvement in product mix reflecting the shift to high value-added models such as 4K OLED televisions, and an enhancement of its marketing initiatives.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales decreased 120.0 billion yen year-on-year to 1,039.0 billion yen, primarily due to the impact of foreign exchange rates.

Operating income increased 7.9 billion yen year-on-year to 58.5 billion yen. This increase was primarily due to an improvement in the product mix reflecting a shift to high value-added models, partially offset by the negative impact of foreign exchange rates as well as an increase in expenses resulting from the change in the method of calculating royalties and other costs for brand and patent utilization, pursuant to the separation of Sony s businesses into distinct subsidiaries and the realignment of corporate functions.

Table of Contents

Imaging Products & Solutions (IP&S)

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Sales to external customers by product category			
Still and Video Cameras	428,777	351,834	**415,318**
Other	248,454	219,665	**231,845**
Sales to external customers	677,231	571,499	**647,163**
Intersegment sales	6,724	8,134	**8,729**
IP&S segment total sales	683,955	579,633	**655,892**
IP&S segment operating income	69,320	47,257	**74,924**
	(Units in millions)		
Major product unit sales			
Digital cameras within *Still and Video Cameras**	6.1	4.2	**4.4**

** Digital cameras include compact digital cameras and interchangeable lens cameras.*

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, sales increased 76.3 billion yen year-on-year to 655.9 billion yen. This significant increase was mainly due to the absence of the impact from the Kumamoto Earthquakes in the previous fiscal year, the impact of foreign exchange rates and an improvement in the product mix of Still and Video Cameras reflecting a shift to high value-added models.

Operating income increased 27.7 billion yen year-on-year to 74.9 billion yen. This significant increase was mainly due to the above-mentioned improvement in product mix, the positive impact of foreign exchange rates and the absence of the impact from the Kumamoto Earthquakes in the previous fiscal year.

The operating performance of the IP&S segment for the fiscal year ended March 31, 2018 reflected shrinking markets for compact digital cameras, consumer video cameras and interchangeable lens cameras. In this environment, Sony continued to strengthen its high value-added products, such as interchangeable lens cameras and lenses, and focus on high-end models within its product portfolio of compact digital cameras and consumer video cameras. Sony intends to continue these initiatives in the fiscal year ending March 31, 2019.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales decreased 104.3 billion yen year-on-year to 579.6 billion yen. This significant decrease was mainly due to the impact of foreign exchange rates and a decrease in unit sales resulting from the 2016 Kumamoto Earthquakes.

Operating income decreased 22.1 billion yen year-on-year to 47.3 billion yen. This significant decrease was mainly due to the negative impact of foreign exchange rates and the impact of the above-mentioned decrease in unit sales, partially offset by an improvement in the product mix of Still and Video Cameras reflecting a shift to high value-added models and cost reductions.

Table of Contents

Mobile Communications (MC)

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Sales to external customers	1,121,925	752,688	**713,916**
Intersegment sales	5,548	6,457	**9,826**
MC segment total sales	1,127,473	759,145	**723,742**
MC segment operating income (loss)	(61,435)	10,164	**(27,636)**
	(Units in millions)		
Major product unit sales			
Smartphones	24.9	14.6	**13.5**

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, sales decreased 35.4 billion yen year-on-year to 723.7 billion yen. This decrease was due to a decrease in smartphone unit sales.

Operating loss of 27.6 billion yen was recorded, compared to operating income of 10.2 billion yen in the fiscal year ended March 31, 2017. This deterioration in operating results was mainly due to a 31.3 billion yen loss recorded as an impairment charge against long-lived assets, the decrease in unit sales and an increase in the price of key components, partially offset by a reduction in operating costs.

The operating performance of the MC segment for the fiscal year ended March 31, 2018 reflected the continued slowing and maturation of the smartphone market on a global scale. In addition, the Japanese carrier market, where Sony sells many premium smartphones due to its brand strength, shrank mainly due to the proliferation of mobile virtual network operators, with which Sony has traditionally not had business relationships. In this environment, Sony continued to focus on increasing smartphone sales in areas outside of Japan, but these efforts were unsuccessful mainly due to fierce competition. As a result, beginning in the fiscal year ending March 31, 2019, Sony intends to reduce the quantity of unprofitable models and stabilize the segment s operating results by further reducing operating costs and by growing recurring revenue businesses, such as the internet service provider business.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales decreased 368.3 billion yen year-on-year to 759.1 billion yen. This significant decrease was primarily due to a decrease in smartphone unit sales mainly in Europe, the Middle East and Latin America, as well as a significant downsizing of unit sales in unprofitable regions.

Operating income of 10.2 billion yen was recorded, compared to an operating loss of 61.4 billion yen in the fiscal year ended March 31, 2016. Despite the impact of the above-mentioned decrease in sales, operating results improved significantly mainly due to a reduction in operating costs including the benefit of restructuring initiatives, an improvement in profitability resulting from a concentration on fewer geographic areas and a focus on high value-added models, the positive impact of foreign exchange rates, as well as a reduction in restructuring charges.

Semiconductors

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Sales to external customers	599,430	659,779	**726,892**
Intersegment sales	139,629	113,344	**123,118**
Semiconductors segment total sales	739,059	773,123	**850,010**
Semiconductors segment operating income (loss)	14,500	(7,811)	**164,023**

Table of Contents

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, sales increased 76.9 billion yen year-on-year to 850.0 billion yen. This increase was primarily due to a significant increase in unit sales of image sensors for mobile products, as well as the absence of the impact from the Kumamoto Earthquakes which resulted in a production decrease in the previous fiscal year, partially offset by a significant decrease in sales of camera modules, a business which was downsized.

Operating income of 164.0 billion yen was recorded, compared to operating loss of 7.8 billion yen in the previous fiscal year. This significant improvement in operating results was primarily due to the impact of the above-mentioned increase in sales, the 28.3 billion yen gain resulting from the sale of the entire equity interest in a manufacturing subsidiary in the camera module business, the 8.6 billion yen gain resulting from the sale of manufacturing equipment, as well as the 6.7 billion yen in insurance recoveries related to the Kumamoto Earthquakes. Additionally, in the previous fiscal year, the Semiconductors segment operating results included the above-mentioned 23.9 billion yen impairment charge against long-lived assets relating to camera modules, net charges of 15.4 billion yen in expenses resulting from the Kumamoto Earthquakes and 6.5 billion yen in inventory write-downs of certain image sensors for mobile products.

The operating performance of the Semiconductors segment for the fiscal year ended March 31, 2018 reflected continued growth in demand for image sensors for mobile products, which is currently the most important market for Sony s image sensors. This growth was largely due to increased demand for high value-added products that use these image sensors to improve their front-facing cameras, dual-lens cameras and video functionality. In this environment, Sony continued to streamline the portfolio of the Semiconductors segment to focus on image sensors, exiting from certain other businesses in the segment, including the camera modules business. Sony also continued to invest in production capacity for image sensors and increased its customer base while carefully monitoring demand. Sony intends to continue these initiatives in the fiscal year ending March 31, 2019.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, sales increased 34.1 billion yen year-on-year to 773.1 billion yen. This increase in sales was primarily due to a significant increase in unit sales of image sensors mainly for mobile products, partially offset by the impact of foreign exchange rates, a significant decrease in sales of camera modules, a business which was downsized, and the decrease in production due to the 2016 Kumamoto Earthquakes. Sales to external customers increased 10.1% year-on-year.

Operating loss of 7.8 billion yen was recorded, compared to operating income of 14.5 billion yen in the fiscal year ended March 31, 2016. This significant deterioration in operating results was primarily due to the negative impact of foreign exchange rates, the above-mentioned expenses resulting from the 2016 Kumamoto Earthquakes, and a 6.5 billion yen write-down of inventories of certain image sensors mainly for mobile products. This deterioration was partially offset by the above-mentioned year-on-year increase in sales and the decrease in impairment charges against long-lived assets related to the camera module business.

Electronics*

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

Inventory

	Fiscal year ended March 31	
	2017	**2018**
	(Yen in billions)	
Game & Network Service	81.7	**74.0**
Home Entertainment & Sound	114.1	**121.3**
Imaging Products & Solutions	62.9	**75.6**
Mobile Communications	79.5	**78.7**
Semiconductors	203.6	**240.9**
Electronics Total	541.8	**590.5**

Table of Contents

Sales to External Customers by Geographic Area

	Fiscal year ended March 31		
	2016	2017	**2018**
Japan	18.1%	20.1%	**18.1%**
United States	20.9%	22.4%	**22.4%**
Europe	28.0%	26.4%	**26.5%**
China	8.7%	10.1%	**11.4%**
Asia-Pacific (other than Japan and China)	14.9%	14.6%	**15.3%**
Other	9.4%	6.4%	**6.3%**
Electronics Total	100%	100%	**100%**

Manufacturing by Geographic Area

The following tables set forth the Electronics segments total production breakdown of in-house and outsourced production, and the breakdown of in-house production by geographic regions. Figures in parentheses indicate the percentage of products that were exported from each geographic region to other regions.

Total production breakdown of in-house and outsourced production*

	Fiscal year ended March 31	
	2017	**2018**
In-house production	63%	**63%**
Outsourced production	37%	**37%**
Electronics total	100%	**100%**

Breakdown of in-house production by geographic regions*

	Fiscal year ended March 31	
	2017	**2018**
Japan	44% (88%)	**43% (89%)**
China	33% (74%)	**20% (62%)**
Asia-Pacific (other than Japan and China)	22% (56%)	**34% (66%)**
Americas and Europe	2% (less than 5%)	**3% (20%)**
Electronics total	100%	**100%**

** Because decimals have been rounded upwards, there may be cases in which the sum of individual figures does not equal 100%.*

Financial Services

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

Key Financial Figures

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in millions)		
Financial services revenue	1,073,069	1,087,504	**1,228,377**
Financial Services segment operating income	156,543	166,424	**178,947**

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

For the fiscal year ended March 31, 2018, financial services revenue increased 140.9 billion yen year-on-year to 1,228.4 billion yen. This was primarily due to an increase in revenue at Sony Life. Revenue at Sony Life increased 128.0 billion yen year-on-year to 1,093.6 billion yen, primarily due to higher insurance premium revenue reflecting an increase in the policy amount in force.

Operating income increased 12.5 billion yen year-on-year to 178.9 billion yen primarily due to an increase in operating income at Sony Life and a decrease of equity in net loss of affiliated companies. Operating income at Sony Life increased 4.8 billion yen year-on-year to 159.1 billion yen, mainly due to a gain recorded on the sale of real estate held for investment purposes in the general account, as well as an improvement in net gains and losses on derivative transactions to hedge market risk pertaining to minimum guarantees for variable life insurance. These increases were partially offset by a year-on-year increase in amortization of deferred insurance acquisition costs, primarily driven by a decrease in interest rates in the current fiscal year compared to an increase in interest rates in the previous fiscal year.

The operating performance of the Financial Services segment for the fiscal year ended March 31, 2018 reflected the circumstances in the Japanese economy, bond market and foreign exchange market. The Japanese economy continued to recover, as global demand for information technology products continued and a stable recovery in the Japanese employment situation fueled domestic demand. However, early 2018 was marked by a growing sense of uncertainty regarding the overseas political and economic situation, causing instability in the financial markets with the yen appreciating and stock prices falling. Between April 2017 and September 2017, such factors as political uncertainty and geopolitical risk pushed down Japanese government bond (JGB) yields. On the other hand, since October 2017, debates on tax reform in the United States prompted a rise in U.S. government bond yields, which rippled outward to affect JGB yields. Furthermore, with crude oil prices beginning to trend upward, Japan s core consumer price index increased, spurring expectations among market participants that the Bank of Japan (BOJ) would lift the 10-year interest rate target defined in its quantitative and qualitative monetary easing with long- and short-term interest rate controls. However, as this situation prompted yen appreciation, the BOJ engaged in fixed-rate buying operations to curtail the rise in JGB yields, thereby indicating its stance toward continuing current levels of monetary easing. Although Sony expects the current environment to continue in the fiscal year ending March 31, 2019, Sony is continuing to pursue growth in the Financial Services segment by focusing on differentiating itself through high-quality financial products and services.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

For the fiscal year ended March 31, 2017, financial services revenue was 1,087.5 billion yen, essentially flat year-on-year. This was primarily due to an improvement in investment performance in the separate account driven by a rise in the stock market, substantially offset by a decrease in insurance premium revenue and a deterioration in investment performance in the general account, all at Sony Life. Revenue at Sony Life was 965.6 billion yen, essentially flat year-on-year.

Operating income increased 9.9 billion yen year-on-year to 166.4 billion yen primarily due to an increase in operating income at Sony Life. Operating income at Sony Life increased 15.5 billion yen year-on-year to 154.3 billion yen mainly due to decreases in the amortization of deferred insurance acquisition costs and the provision of policy reserves, primarily driven by an increase in interest rates and the improvement in the stock market, partially offset by a decline in net gains on sales of securities in the general account.

Information on Operations Separating Out the Financial Services Segment

The following schedules show unaudited condensed statements of income for the Financial Services segment and all other segments excluding Financial Services. These presentations are not in accordance with U.S. GAAP, which is used by Sony to prepare its consolidated financial statements. However, because the Financial Services segment is different in nature from Sony s other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony s consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, then eliminated in the consolidated figures shown below.

Table of Contents

Financial Services segment	Fiscal year ended March 31 2016	2017	2018
	(Yen in millions)		
Financial services revenue	1,073,069	1,087,504	**1,228,377**
Financial services expenses	914,508	917,365	**1,049,305**
Other operating expenses, net	1,373	114	**64**
	915,881	917,479	**1,049,369**
Equity in net loss of affiliated companies	(645)	(3,601)	**(61)**
Operating income	156,543	166,424	**178,947**
Other income (expenses), net			
Income before income taxes	156,543	166,424	**178,947**
Income taxes	37,689	47,604	**51,825**
Net income	118,854	118,820	**127,122**
Less Net income attributable to noncontrolling interests	52	107	**201**
Net income of Financial Services	118,802	118,713	**126,921**

Sony without Financial Services segment	Fiscal year ended March 31 2016	2017	2018
	(Yen in millions)		
Net sales and operating revenue	7,044,415	6,527,499	**7,329,755**
Costs of sales	5,176,143	4,761,541	**5,199,748**
Selling, general and administrative	1,687,715	1,501,957	**1,578,716**
Other operating expense, net	45,793	148,887	**4,008**
	6,909,651	6,412,385	**6,782,472**
Equity in net income of affiliated companies	2,883	7,164	**8,630**
Operating income	137,647	122,278	**555,913**
Other income (expenses), net	20,755	(22,728)	**(20,738)**
Income before income taxes	158,402	99,550	**535,175**
Income taxes	57,101	76,454	**99,945**
Net income	101,301	23,096	**435,230**
Less Net income attributable to noncontrolling interests	14,350	8,502	**9,311**
Net income of Sony without Financial Services	86,951	14,594	**425,919**

Consolidated	Fiscal year ended March 31 2016	2017	2018
	(Yen in millions)		

Financial services revenue	1,066,319	1,080,284	**1,221,235**
Net sales and operating revenue	7,039,393	6,522,966	**7,322,747**
	8,105,712	7,603,250	**8,543,982**
Costs of sales	5,166,894	4,753,010	**5,188,259**
Selling, general and administrative	1,691,930	1,505,956	**1,583,197**
Financial services expenses	907,758	910,144	**1,042,163**
Other operating expenses	47,171	149,001	**4,072**
	7,813,753	7,318,111	**7,817,691**
Equity in net income of affiliated companies	2,238	3,563	**8,569**
Operating income	294,197	288,702	**734,860**
Other income (expenses), net	10,307	(37,083)	**(35,811)**
Income before income taxes	304,504	251,619	**699,049**
Income taxes	94,789	124,058	**151,770**
Net income	209,715	127,561	**547,279**
Less Net income attributable to noncontrolling interests	61,924	54,272	**56,485**
Net income attributable to Sony Corporation s Stockholders	147,791	73,289	**490,794**

43

Table of Contents

All Other

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

Sales for the fiscal year ended March 31, 2018 decreased 43.3 billion yen year-on-year to 407.2 billion yen. This decrease in sales was primarily due to a decrease in sales in the battery business.

Operating loss for the fiscal year ended March 31, 2018 decreased 6.1 billion yen year-on-year to 23.5 billion yen. This decrease was primarily due to the absence of a 42.3 billion yen impairment charge related to the transfer of the battery business recorded in the previous fiscal year, partially offset by the absence of a gain of 37.2 billion yen from the sale of certain shares of M3 recorded in the previous fiscal year.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

Sales for the fiscal year ended March 31, 2017 decreased 89.7 billion yen year-on-year to 450.5 billion yen. This significant decrease in sales was primarily due to the impact of foreign rates and a decrease in sales in the battery business, as well as the disc manufacturing business resulting from the contraction of the market.

Operating loss for the fiscal year ended March 31, 2017 decreased 11.7 billion yen year-on-year to 29.6 billion yen. This decrease was primarily due to the absence of the 30.6 billion yen impairment charge related to long-lived assets of the battery business recorded in the fiscal year ended March 31, 2016 and the above-mentioned gain from the sale of certain shares of M3, partially offset by an impairment charge related to the planned transfer of the battery business and the impact of the above-mentioned decrease in sales.

Restructuring

In a highly competitive landscape, Sony has continued to make efforts to revitalize its Electronics businesses and has undertaken a number of restructuring initiatives including exiting businesses or product categories, headcount reduction programs, and streamlining of its sales and administrative functions. For example, during the fiscal year ended March 31, 2018, Sony transferred its battery business to the Murata Manufacturing Co., Ltd. Group. In accordance with the transfer, Sony classified certain assets and liabilities related to the battery business as held for sale and, as a result of the fair value valuation of these assets and liabilities, recorded impairment losses of 42.3 billion yen in other operating expenses (net) in the fiscal year ended March 31, 2017. In an effort to optimize the organization and improve the performance of its businesses, Sony implemented a number of restructuring initiatives, primarily within the Music segment, targeting effectiveness and cost reduction in the fiscal year ended March 31, 2018.

Sony believes the competitive environment will continue to be difficult, and therefore plans to be vigilant with respect to the scale of its businesses and to changes in the environment. Sony will continue to evaluate the cost and profit structure of its businesses and continue to take action to reduce cost where Sony believes appropriate.

The chart below shows the restructuring charges, which include non-cash charges related to depreciation associated with restructured assets, recorded in the fiscal years ended March 31, 2016, 2017 and 2018. For further details, refer to Note 19 of the consolidated financial statements.

	Fiscal year ended March 31		
	2016	2017	**2018**

		(Yen in millions)	
Restructuring charges	38,259	60,215	**22,405**

Foreign Exchange Fluctuations and Risk Hedging

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

During the fiscal year ended March 31, 2018, the average rates of the yen were 110.9 yen against the U.S. dollar and 129.7 yen against the euro, which were 2.5 yen and 10.9 yen lower, respectively, than the fiscal year ended March 31, 2017. For the latest yen exchange rates per U.S. dollar, refer to Selected Financial Data in Item 3. *Key Information.*

For the fiscal year ended March 31, 2018, consolidated sales increased 940.7 billion yen (12%) year-on-year to 8,544.0 billion yen. On a constant currency basis, sales increased approximately 9% year-on-year.

Consolidated operating income increased 446.2 billion yen year-on-year to 734.9 billion yen. The foreign exchange fluctuations had a positive impact on the consolidated operating results mainly in Electronics.

Table of Contents

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

During the fiscal year ended March 31, 2017, the average rates of the yen were 108.4 yen against the U.S. dollar and 118.8 yen against the euro, which were 11.7 yen and 13.8 yen higher, respectively, than the fiscal year ended March 31, 2016. For the latest yen exchange rates per U.S. dollar, refer to Selected Financial Data in Item 3. *Key Information.*

For the fiscal year ended March 31, 2017, consolidated sales decreased 502.4 billion yen (6.2%) year-on-year to 7,603.3 billion yen. On a constant currency basis, sales were essentially flat year-on-year.

Consolidated operating income decreased 5.5 billion yen year-on-year to 288.7 billion yen. The foreign exchange fluctuations had a negative impact on the consolidated operating results mainly in Electronics.

The table below indicates the foreign exchange impact on sales and operating results in each of the Electronics segments. For further details, refer to *Operating Performance by Business Segment* which discusses the impact of foreign exchange rates within segments and categories where foreign exchange rate fluctuations had a significant impact.

		Fiscal year ended March 31			**Impact of changes in foreign exchange rates**	
		2016	2017	**2018**	2016 to 2017	**2017 to 2018**
		(Yen in billions)				
G&NS	Sales	1,551.9	1,649.8	**1,943.8**	-144.2	**+82.5**
	Operating income	88.7	135.6	**177.5**	-2.2	**+19.8**
HE&S	Sales	1,159.0	1,039.0	**1,222.7**	-111.3	**+56.4**
	Operating income	50.6	58.5	**85.8**	-13.4	**+22.8**
IP&S	Sales	684.0	579.6	**655.9**	-55.1	**+22.9**
	Operating income	69.3	47.3	**74.9**	-26.5	**+11.6**
MC	Sales	1,127.5	759.1	**723.7**	-37.8	**+16.1**
	Operating income (loss)	(61.4)	10.2	**(27.6)**	+26.1	**-5.3**
Semiconductors	Sales	739.1	773.1	**850.0**	-76.3	**+20.8**
	Operating income (loss)	14.5	(7.8)	**164.0**	-43.7	**+11.7**

During the fiscal year ended March 31, 2018, sales for the Music segment increased 24% year-on-year to 800.0 billion yen, while sales increased approximately 22% year-on-year on a constant currency basis. In the Pictures segment, sales increased 12% year-on-year to 1,011.1 billion yen, while sales increased approximately 10% on a U.S. dollar basis. During the fiscal year ended March 31, 2017, sales for the Music segment increased 4.6% year-on-year to 647.7 billion yen, while sales increased approximately 11% year-on-year on a constant currency basis. In the Pictures segment, sales decreased 3.7% year-on-year to 903.1 billion yen, while sales increased approximately 5% on a U.S. dollar basis. For a detailed analysis of segment performance, refer to the Music and Pictures segments under *Operating Performance by Business Segment.* Sony s Financial Services segment consolidates the yen-based results of SFH. As most of the operations in this segment are based in Japan, Sony management analyzes the performance of the Financial Services segment on a yen basis only.

During the fiscal year ended March 31, 2018, Sony estimated that a one yen appreciation against the U.S. dollar would have decreased Electronics sales by approximately 21 billion yen, with an increase in operating income of approximately 3.5 billion yen. A one yen appreciation against the euro was estimated to decrease Electronics sales by approximately 9.5 billion yen, with a corresponding decrease in operating income of approximately 5.5 billion yen. For more details, refer to Risk Factors in Item 3. Key Information.

Sony s consolidated results are subject to foreign currency rate fluctuations primarily due to different currency composition of revenue and costs. In the G&NS segment, a significant proportion of costs is incurred in U.S. dollars but sales are recorded in Japanese yen, U.S. dollars or euros. As a result, the yen appreciation against the U.S. dollar has a positive impact on operating income while the yen appreciation against the euro has a negative impact. In the HE&S segment, yen appreciation against emerging market currencies has a negative impact on operating income, but yen appreciation against the U.S. dollar has a positive impact on operating income due to a high proportion of manufacturing costs being incurred in U.S. dollars. In the IP&S segment, there is a relatively high proportion of costs in yen, while a large proportion of sales is in emerging markets; therefore, yen appreciation against the currencies of emerging markets, particularly the Chinese yuan, has a negative impact on operating income. In the MC segment, the proportion of sales in yen is relatively high, but a significant proportion of manufacturing and procurement costs is incurred in U.S. dollars. Therefore, yen appreciation against the U.S. dollar has a positive impact on operating income. In the Semiconductors segment, a significant proportion of sales contracts are denominated in U.S. dollars, but manufacturing operations are located in Japan, and, therefore, yen appreciation against the U.S. dollar has a significantly negative impact on operating income.

In order to reduce the risk caused by foreign exchange rate fluctuations, Sony employs derivatives, including foreign exchange forward contracts and foreign currency option contracts, in accordance with a consistent risk management strategy. Such derivatives are used primarily to mitigate the effect of foreign currency exchange rate fluctuations on cash flows generated or anticipated by Sony s transactions and accounts receivable and payable denominated in foreign currencies.

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

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

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in accumulated other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. Foreign exchange forward contracts, foreign currency option contracts and other derivatives that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses. The notional amount of all the foreign exchange derivative contracts as of March 31, 2017 and 2018 was 2,567.7 billion yen and 2,420.6 billion yen, respectively. The net fair value of all the foreign exchange derivative contracts as of March 31, 2017 and 2018 was an asset of 9.4 billion yen and 15.2 billion yen, respectively. Refer to Note 14 of the consolidated financial statements.

* Note: In this section, the impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen s periodic weighted average exchange rates for the previous fiscal year from the current fiscal year to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. Additionally, the MC segment enters into its own foreign exchange hedging transactions. The impact of those transactions is included in the impact of foreign exchange rate fluctuations on operating income (loss) for that segment. The descriptions of sales on a constant currency basis reflects sales obtained by applying the yen s monthly average exchange rates from the fiscal year ended March 31, 2016 and 2017 to local currency-denominated monthly sales in the fiscal years ended March 31, 2017 and 2018, respectively. For Sony Music Entertainment and Sony/ATV Music Publishing in the Music segment, and in the Pictures segment, the constant currency amounts are calculated by applying the monthly average U.S. dollar / yen exchange rates after aggregation on a U.S. dollar basis. This

information is not a substitute for Sony s consolidated financial statements measured in accordance with U.S. GAAP. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

Table of Contents

Assets, Liabilities and Stockholders Equity

The following schedules show unaudited condensed balance sheets for the Financial Services segment and all other segments excluding Financial Services. These presentations are not in accordance with U.S. GAAP, which is used by Sony to prepare its consolidated financial statements. However, because the Financial Services segment is different in nature from Sony s other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony s consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, then eliminated in the consolidated figures shown below.

	Financial Services		Sony without Financial Services		Consolidated	
	March 31 2017	**March 31 2018**	March 31 2017	**March 31 2018**	March 31 2017	**March 31 2018**
			(Yen in millions)			
Assets						
Current assets:						
Cash and cash equivalents (*1)	268,382	**393,133**	691,760	**1,193,196**	960,142	**1,586,329**
Marketable securities (*2)	1,051,441	**1,176,601**			1,051,441	**1,176,601**
Notes and accounts receivable, trade	10,931	**15,612**	947,602	**1,003,558**	953,811	**1,012,779**
Inventories			640,835	**692,937**	640,835	**692,937**
Other receivables	56,807	**60,819**	167,127	**130,393**	223,632	**190,706**
Prepaid expenses and other current assets	112,085	**137,539**	414,420	**379,893**	525,861	**516,744**
Total current assets	1,499,646	**1,783,704**	2,861,744	**3,399,977**	4,355,722	**5,176,096**
Film costs			336,928	**327,645**	336,928	**327,645**
Investments and advances (*3)	9,904,576	**10,560,933**	285,965	**272,545**	10,111,793	**10,756,058**
Investments in Financial Services, at cost			133,514	**133,514**		
Property, plant and equipment	21,323	**22,424**	735,590	**715,760**	758,199	**739,470**
Other assets:						
Intangibles, net	30,643	**34,622**	553,542	**492,546**	584,185	**527,168**
Goodwill	2,375	**7,225**	520,163	**523,267**	522,538	**530,492**
Deferred insurance acquisition costs	568,837	**586,670**			568,837	**586,670**
Deferred income taxes	1,868	**1,684**	97,090	**95,088**	98,958	**96,772**
Other	34,607	**33,267**	292,529	**295,650**	323,396	**325,167**
Total other assets	638,330	**663,468**	1,463,324	**1,406,551**	2,097,914	**2,066,269**
Total assets	12,063,875	**13,030,529**	5,817,065	**6,255,992**	17,660,556	**19,065,538**

Liabilities and Equity						
Current liabilities:						
Short-term borrowings (*4)	411,643	**433,119**	106,437	**288,496**	518,079	**721,615**
Notes and accounts payable, trade			539,900	**468,550**	539,900	**468,550**
Accounts payable, other and accrued expenses	31,486	**37,479**	1,364,042	**1,477,875**	1,394,758	**1,514,433**
Accrued income and other taxes	13,512	**19,401**	92,525	**126,504**	106,037	**145,905**
Deposits from customers in the banking business	2,071,091	**2,159,246**			2,071,091	**2,159,246**
Other	173,853	**181,467**	422,916	**435,996**	591,874	**610,792**
Total current liabilities	2,701,585	**2,830,712**	2,525,820	**2,797,421**	5,221,739	**5,620,541**
Long-term debt (*4)	75,511	**205,373**	609,692	**421,817**	681,462	**623,451**
Accrued pension and severance costs	31,289	**33,062**	365,427	**361,442**	396,715	**394,504**
Deferred income taxes	317,043	**342,405**	115,781	**107,458**	432,824	**449,863**
Future insurance policy benefits and other (*5)	4,834,492	**5,221,772**			4,834,492	**5,221,772**
Policyholders account in the insurance business	2,631,073	**2,820,702**			2,631,073	**2,820,702**
Other	21,825	**17,778**	317,980	**284,270**	314,771	**278,338**
Total liabilities	10,612,818	**11,471,804**	3,934,700	**3,972,408**	14,513,076	**15,409,171**
Redeemable noncontrolling interest			12,058	**9,210**	12,058	**9,210**
Equity:						
Stockholders equity of Financial Services	1,449,605	**1,557,062**				
Stockholders equity of Sony without Financial Services			1,770,632	**2,173,128**		
Sony Corporation s stockholders equity					2,497,246	**2,967,366**
Noncontrolling interests	1,452	**1,663**	99,675	**101,246**	638,176	**679,791**
Total Equity	1,451,057	**1,558,725**	1,870,307	**2,274,374**	3,135,422	**3,647,157**
Total liabilities and equity	12,063,875	**13,030,529**	5,817,065	**6,255,992**	17,660,556	**19,065,538**

47

Table of Contents

*1 Refer to Cash Flow section below for details regarding the year-on-year increases in cash and cash equivalents as of March 31, 2018 in the Financial Services segment and for all segments excluding Financial Services segment.

*2 Marketable securities as of March 31, 2018 in the Financial Services segment increased year-on-year due to increases in the amount of marketable securities mainly at Sony Life.

*3 Investments and advances as of March 31, 2018 in the Financial Services segment increased year-on-year due to increases in investments and advances mainly at Sony Life.

*4 In all segments excluding the Financial Services segment, short-term borrowings as of March 31, 2018 increased year-on-year while long-term debt decreased year-on-year. These changes were mainly due to conversions from long-term debt to short-term borrowings for long-term debts whose repayment terms had become shorter than one year. In the Financial Services segment, long-term debt increased year-on-year due to an increase in long-term debt mainly at Sony Bank.

*5 Future insurance policy benefits and others as of March 31, 2018 in the Financial Services segment increased year-on-year due to an increase in future insurance policy benefits mainly at Sony Life.

Investments

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

	March 31, 2018			
	Cost	Unrealized gain	Unrealized loss	Fair market value
	(Yen in millions)			
Financial Services Business:				
Available-for-sale				
Debt securities				
Sony Life	1,299,105	190,736	(4,202)	1,485,639
Sony Bank	669,317	4,223	(1,185)	672,355
Other	63,181	94	(28)	63,247
Equity securities				
Sony Life	25,459	17,196	(264)	42,391
Sony Bank				
Other	413	2,611		3,024
Held-to-maturity				
Debt securities				
Sony Life	6,463,675	1,643,497	(56,528)	8,050,644
Sony Bank	200	1		201
Other	79,079	17,186	(322)	95,943
Total Financial Services	8,600,429	1,875,544	(62,529)	10,413,444
Non-Financial Services:				
Available-for-sale securities	29,804	51,916	(512)	81,208

Held-to-maturity securities				
Total Non-Financial Services	29,804	51,916	(512)	81,208
Consolidated	8,630,233	1,927,460	(63,041)	10,494,652

At March 31, 2018, Sony Life had debt and equity securities with gross unrealized losses of 61.0 billion yen. Of the unrealized loss, 94.7% related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2018. Sony Life principally invests in Japanese and foreign government and corporate bonds. Almost all of the debt securities in which Sony Life invested were rated higher than or equal to BBB or its equivalent by Standard & Poor s Ratings Services (S&P), Moody s Investors Service (Moody s) or other rating agencies.

At March 31, 2018, Sony Bank had debt securities with gross unrealized losses of 1.2 billion yen. Of the unrealized loss, 93.2% related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2018. Sony Bank principally invests in Japanese government bonds, Japanese corporate bonds and foreign bonds. Almost all of these securities were rated higher than or equal to BBB or its equivalent by S&P, Moody s or other rating agencies.

Table of Contents

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

For fixed maturity securities with unrecognized losses held by Sony Life as of March 31, 2018 (60.7 billion yen), maturity dates vary as follows:

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

For fixed maturity securities with unrecognized losses held by Sony Bank as of March 31, 2018 (1.2 billion yen), maturity dates vary as follows:

Within 1 year:	15.1%
1 to 5 years:	65.1%
5 to 10 years:	1.9%
above 10 years:	17.9%

For the fiscal years ended March 31, 2016, 2017 and 2018, Sony Life recorded net realized gains on available-for-sale securities of 19.3 billion yen, 1.3 billion yen and 0 billion yen, respectively.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other issued by a number of non-public companies. The aggregate carrying amount of the investments in non-public companies at March 31, 2018 was 52.4 billion yen. A non-public equity investment is primarily valued at cost if fair value is not readily determinable. If the value is estimated to have declined and such decline is judged to be other-than-temporary, the impairment of the investment is recognized immediately and the carrying value is reduced to its fair value.

For the fiscal years ended March 31, 2016, 2017 and 2018, total realized impairment losses were 3.6 billion yen, 7.6 billion yen and 5.2 billion yen, respectively, of which 0.1 billion yen, 0.05 billion yen and 0.2 billion yen, respectively, were recorded in financial services revenue by the subsidiaries in the Financial Services segment. Realized impairment losses recorded other than by subsidiaries in the Financial Services segment in each of the three fiscal years were reflected in non-operating expenses and primarily relate to certain strategic investments in non-Financial Services businesses. These investments primarily relate to certain strategic investments in Japan and the U.S. with which Sony has strategic relationships for the purposes of developing and marketing new technologies. Impairment losses were recorded for each of the three fiscal years as certain companies failed to successfully develop and market such technology, resulting in the operating performance of these companies being more unfavorable than previously expected. As a result the decline in the fair value of these companies was judged as other-than-temporary. None of these impairment losses were individually material to Sony.

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

Sony Life and Sony Bank s investments constitute the majority of the investments in the Financial Services segment. As of March 31, 2018, Sony Life and Sony Bank account for approximately 92% and 7% of the investments in the Financial Services segment, respectively.

Cash Flows

Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017:

Operating Activities: During the fiscal year ended March 31, 2018, there was a net cash inflow of 1,255.0 billion yen from operating activities, an increase of 445.7 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 771.7 billion yen, an increase of 325.9 billion yen year-on-year. This increase was primarily due to an increase in net income after taking into account non-cash adjustments (including depreciation and amortization, gain on sales of securities investments and other operating income (expense)) and an increase in accrued expenses in other current liabilities.

The Financial Services segment had a net cash inflow of 498.6 billion yen, an increase of 122.4 billion yen year-on-year. This increase was primarily due to an increase in insurance premium revenue at Sony Life.

Investing Activities: During the fiscal year ended March 31, 2018, Sony used 822.2 billion yen of net cash in investing activities, a decrease of 431.8 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 163.1 billion yen, a decrease of 136.3 billion yen year-on-year. This decrease was mainly due to a decrease in payments for fixed asset purchases such as semiconductor manufacturing equipment, as well as a year-on-year increase in cash proceeds from the sales of fixed assets and businesses, such as the battery business.

The Financial Services segment used 659.3 billion yen of net cash, a decrease of 293.9 billion yen year-on-year. This decrease was mainly due to a year-on-year decrease in payments for investments and advances at Sony Life and Sony Bank.

In all segments excluding the Financial Services segment, net cash generated in operating and investing activities combined* for the fiscal year ended March 31, 2018 was 608.6 billion yen, a year-on-year increase of 462.2 billion yen.

Financing Activities: Net cash provided by financing activities during the fiscal year ended March 31, 2018, was 246.5 billion yen, a decrease of 205.8 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a 54.1 billion yen net cash outflow, a decrease of 119.3 billion yen year-on-year. This decrease was mainly due to a year-on-year decrease in the repayment of long-term debt, as well as the absence of the payment for the purchase of Sony/ATV shares from the Estate in the fiscal year ended March 31, 2017. On the other hand, during the fiscal year ended March 31, 2017, Sony raised capital from the issuance of straight bonds.

In the Financial Services segment, there was a 285.4 billion yen net cash inflow, a decrease of 326.2 billion yen year-on-year. This decrease was primarily due to a decrease in short-term borrowings at Sony Life.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2018 was 1,586.3 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 1,193.2 billion yen at March 31, 2018, an increase of 501.4 billion yen compared with the balance as of March 31, 2017. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 393.1 billion yen at March 31, 2018, an increase of 124.8 billion yen compared with the balance as of March 31, 2017.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016:

Operating Activities: During the fiscal year ended March 31, 2017, there was a net cash inflow of 809.3 billion yen from operating activities, an increase of 60.2 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 445.8 billion yen, an increase of 183.0 billion yen year-on-year. This increase was primarily due to an increase in net income after taking into account non-cash adjustments (including depreciation and amortization, gain on sales of securities investments and other operating income (expense)) and a decrease of inventories, compared to an increase in the fiscal year ended March 31, 2016.

The Financial Services segment had a net cash inflow of 376.2 billion yen, a decrease of 119.1 billion yen year-on-year. This decrease was primarily due to a decrease in net income after taking into account a net gain or loss on revaluation of marketable securities held for trading purposes.

Investing Activities: During the fiscal year ended March 31, 2017, Sony used 1,254.0 billion yen of net cash in investing activities, an increase of 223.6 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 299.4 billion yen, a decrease of 35.5 billion yen year-on-year. This decrease was mainly due to a decrease in payments for fixed asset purchases such as semiconductor manufacturing equipment.

The Financial Services segment used 953.2 billion yen of net cash, an increase of 259.2 billion yen year-on-year. This increase was mainly due to a year-on-year decrease in proceeds from sales or return of investments and collections of advances at Sony Life.

Table of Contents

In all segments excluding the Financial Services segment, net cash generated in operating and investing activities combined* for the fiscal year ended March 31, 2017 was 146.3 billion yen, a 218.5 billion yen improvement from net cash used in the fiscal year ended March 31, 2016.

Financing Activities: Net cash provided by financing activities during the fiscal year ended March 31, 2017, was 452.3 billion yen, an increase of 72.2 billion yen year-on-year.

For all segments excluding the Financial Services segment, there was a 173.4 billion yen net cash outflow, compared to a 144.8 billion yen net cash inflow in the fiscal year ended March 31, 2016. During the fiscal year ended March 31, 2017, there was a net cash outflow as Sony redeemed long-term debt and made a payment for the acquisition of the 50% equity interest in Sony/ATV previously owned by the Estate, making Sony/ATV a wholly-owned subsidiary of Sony, partially offset by the issuance of straight bonds by Sony. During the fiscal year ended March 31, 2016, Sony issued new stock and convertible bonds.

In the Financial Services segment, there was a 611.6 billion yen net cash inflow, an increase of 386.7 billion yen year-on-year. This increase was primarily due to an increase in short-term borrowings at Sony Life and a larger year-on-year increase in deposits from customers at Sony Bank.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2017 was 960.1 billion yen. Cash and cash equivalents of all segments excluding the Financial Services segment was 691.8 billion yen at March 31, 2017, a decrease of 58.2 billion yen compared with the balance as of March 31, 2016. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 268.4 billion yen at March 31, 2017, an increase of 34.7 billion yen compared with the balance as of March 31, 2016.

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

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

	Fiscal year ended March 31		
	2016	2017	**2018**
		(Yen in billions)	

Net cash provided by operating activities reported in the consolidated statements of cash flows	749.1	809.3	**1,255.0**
Net cash used in investing activities reported in the consolidated statements of cash flows	(1,030.4)	(1,254.0)	**(822.2)**
(1)	(281.3)	(444.7)	**432.8**
Less: Net cash provided by operating activities within the Financial Services segment (2)	495.3	376.2	**498.6**
Less: Net cash used in investing activities within the Financial Services segment (3)	(694.0)	(953.2)	**(659.3)**
Eliminations**(4)	10.5	14.1	**15.1**
Cash flow generated by operating and investing activities combined excluding the Financial Services segment s activities (1) - (2) - (3) + (4)	(72.1)	146.3	**608.6**

** Eliminations primarily consist of intersegment dividend payments

Table of Contents

Information on Cash Flows Separating Out the Financial Services Segment

The following schedules show unaudited condensed statements of cash flows for the Financial Services segment and all other segments excluding Financial Services. These presentations are not in accordance with U.S. GAAP, which is used by Sony to prepare its consolidated financial statements. However, because the Financial Services segment is different in nature from Sony s other segments, Sony believes that a comparative presentation may be useful in understanding and analyzing Sony s consolidated financial statements. Transactions between the Financial Services segment and Sony without the Financial Services segment, including noncontrolling interests, are included in those respective presentations, then eliminated in the consolidated figures shown below.

	Fiscal year ended March 31								
	Financial Services			Sony without Financial Services			Consolidated		
	2016	2017	**2018**	2016	2017	**2018**	2016	2017	**2018**
	(Yen in millions)								
ash flows rom perating ctivities:									
Net income loss)	118,854	118,820	**127,122**	101,301	23,096	**435,230**	209,715	127,561	**547,279**
Adjustments o reconcile et income loss) to net ash provided y (used in) perating ctivities:									
Depreciation nd mortization, ncluding mortization f deferred nsurance cquisition osts	102,270	47,056	**79,843**	294,821	279,992	**281,601**	397,091	327,048	**361,444**
Amortization f film costs				299,587	297,505	**359,274**	299,587	297,505	**359,274**
Other perating income) xpense, net	1,373	114	**64**	45,793	148,887	**4,008**	47,171	149,001	**4,072**
Gain) loss n sale or	2,653	47	**220**	(48,857)	7,404	**3,438**	(46,204)	7,451	**3,658**

levaluation of securities investments, net									
Gain) loss on evaluation of marketable ecurities eld for rading purposes, net	44,821	(55,789)	**(47,339)**				44,821	(55,789)	**(47,339)**
Changes in ssets and iabilities:									
Increase) lecrease in otes and ccounts eceivable, rade	(2,478)	(1,163)	**(3,880)**	(6,080)	(37,148)	**(77,793)**	(5,828)	(37,529)	**(80,004)**
Increase) lecrease in nventories				(57,804)	11,199	**(51,508)**	(57,804)	11,199	**(51,508)**
Increase) lecrease in ilm costs				(318,391)	(331,179)	**(362,496)**	(318,391)	(331,179)	**(362,496)**
ncrease decrease) in otes and ccounts ayable, trade				(49,525)	(1,386)	**(87,939)**	(49,525)	(1,386)	**(87,939)**
ncrease decrease) in uture nsurance olicy enefits and ther	403,392	433,803	**495,419**				403,392	433,803	**495,419**
Increase) lecrease in leferred nsurance cquisition osts	(83,774)	(93,234)	**(86,779)**				(83,774)	(93,234)	**(86,779)**
Increase) lecrease in narketable ecurities eld for rading	(107,433)	(81,456)	**(89,797)**				(107,433)	(81,456)	**(89,797)**

purposes									
Other	15,605	8,031	**23,714**	1,938	47,400	**267,836**	16,271	56,267	**289,688**
Net cash provided by (used in) operating activities	495,283	376,229	**498,587**	262,783	445,770	**771,651**	749,089	809,262	**1,254,972**
Cash flows from investing activities:									
Payments for purchases of fixed assets	(8,495)	(12,296)	**(13,386)**	(366,916)	(321,200)	**(249,770)**	(375,411)	(333,509)	**(262,989)**
Payments for investments and advances	(1,219,623)	(1,232,059)	**(963,210)**	(20,831)	(17,106)	**(13,801)**	(1,241,923)	(1,250,498)	**(977,011)**
Proceeds from sales or return of investments and collections of advances	534,072	289,901	**317,159**	81,535	16,078	**6,596**	615,607	305,979	**323,755**
Other	15	1,262	**162**	(28,688)	22,793	**93,887**	(28,676)	24,055	**94,048**
Net cash provided by (used in) investing activities	(694,031)	(953,192)	**(659,275)**	(334,900)	(299,435)	**(163,088)**	(1,030,403)	(1,253,973)	**(822,197)**
Cash flows from financing activities:									
Increase (decrease) in borrowings, net	76,841	358,010	**140,055**	(236,289)	(46,516)	**(24,379)**	(159,440)	311,223	**115,676**
Increase (decrease) in deposits from customers, net	165,169	277,152	**169,479**				165,169	277,152	**169,479**
Dividends paid	(17,400)	(23,926)	**(23,921)**	(12,751)	(25,301)	**(28,490)**	(12,751)	(25,301)	**(28,490)**
Other	312	408	**(174)**	393,791	(101,608)	**(1,214)**	387,144	(110,772)	**(10,209)**

Net cash provided by (used in) financing activities	224,922	611,644	**285,439**	144,751	(173,425)	**(54,083)**	380,122	452,302	**246,456**
Effect of exchange rate changes on cash and cash equivalents				(64,609)	(31,061)	**(53,044)**	(64,609)	(31,061)	**(53,044)**
Net increase (decrease) in cash and cash equivalents	26,174	34,681	**124,751**	8,025	(58,151)	**501,436**	34,199	(23,470)	**626,187**
Cash and cash equivalents at beginning of the fiscal year	207,527	233,701	**268,382**	741,886	749,911	**691,760**	949,413	983,612	**960,142**
Cash and cash equivalents at end of the fiscal year	233,701	268,382	**393,133**	749,911	691,760	**1,193,196**	983,612	960,142	**1,586,329**

Table of Contents

B. Liquidity and Capital Resources

The description below covers basic financial policy and figures for Sony s consolidated operations except for the Financial Services segment and So-net Media Networks Corporation, which secure liquidity on their own. Furthermore, the Financial Services segment is described separately at the end of this section.

Liquidity Management and Market Access

An important financial objective of Sony is to maintain the strength of its balance sheet, while securing adequate liquidity for business activities. Sony defines its liquidity sources as the amount of cash and cash equivalents (cash balance) (excluding restrictions on capital transfers mainly due to national regulations) and the unused amount of committed lines of credit.

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

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

In order to meet working capital requirements, Sony Corporation and SGTS maintain Commercial Paper (CP) programs that have the ability to access the Japanese, U.S. and European CP markets, subject to prevailing market conditions. Although the borrowing limits under the CP program, translated into yen, were 8,187 billion yen in total for Sony Corporation and SGTS as of March 31, 2018, there were no amounts outstanding under the CP programs as of and during the fiscal year ended March 31, 2017. On April 10, 2018, Sony Capital Corporation (SCC), a subsidiary in the U.S., established a 2 billion U.S. dollar CP program for the purpose of flexibly securing short-term working capital in the U.S.

Sony typically raises funds through straight bonds, CP programs and bank loans (including syndicated loans). If market disruption and volatility occur and Sony could not raise sufficient funds from these sources, Sony may also draw down funds from contractually committed lines of credit from various financial institutions. Sony has a total, translated into yen, of 459.4 billion yen in unused committed lines of credit, as of March 31, 2018. Details of those committed lines of credit are: a 300.0 billion yen committed line of credit contracted with a syndicate of Japanese banks and a 1.5 billion U.S. dollar multi-currency committed line of credit also with a syndicate of Japanese banks. The above-mentioned 300.0 billion yen committed line with a syndicate of Japanese banks was renewed as of April 2, 2018, will remain in effect until July 2020 and was decreased to 275.0 billion yen. The above-mentioned 1.5 billion U.S. dollar committed line with a syndicate of Japanese banks was renewed as of April 2, 2018, will remain in effect until December 2023 and was increased to 1.7 billion U.S. dollars. In addition, a 525 million U.S. dollar multi-currency committed line of credit contracted with a syndicate of foreign banks expired at the end of March 2018, was renewed as of April 2, 2018 and will remain in effect until March 2020. In all of the above-mentioned committed lines, Sony Corporation and SGTS are defined as borrowers. In the above-mentioned multi-currency committed line with a syndicate of Japanese banks, SCC was also defined as a borrower as of April 2, 2018. These contracts are aimed at securing sufficient liquidity in a quick and stable manner even in the event of turmoil within the financial and capital markets.

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

Ratings

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

Table of Contents

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

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

Cash Management

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

Financial Services segment

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

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

C. Research and Development

Through the key themes of KANDO to move people emotionally and getting closer to people, Sony plans to continue to conduct R&D based on the spirit of innovation and challenge detailed in its Founding Prospectus. While continuing its R&D efforts to enhance product strength for Branded Hardware, comprised of the HE&S, IP&S and MC segments that bear the Sony brand, Sony will also strive to expand the G&NS ecosystem, which combines hardware and network services, and to expand the use of technology in B2B areas such as entertainment and Financial Services. In the Semiconductors segment, Sony plans to strengthen its sensing technology through continued R&D efforts.

Sony has engaged in the separation of business units into distinct subsidiaries across the Sony Group, in order to reinforce the competitiveness of each business, and ensure clearly attributable accountability and responsibility. Concurrently, Sony has also realigned the Group headquarters functions and platform functions that support each of its business units in order to enhance the effectiveness and efficiency of these operations. At its Group headquarters, Sony promotes corporate R&D, which leads its differentiation and creativity through technological innovation.

Table of Contents

R&D costs for the fiscal year ended March 31, 2018 increased by 11.0 billion yen to 458.5 billion yen. The ratio of R&D expense to total revenue excluding Financial Services was 6.3% compared to 6.9% in the previous fiscal year.

The following table includes R&D expenses in the fiscal years ended March 31, 2016, 2017, and 2018.

	Fiscal year ended March 31		
	2016	2017	**2018**
	(Yen in billions)		
R&D expenses			
Game & Network Services	91.9	95.6	**106.2**
Home Entertainment & Sound	44.8	47.3	**58.0**
Imaging Products & Solutions	61.5	58.6	**58.6**
Mobile Communications	78.1	54.9	**55.4**
Semiconductors	120.4	117.6	**107.2**
Corporate R&D	31.3	44.4	**44.9**
Total	468.2	447.5	**458.5**

Consolidated R&D costs for the fiscal year ending March 31, 2019 are expected to increase to 470 billion yen.

R&D costs for the fiscal year ended March 31, 2017 decreased by 20.7 billion yen to 447.5 billion yen. This decrease was primarily a result of the strategic decision in the MC segment not to pursue scale in order to improve profitability, which accelerated cost control initiatives.

D. Trend Information

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

Issues Facing Sony and Management s Response to those Issues

The global economy has recovered, supported by the economies of emerging markets such as China. Advanced economies have benefited from consumer spending bolstered by improvements in employment and income, and are gradually recovering as a whole. On the other hand, noneconomic shocks related to geopolitical conflicts, political discord, or terrorism loom over many regions, and could have a significant impact on the global economy.

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

On May 22, 2018, Sony unveiled a corporate direction and mid-term strategy (third mid-range plan) that charts the path forward for Sony over the next three years, starting with the fiscal year ending March 31, 2019 and finishing with the fiscal year ending March 31, 2021. Through the key themes of KANDO to move people emotionally and getting closer to people, Sony will aim to sustainably generate societal value and high profitability across its three primary business areas of Electronics, entertainment, and Financial Services. It will pursue this strategy based on the following basic principles.

Overall Strategy

Reinforce Sony s user-oriented Direct to Consumer services and its creator-oriented content IP, and create Communities of Interest that bring together people who share similar emotional values and experiences.

Position Branded Hardware, which allows Sony to connect users and creators through its innovative video and audio technologies, as a sustainable and consistent cash flow generating business.

In the area of CMOS image sensors that capture the real world in which we all live, and are vital to KANDO content creation, aim to maintain Sony s global number one position in imaging applications, and become the global leader in sensing.

Table of Contents

Initiatives of each Business Segment

<Game & Network Services>

The business of the G&NS segment is about being connected with both users as well as creators with PlayStation®4 as its core, and the basic strategy is to further expand PlayStation™Network (PSN), which has now become one of the world s leading network services with annual sales of more than one trillion yen and monthly active users of more than 80 million. Specifically, Sony aims to grow subscribers to the PlayStation®Plus service, and increase user engagement with PSN as measured by login frequency and time spent on the platform, by having more people use its products and services such as PlayStation®VR, the cloud gaming service PlayStation™Now, the video services PlayStation™Vue and PlayStation™Video, and the music service PlayStation™Music. Sony will also aim to strengthen its content IP by creating and utilizing IP for in-house production titles and harnessing growth opportunities in areas such as add-on content.

<Music>

The basic strategy for the Music segment is to strengthen Sony s music content IP. In order to maximize the business opportunities from the continuing growth of the streaming market, Sony will seek to reinforce the quality and quantity of its content IP catalog, while also discovering and nurturing new artists to generate new IP.

In addition to music IP, Sony s animation IP is another vital part of this segment, and Sony will continue to build these assets going forward.

<Pictures>

The basic strategy for the Pictures segment is to strengthen and leverage Sony s IP while also expanding the Media Networks business, particularly in India, in order to continue to enhance profitability.

<Branded Hardware>

Sony will aim to position Branded Hardware as a sustainable and consistent cash flow generating business that enables continued investment in Sony Group s growth. In the fiscal year ended March 31, 2018, Branded Hardware was the driving force behind Sony s record profits, and from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021, it is expected to be the business which generates the most stable cash flow. In this area, Sony will continue its policy of targeting profitability and the premium market rather than unnecessarily pursuing volume.

In addition, Sony will leverage the technologies cultivated in Branded Hardware to support long-term initiatives in areas such as medical products and AI x Robotics.

<Semiconductors>

CMOS image sensors are key component devices in growth industries such as the internet of things, artificial intelligence, autonomous vehicles, and more. Sony s competitive strength in this area is based on its wealth of technological expertise in analog semiconductors, cultivated over many years from the charge-coupled device (CCD) era. Sony aims to maintain its global number one position in imaging and, in the longer term, become number one in sensing applications. To this end, Sony will extend its development of sensing applications beyond the area of smartphones, into new domains such as automotive use.

<Financial Services>

The Financial Services segment, which continues to generate a high level of revenue and provide a stable source of profit for the Sony Group, is a business with direct and very close ties to customers. Through FinTech (financial services that utilize information technology), Sony will aim to position itself even closer to customers.

Sony s Long-term Vision and Creating Social Value

In addition to creating economic value as a company, Sony must also be managed with a view toward creating social value, including the natural environment of the Earth.

Table of Contents

With its mission of KANDO, Sony will aim to create social value by giving people a sense of enrichment through the creation of a Community of Interest.

At the same time, based on the recognition that Sony s business only exists because of its natural environment and society, Sony will continue to promote environmental and human rights initiatives, from a long-term perspective, across all levels of its supply chain.

Furthermore, based on its desire to contribute to safety in the self-driving car era, Sony will work to further develop its imaging and sensing technologies.

Sony also intends to make a broader contribution to education (e.g., by nurturing creators, providing educational tools that enable children to learn about programming, and incubating businesses).

Third Mid-Range Plan Financial Targets

In order to transition management of Sony s operations to a more long-term perspective, key performance indicators are being set as a total for the next three-year period.

From the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021, operating cash flow (OCF) will be the most important performance metric, and Sony will target total OCF of 2 trillion yen or more, excluding the Financial Services segment, for this three-year period.

In terms of allocation of cash generated, Sony plans to spend approximately 1 trillion yen on capital expenditure. The priority for the remaining 1 trillion yen will be strategic investment, while also making an appropriate allocation to balance sheet improvement and shareholder returns, in order to further enhance Sony s corporate value. In terms of shareholder returns, Sony intends to increase dividends in a stable and long-term manner.

Sony will seek to maintain a Return on Equity (ROE) level of 10% or more. For the fiscal year ended March 31, 2018, Sony achieved both financial targets of ROE of 10% or more and operating income of 500 billion yen or more, which were set in the previous mid-range plan (from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2018).

Group Environmental Mid-Term Targets Green Management 2020

Sony announced in June 2015 the establishment of its Green Management 2020 group environmental mid-term targets, effective from fiscal 2016 (the fiscal year ended March 31, 2017) through fiscal 2020 (the fiscal year ending March 31, 2021). Based on the following three pillars, Sony has been implementing various initiatives to reduce the Sony Group s environmental footprint:

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

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

Accelerate the use of renewable energy.

Sony s long-term vision is to achieve a zero environmental footprint throughout all stages of its product lifecycles and business activities by 2050. The Green Management 2020 mid-term plan has been backcasted (calculated backwards) in order to determine the necessary intermediate steps that need to be taken by fiscal 2020 on the way to this long-term goal. With Green Management 2020, Sony plans to further accelerate its various initiatives directed towards its ultimate goal of a zero environmental footprint.

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

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

Table of Contents

E. Off-balance Sheet Arrangements

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

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

F. Contractual Obligations, Commitments, and Contingent Liabilities

The following table summarizes Sony s contractual obligations and commitments as of March 31, 2018. The references to the notes below refer to the corresponding notes within the consolidated financial statements.

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(Yen in millions)		
Contractual obligations and commitments:					
Short-term debt (Note 11)	**496,093**	496,093			
Long-term debt (Notes 8 and 11)					
Capital lease obligations and other	**52,929**	13,483	23,559	7,751	8,136
Other long-term debt	**796,044**	212,039	190,551	213,114	180,340
Interest on other long-term debt	**5,377**	3,015	1,332	601	429
Minimum rental payments required under operating leases (Note 8)	**287,263**	57,810	102,875	45,273	81,305
Purchase commitments (Note 27)					
Expected cost for the production or purchase of motion pictures and television programming or certain rights	**118,914**	62,352	41,492	13,947	1,123
Long-term contracts with recording artists, songwriters and companies	**73,259**	24,073	24,835	11,720	12,631
Long-term sponsorship contracts related to advertising and promotional rights	**6,379**	4,931	944	504	
Long-term contracts for programming contents	**26,227**	14,875	11,352		
Other purchase commitments	**143,212**	105,482	32,381	3,055	2,294
Future insurance policy benefits and other and policyholders account in the life insurance business* (Note 10)	**22,951,646**	490,578	1,084,792	1,203,235	20,173,041
Gross unrecognized tax benefits** (Note 21)	**95,425**	902			
Total	**25,052,768**	1,485,633	1,514,113	1,499,200	20,459,299

* Future insurance policy benefits and other and policyholders account in the life insurance business are the estimated future cash payments to be made to policyholders and others. These cash payments are based upon assumptions including morbidity, mortality, withdrawals and other factors. The sum of the cash payments shown for all years in the table of 22,951.6 billion yen exceeds the corresponding liability amount of 7,987.1 billion yen included in the

consolidated balance sheets as of March 31, 2018. Refer to Note 10 of the consolidated financial statements.

** The total amount represents the liability for gross unrecognized tax benefits in accordance with the accounting guidance for uncertain tax positions. Sony estimates that 0.9 billion yen of the liability is expected to be settled within one year. The settlement period for the remaining portion of the liability, which totaled 94.5 billion yen, cannot be reasonably estimated due to the uncertainty associated with the timing of the settlements with the various taxing authorities. Refer to Note 21 of the consolidated financial statements.

The following items are not included in either the above table or the total amount of commitments outstanding at March 31, 2018:

The total amount of expected future pension payments is not included as such amount is not currently determinable. Sony expects to contribute approximately 11 billion yen to Japanese pension plans and approximately 6 billion yen to foreign pension plans during the fiscal year ending March 31, 2019. Refer to Note 15 of the consolidated financial statements.

Table of Contents

The total unused portion of the line of credit extended under loan agreements in the Financial Services segment is not included in the above table as it is not foreseeable what loans will be incurred under such line of credit. The total unused portion of the line of credit extended under these contracts was approximately 31.2 billion yen as of March 31, 2018. Refer to Note 27 of the consolidated financial statements.

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

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

Critical Accounting Policies and Estimates

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

Investments

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

In evaluating the factors for available-for-sale securities whose fair values are readily determinable, Sony presumes a decline in value to be other-than-temporary if the fair value of the security is 20% 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% or such decline has not existed for an extended period of time, as a result of considering specific factors which may indicate that the decline in the fair value is other-than-temporary.

Table of Contents

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

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

Valuation of inventory

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

Impairment of long-lived assets

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

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

Business combinations

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

Table of Contents

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

Goodwill and other intangible assets

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

In the fiscal year ended March 31, 2018, Sony elected not to perform an optional qualitative assessment of goodwill and instead proceeded directly to a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount. 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 not considered impaired. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the total amount of goodwill allocated to the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value, and if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

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

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

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

For all reporting units with goodwill, fair value exceeded the carrying amount, and therefore no impairment existed in the fiscal year ended March 31, 2018. These reporting units fair value exceeded their respective carrying values by at least 10.0%. Also, for indefinite lived intangible assets, fair value exceeded the carrying amount, and therefore no impairment existed.

Table of Contents

The carrying amounts of goodwill by segment as of March 31, 2018 are as follows:

	Yen in millions
Game & Network Services	150,606
Music	165,394
Pictures	144,412
Imaging Products & Solutions	9,517
Mobile Communications	3,286
Semiconductors	45,793
Financial Services	7,225
All Other	4,259
Total	530,492

A discussion of the significant assumptions, other than the MRP described above, including a sensitivity analysis with respect to their impact, of the fair value of Sony s reporting units for the impairment analysis performed for the fiscal year ended March 31, 2018 is included below:

The discount rates ranged from 5.9% to 12.4%. A hypothetical one percentage point increase in the discount rate, holding all other assumptions constant, would not have resulted in an impairment.

The growth rates applied to the terminal values for reporting units within the G&NS, IP&S, MC and Semiconductors and Financial Services segments and All Other ranged from approximately 1.0% to 1.5%. The growth rates beyond the MRP period for the reporting units in the Music segment ranged from 0% to 1.0%, and in the Pictures segment ranged from 3.0% to 4.5%. A hypothetical one percentage point decrease in the growth rate, holding all other assumptions constant, would not have resulted in an impairment.

The earnings multiple used to calculate the terminal value in the Pictures reporting units ranged from 8.0x to 10.0x. A hypothetical reduction in the earnings multiple by 1.0x, holding all other assumptions constant, would not have resulted in an impairment.

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

Pension benefit costs

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

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

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

To determine the benefit obligation of the Japanese pension plans, Sony used a discount rate of 0.8% for its Japanese pension plans as of March 31, 2018. The discount rate was determined by using information about yields on high-quality bonds currently available and expected to be available during the period to maturity of the pension benefit obligation in consideration of amounts and timing of cash outflows for expected benefit payments. Such available information about yields is collected from published market information and credit rating agencies. The 0.8% discount rate represents a 10 basis point decrease from the 0.9% discount rate used for the fiscal year ended March 31, 2017 and reflects current Japanese market interest conditions.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as historical and expected long-term rates of return on various categories of

Table of Contents

pension plan assets. Sony s pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities. For Japanese pension plans, the expected long-term rate of return on pension plan assets was 2.7% and 2.4% as of March 31, 2017 and 2018, respectively. The actual return on pension plan assets for the fiscal years ended March 31, 2017 and 2018 was a 5.2% gain and a 5.6% gain, respectively. The difference between the expected and the actual rate of return on pension plan assets was primarily due to the positive performance in the domestic (Japan) and the global equity markets through the fiscal year ended March 31, 2018. Actual results that differ from the expected return on pension plan assets are accumulated and amortized as a component of pension costs over the average future service period, thereby reducing the year-to-year volatility in pension costs. As of March 31, 2017 and 2018, Sony had, with respect to Japanese pension plans, net actuarial losses of 317.4 billion yen and 299.9 billion yen, respectively, including losses related to pension plan assets. The net actual loss decreased due to the higher actual return on pension plan assets than expected, partially offset by the impact of the decline in the discount rate used to determine the defined benefit obligation, as compared to the prior fiscal year s rate.

The following table illustrates the effect on the fiscal year ending March 31, 2019 of changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions as of March 31, 2018 constant, for Japanese pension plans.

Change in assumption	**Projected benefit obligations**	**Pension costs**	**Net income**
		(Yen in billions)	
25 basis point increase / decrease in discount rate	-/+38.0	-/+1.9	+/-1.3
25 basis point increase / decrease in expected long-term rate of return on pension plan assets		-/+1.7	+/-1.2

Deferred tax asset valuation

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

As a result of prior losses, as of March 31, 2018, total established valuation allowances against deferred tax assets were 899.8 billion yen, including approximately 500 billion yen relating to national and local taxes for Sony Corporation and its national tax filing group in Japan and approximately 250 billion yen relating to federal and state taxes for Sony Americas Holding Inc. (SAHI) and its consolidated tax filing group in the U.S.. As of March 31, 2018, some of the entities have returned to profitability, particularly SAHI and its consolidated tax filing group in the U.S.

and Sony Corporation and its national tax filing group in Japan. This is a positive factor to be considered; however, in order to support a reversal of the valuation allowance, a pattern of consistent earnings still needs to be established, particularly in jurisdictions like Japan where the remaining net operating loss carryforward period is very limited.

Sony is subject to income taxes in Japan and numerous other jurisdictions, and in the ordinary course of business there are many situations where the ultimate tax determination can be uncertain, particularly with respect to transfer pricing for intercompany transactions. The amount of the deferred tax assets recorded takes into account the more likely than not final outcome of these uncertain tax positions based on Sony s judgement, particularly for final allocations of taxable income among jurisdictions as a result of intercompany transfer pricing decisions. The estimate for the valuation of deferred tax assets, which is based on currently enacted tax laws and rates as of the balance sheet date, reflects management s judgment and best estimate of the likely future tax consequences of events that have been recognized in Sony s financial statements and tax returns, the ability to implement various tax planning strategies and, in certain cases, future forecasts, business plans and other expectations about future outcomes. Changes in existing tax laws or rates in tax jurisdictions in which Sony operates could affect actual tax results, and market or economic deterioration or failure of management to achieve its restructuring objectives could affect future business results, either of which could affect the valuation of deferred tax assets over time. If future results are less than projected, if the results of tax examinations or the negotiations of advance pricing agreements covering transfer pricing of intercompany transactions result in a different allocation of profits and losses than currently anticipated, if tax planning alternatives are no longer viable, or if there is no excess appreciated asset value over the tax basis of the assets contemplated for sale, further valuation allowance may be required in the future to reduce the deferred tax assets to their net realizable value. On the other hand, a forecasted improvement and consistency in future earnings or other factors, such as business reorganizations, could lead to the future reversal of valuation allowance into income as a reduction to tax expense, subject to review of the relevant qualitative factors and uncertainties. These factors and other changes that are not anticipated in current estimates could have a material impact on Sony s earnings or financial condition in the period or periods in which the impact is recorded or reversed.

Film accounting

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

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

Future insurance policy benefits

Liabilities for future insurance policy benefits, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.0% 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.

Policyholders account in the life insurance business

Policyholders   account in the life insurance business represents an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges. Policyholders   account includes universal life insurance and investment contracts. Universal life insurance includes interest sensitive whole life contracts and variable contracts. The credited rates associated with interest sensitive whole life contracts range from 1.8% to 2.0%. For variable contracts, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. Investment contracts mainly include single payment educational endowment contracts, individual variable annuities and policies after the start of annuity payments. The credited rates associated with investment contracts, except for individual variable annuities, range from 0.01% to 6.3%. For individual variable annuities, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio.

Table of Contents

Recently Adopted Accounting Standards

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

Recent Accounting Pronouncements

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

Item 6. *Directors, Senior Management and Employees*

A. Directors and Senior Management

Set forth below are the current members of the Board of Directors and Corporate Executive Officers of Sony Corporation, their responsibility as a director or officer, date of birth, the number of years they have served as a director or officer, and other principal business activities outside the Corporation as of June 19, 2018.

Board of Directors

Kenichiro Yoshida
Responsibility as a Director: Member of the Nominating Committee
Date of Birth: October 20, 1959
Number of Years Served as a Director: 4 years
Principal Business Activities Outside the Corporation: None
Brief Personal History:

April 1983	Joined Sony Corporation
July 2000	Joined Sony Communication Network Corporation (currently Sony Network Communications Inc.)
May 2001	SVP, Sony Communication Network Corporation
April 2005	President and Representative Director, Sony Communication Network Corporation
December 2013	EVP, CSO and Deputy CFO, Corporate Executive Officer, Sony Corporation
April 2014	EVP and CFO, Representative Corporate Executive Officer, Sony Corporation
June 2014	Director, Sony Corporation (present)
April 2015	Executive Deputy President and CFO, Representative Corporate Executive Officer, Sony Corporation
April 2018	President and CEO, Representative Corporate Executive Officer, Sony Corporation (present)

Kazuo Hirai
Responsibility as a Director:
Date of Birth: December 22, 1960
Number of Years Served as a Director: 6 years
Principal Business Activities Outside the Corporation: None

Brief Personal History:

April 1984	Joined CBS/Sony Inc. (currently Sony Music Entertainment (Japan) Inc.)
July 1996	EVP and COO, Sony Computer Entertainment America LLC (currently Sony Interactive Entertainment America LLC)
October 1997	Corporate Executive, Sony Computer Entertainment Inc. (currently Sony Interactive Entertainment Inc.)
April 1999	President and COO, Sony Computer Entertainment America LLC
August 2003	President and CEO, Sony Computer Entertainment America LLC
December 2006	President and Group COO, Sony Computer Entertainment Inc.
	Chairman, Sony Computer Entertainment America LLC
June 2007	President and Group CEO, Sony Computer Entertainment Inc.
April 2009	EVP, Corporate Executive Officer, Sony Corporation
April 2011	Executive Deputy President, Representative Corporate Executive Officer, Sony Corporation
September 2011	Chairman, Sony Computer Entertainment Inc.
April 2012	President and CEO, Representative Corporate Executive Officer, Sony Corporation
June 2012	Director, Sony Corporation (present)
April 2018	Chairman, Sony Corporation (present)

Table of Contents

Osamu Nagayama
Responsibility as a Director: Chairman of the Board
Chair of the Nominating Committee
Date of Birth: April 21, 1947
Number of Years Served as a Director: 8 years
Brief Personal History and Principal Business Activities Outside the Corporation:

April 1971	Joined The Long-Term Credit Bank of Japan, Limited
November 1978	Joined Chugai Pharmaceutical Co., Ltd.
March 1985	Member of the Board, Chugai Pharmaceutical Co., Ltd.
March 1987	Director and Senior Vice President, Chugai Pharmaceutical Co., Ltd.
March 1989	Representative Director and Deputy President, Chugai Pharmaceutical Co., Ltd.
September 1992	Representative Director, President and Chief Executive Officer, Chugai Pharmaceutical Co., Ltd.
January 2006	Member of Enlarged Corporate Executive Committee, F. Hoffmann-La Roche Ltd. (present)
June 2010	Director, Sony Corporation (present)
March 2012	Representative Director, Chairman and Chief Executive Officer, Chugai Pharmaceutical Co., Ltd.
March 2018	Representative Director, Chairman, Chugai Pharmaceutical Co., Ltd. (present)

Eikoh Harada
Responsibility as a Director: Chair of the Compensation Committee
Date of Birth: December 3, 1948
Number of Years Served as a Director: 5 years
Brief Personal History and Principal Business Activities Outside the Corporation:

April 1972	Joined NCR Japan, Ltd.
November 1980	Joined Yokogawa Hewlett-Packard Company
January 1983	Director, Schlumberger Group
October 1994	Director, Apple Japan, Inc.
April 1997	President, Apple Japan, Inc. Vice President, Apple Computer, Inc.
March 2005	Chairman, President and Chief Executive Officer, Representative Director, McDonald s Holdings Company (Japan), Ltd. Chairman, President and Chief Executive Officer, Representative Director, McDonald s Company (Japan), Ltd.
June 2013	Director, Sony Corporation (present) Director, Benesse Holdings, Inc.
March 2014	Chairman, Director, McDonald s Holdings Company (Japan), Ltd. Chairman, Director, McDonald s Company (Japan), Ltd.
June 2014	Representative Director, Chairman and CEO, Benesse Holdings, Inc.
October 2014	Representative Director and CEO, Benesse Corporation

Tim Schaaff
Responsibility as a Director: Director in charge of Information Security

Date of Birth: December 5, 1959
Number of Years Served as a Director: 5 years
Brief Personal History and Principal Business Activities Outside the Corporation:

December 1982	Joined New England Digital Corporation
July 1991	Joined Apple Computer, Inc.
1998	Vice President, Apple Computer, Inc.
December 2005	Senior Vice President, Sony Corporation of America
November 2006	Deputy President, Technology Development Group, Sony Corporation
June 2008	President, Sony Media Software and Services Inc.
December 2009	President, Sony Network Entertainment International LLC
June 2013	Director, Sony Corporation (present)
January 2014	Independent startup advisor (present)
July 2015	Chief Product Officer, Intertrust Technologies Corporation (present)

Table of Contents

Kazuo Matsunaga
Responsibility as a Director: Chair of the Audit Committee
Date of Birth: February 28, 1952
Number of Years Served as a Director: 4 years
Brief Personal History and Principal Business Activities Outside the Corporation:

April 1974	Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry (METI))
June 2004	Director-General, Nuclear and Industrial Safety Agency, METI
September 2005	Assistant Vice-Minister, Minister s Secretariat, METI
July 2006	Deputy Vice-Minister, Minister s Secretariat, METI
July 2008	Director-General, Economic and Industrial Policy Bureau, METI
July 2010	Vice-Minister of Economy, Trade and Industry, METI
April 2012	Specially-appointed Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (present)
June 2013	Outside Director, Takasago Thermal Engineering Co., Ltd. (present)
June 2014	Director, Sony Corporation (present)
	Outside Director, Hashimoto Sogyo Co., Ltd. (currently Hashimoto Sogyo Holdings Co., Ltd.) (present)
	President, Japan Cooperation Center for the Middle East (present)
April 2016	Vice Chairman of the Board, Mitsubishi Fuso Truck and Bus Corporation
January 2017	Chairman of the Board, Mitsubishi Fuso Truck and Bus Corporation (present)

Koichi Miyata
Responsibility as a Director: Member of the Nominating Committee
Date of Birth: November 16, 1953
Number of Years Served as a Director: 4 years
Brief Personal History and Principal Business Activities Outside the Corporation:

April 1976	Joined The Mitsui Bank, Ltd.
June 2003	Executive Officer, Sumitomo Mitsui Banking Corporation
October 2006	Managing Executive Officer, Sumitomo Mitsui Banking Corporation
April 2009	Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation
April 2010	Senior Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.
June 2010	Director, Sumitomo Mitsui Financial Group, Inc.
April 2011	Director and President, Sumitomo Mitsui Financial Group, Inc.
	Director, Sumitomo Mitsui Banking Corporation
June 2014	Director, Sony Corporation (present)
June 2016	Outside Corporate Auditor, Isetan Mitsukoshi Holdings Ltd. (present)
April 2017	Chairman of the Board, Sumitomo Mitsui Financial Group, Inc. (present)
	Chairman of the Board, Sumitomo Mitsui Banking Corporation (present)

John V. Roos
Responsibility as a Director: Member of the Nominating Committee
Date of Birth: February 14, 1955
Number of Years Served as a Director: 4 years

Brief Personal History and Principal Business Activities Outside the Corporation:

October 1980	Associate, O Melveny and Myers LLP
February 1985	Associate, Wilson Sonsini Goodrich & Rosati
February 1988	Partner, Wilson Sonsini Goodrich & Rosati
February 2000	Managing Director of Professional Services, Wilson Sonsini Goodrich & Rosati
February 2005	Chief Executive Officer, Wilson Sonsini Goodrich & Rosati
August 2009	United States Ambassador to Japan
September 2013	Outside Director, Salesforce.com, inc. (present)
October 2013	Chief Executive Officer, The Roos Group, LLC (present)
December 2013	Member of Global Advisory Board, Mitsubishi UFJ Financial Group, Inc. (present)
April 2014	Senior Advisor, Centerview Partners LLC (present)
June 2014	Director, Sony Corporation (present)
May 2015	Founding Partner, Geodesic Capital (present)
January 2016	Chairman of the Advisory Board, Toyota Research Institute, Inc. (present)

Table of Contents

Eriko Sakurai
Responsibility as a Director: Member of the Compensation Committee
Date of Birth: November 16, 1960
Number of Years Served as a Director: 4 years
Brief Personal History and Principal Business Activities Outside the Corporation:

June 1987	Joined Dow Corning Corporation
May 2008	Director, Dow Corning Toray Co., Ltd.
March 2009	Chairman and Chief Executive Officer, Representative Director, Dow Corning Toray Co., Ltd. (present)
June 2014	Director, Sony Corporation (present)
June 2015	Outside Director, Sumitomo Mitsui Financial Group, Inc. (present)

Kunihito Minakawa
Responsibility as a Director: Member of the Audit Committee
Date of Birth: August 15, 1954
Number of Years Served as a Director: 1 year
Brief Personal History and Principal Business Activities Outside the Corporation:

April 1978	Joined Ricoh Company, Ltd.
October 1997	Senior Vice President and Chief Financial Officer, Ricoh Americas Corporation
April 2010	Corporate Vice President, and General Manager of Finance and Accounting Division, Ricoh Company, Ltd.
June 2010	Outside Audit & Supervisory Board Member, Ricoh Leasing Company, Ltd.
April 2012	Corporate Senior Vice President, and General Manager of Finance and Accounting Division, Ricoh Company, Ltd.
June 2013	Audit & Supervisory Board Member, Ricoh Company, Ltd.
June 2017	Director, Sony Corporation (present)

Shuzo Sumi
Responsibility as a Director: Vice Chairman of the Board
Member of the Nominating Committee
Date of Birth: July 11, 1947
Number of Years Served as a Director: 1 year
Brief Personal History and Principal Business Activities Outside the Corporation:

April 1970	Joined Tokio Marine & Fire Insurance Co., Ltd.
June 2000	Director and Chief Representative in London, Overseas Division, Tokio Marine & Fire Insurance Co., Ltd.
June 2002	Managing Director, Tokio Marine & Fire Insurance Co., Ltd.
October 2004	Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2005	Senior Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2007	President & Chief Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd. President & Chief Executive Officer, Tokio Marine Holdings, Inc.
June 2013	Chairman of the Board, Tokio Marine & Nichido Fire Insurance Co., Ltd. Chairman of the Board, Tokio Marine Holdings, Inc. (present)
June 2014	Outside Director, Toyota Industries Corporation (present)
June 2017	Director, Sony Corporation (present)

Table of Contents

Nicholas Donatiello, Jr.

Responsibility as a Director: Member of the Compensation Committee
Date of Birth: June 28, 1960
Number of Years Served as a Director:
Brief Personal History and Principal Business Activities Outside the Corporation:

July 1986	Management Consultant, McKinsey & Company, Inc.
September 1993	President and CEO, Odyssey Ventures, Inc. (present)
December 2008	Outside Director, American Funds: EuroPacific Growth Fund, New Perspective Fund, and New World Fund
February 2009	Outside Director, Dolby Laboratories, Inc. (present)
September 2012	Lecturer, Stanford University, Graduate School of Business (present)
June 2015	Outside Director, Big 5 Sporting Goods Corporation (present)
January 2016	Chairman of the Board of Directors, American Funds: EuroPacific Growth Fund, New Perspective Fund, and New World Fund (present)
June 2018	Director, Sony Corporation (present)

Toshiko Oka

Responsibility as a Director: Member of the Audit Committee
Date of Birth: March 7, 1964
Number of Years Served as a Director:
Brief Personal History and Principal Business Activities Outside the Corporation:

April 1986	Joined Tohmatsu Touche Ross Consulting Limited
July 2000	Joined Asahi Arthur Anderson Limited
September 2002	Principal, Deloitte Tohmatsu Consulting Co., Ltd. (currently ABeam Consulting Ltd.)
April 2005	President and Representative Director, ABeam M&A Consulting Ltd. (currently PwC Advisory LLC)
June 2015	Outside Corporate Auditor, Happinet Corporation (present)
April 2016	Partner, PwC Advisory LLC
June 2016	CEO, Oka & Company Ltd. (present)
	Outside Director, Mitsubishi Corporation. (present)
	Outside Director, Hitachi Metals, Ltd. (present)
June 2018	Director, Sony Corporation (present)

Table of Contents

Corporate Executive Officers

In addition to Kenichiro Yoshida, the four individuals set forth below are the current Corporate Executive Officers of Sony Corporation as of June 19, 2018. Refer to Board Practices below.

Hiroki Totoki
Responsibility as an Officer: Senior EVP, CFO
Date of Birth: July 17, 1964
Number of Years Served as a Corporate Executive Officer: 2 years
Principal Business Activities Outside Sony: None
Brief Personal History:

April 1987	Joined Sony Corporation
February 2002	Representative Director, Sony Bank Incorporated
June 2005	Director, Corporate Executive Officer and Senior Managing Director, Sony Communication Network Corporation (currently Sony Network Communications Inc.)
April 2012	Representative Director, Corporate Executive Officer and Senior Managing Director, So-net Corporation (currently Sony Network Communications Inc.)
April 2013	Representative Director, Corporate Executive Officer, Deputy President and CFO, So-net Entertainment Corporation (currently Sony Network Communications Inc.)
December 2013	SVP, Corporate Executive, Sony Corporation Corporate Executive in charge of Business Strategy, Corporate Development and Transformation
November 2014	Group Executive, Sony Corporation President and CEO, Sony Mobile Communications Inc.
June 2015	Director, Chairman, So-net Corporation (currently Sony Network Communications Inc.)
April 2016	EVP, Corporate Executive Officer, Sony Corporation Officer in charge of Mobile Communications Business, Sony Corporation President and Representative Director, So-net Corporation
June 2017	CSO, Sony Corporation Officer in Charge of Mid-to-Long Term Business Strategy, New Business
April 2018	Representative Corporate Executive Officer, CFO, Sony Corporation (present)
June 2018	Senior EVP, Sony Corporation (present)

Shiro Kambe
Responsibility as an Officer: EVP, Officer in charge of Legal, Compliance, Corporate Communications, CSR, External Relations and Information Security & Privacy, Quality and Environment
Date of Birth: December 18, 1961
Number of Years Served as a Corporate Executive Officer: 4 years
Principal Business Activities Outside Sony: None
Brief Personal History:

April 1984	Joined Sony Corporation

June 2010	SVP, Corporate Executive, Sony Corporation
	Officer in charge of Corporate Communications and CSR, Sony Corporation (present)
April 2014	Officer in charge of External Relations, Sony Corporation (present)
	Officer in charge of Brand, Sony Corporation
June 2014	EVP, Corporate Executive Officer, Sony Corporation (present)
	Officer in charge of Legal and Compliance, Sony Corporation (present)
August 2016	Officer in charge of Information Security & Privacy, Sony Corporation (present)
June 2018	Officer in charge of Quality and Environment, Sony Corporation (present)

Table of Contents

Kazushi Ambe
Responsibility as an Officer: EVP, Officer in charge of Human Resources and General Affairs
Date of Birth: April 23, 1961
Number of Years Served as a Corporate Executive Officer: 2 years
Principal Business Activities Outside Sony: None
Brief Personal History:

April 1984	Joined Sony Corporation
October 2001	Vice President, Sony Ericsson Mobile Communications
April 2006	Senior Vice President, Sony Corporation of America
November 2014	Corporate Executive, SVP, Sony Corporation
June 2016	EVP, Corporate Executive Officer, Sony Corporation (present)
	Officer in charge of Human Resources and General Affairs (present)

Toru Katsumoto
Responsibility as an Officer: EVP, Officer in charge of R&D Platform, Medical Business
Date of Birth: October 14, 1957
Number of Years Served as a Corporate Executive Officer: -
Principal Business Activities Outside Sony: None
Brief Personal History:

April 1982	Joined Sony Corporation
November 2012	SVP, Corporate Executive, Sony Corporation
April 2013	Representative Director and President, Sony Olympus Medical Solutions Inc.
January 2016	Director, Sony Olympus Medical Solutions Inc. (present)
January 2017	President, Medical Business Group, Sony Corporation
April 2017	Representative Director and Deputy President, Sony Imaging Products & Solutions Inc. (present)
April 2018	EVP, Corporate Executive Officer, Sony Corporation (present)
	Officer in charge of R&D Platform, Medical Business(present)

Kenichiro Yoshida, Hiroki Totoki, Shiro Kambe, Kazushi Ambe and Toru Katsumoto are engaged on a full-time basis by Sony Corporation. There is no family relationship between any of the persons named above. There is no arrangement or understanding with major shareholders, customers, suppliers, or others pursuant to which any person named above was selected as a Director or a Corporate Executive Officer.

B. Compensation

Under the Financial Instruments and Exchange Act of Japan and related regulations, Sony is required to disclose the total remuneration paid by Sony Corporation to Directors and Corporate Executive Officers, as well as remuneration of any Director or Corporate Executive Officer who receives total aggregate annual remuneration exceeding 100 million yen from Sony in a fiscal year, on an individual basis. The following table and accompanying footnotes show the information on such matters that Sony Corporation has disclosed in its annual Securities Report for the fiscal year ended March 31, 2018 filed on June 19, 2018 with the Director General of the Kanto Local Finance Bureau (the Bureau) of the Ministry of Finance in Japan.

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

	Fixed remuneration		Remuneration linked to business results		Phantom restricted stock plan	
	Number of persons	Amount (Yen in millions)	Number of persons	Amount (Yen in millions)	Number of persons	Amount (Yen in millions)
Directors	11 (*1) (*2)	162		(*3)	1	51
(Outside Directors)	(10)	(142)	( )	( )	(1)	(51)
Corporate Executive Officers	7	520	7	1,211 (*4)	3	1,606
Total (*6)	18	682	7	1,211	4	1,657 (*5)

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

Table of Contents

*2 The number of persons includes a Director who resigned on the day of the Ordinary General Meeting of Shareholders held on June 15, 2017.

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

*4 The amount that Sony Corporation paid in June 2018 as remuneration linked to business results for the fiscal year ended March 31, 2018.

*5 The Phantom Restricted Stock Plan includes the amount that will be paid to a Director and two Corporate Executive Officers who resigned on the day of the Ordinary General Meeting of Shareholders held on June 19, 2018, and a Corporate Executive Officer who resigned on April 1, 2018.

*6 In addition to the above, Sony Corporation issued restricted stock and stock acquisition rights for the purpose of granting stock options as remuneration linked to share price. During the fiscal year ended March 31, 2018, Sony Corporation recorded 1 million yen in expenses for the restricted stock granted to Directors who did not concurrently serve as Corporate Executive Officers and 164 million yen in expenses for the restricted stock granted to Corporate Executive Officers. Regarding the stock acquisition rights granted to Corporate Executive Officers for the purpose of granting stock options, Sony Corporation recorded 848 million yen in expenses during the fiscal year ended March 31, 2018 or in the past for stock option purposes.

Table of Contents

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

me	Position (*1)	Basic Remuneration (*2) (Yen in millions)	Remuneration linked to business results (*2) (Yen in millions)	Phantom restricted stock plan (Yen in millions)	**Total (*2) (Yen in millions)**	Granted number of stock acquisition rights (*3) (Thousand shares)	Granted r restrict (* (Thousar
rai	Sony Corporation Director, Chairman (*6) Former President & CEO, and Representative Corporate Executive Officer (Until April 1, 2018)	244 (*7)	647 (*7)	1,182	2,073	200	5
Yoshida	Sony Corporation Director, President & CEO, and Representative Corporate Executive Officer (*6)	80	358		438	140	4
toki	Sony Corporation Representative Corporate Executive Officer, Senior Executive Vice President, CFO	40 (*8)	43 (*8)		83 (*8)	20	
hizuka	Sony Corporation Senior Executive Vice President	40 (*8)	50 (*8)		90 (*8)	20	

	(In charge of Imaging Products and Solutions Business, Mobile Communications Business, Storage Media Business) Sony Corporation Senior Executive Vice President					
tagi	(In charge of Manufacturing, Logistics, Procurement and Engineering Platform, Home Entertainment & Sound Business, Consumer AV Sales & Marketing) Sony Corporation Corporate Executive Officer, Executive Vice President	40 (*8)	50 (*8)		90 (*8)	20
nbe	(In charge of Legal, Compliance, Corporate Communications, CSR, External Relations and Information Security & Privacy, Quality & Environment)	36	41		77	20
mbe	Sony Corporation Corporate Executive Officer,	36	37		73	20

	Executive Vice President (In charge of Human Resources and General Affairs) Sony Corporation						
. Suzuki	Former Executive Deputy President, Corporate Executive Officer (Until June 19, 2018) Sony Corporation	60	70	291	421	60	20
	Former Corporate Executive Officer, Executive Vice President						
mamura	(In charge of Manufacturing, Logistics, Procurement, Quality & Environment, Engineering Platform, Sony Corporation) (Until June 19, 2018)	36	42	133	211	20	5 (

73

*1 The above chart shows remuneration for Directors and Corporate Executive Officers who received, or will receive, total remuneration exceeding 100 million yen from Sony Corporation and its subsidiaries during the fiscal year ended March 31, 2018. Titles are as of the date of submission of this document.

*2 Due to rounding, individual sums may not total 100%.

*3 The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal year ended March 31, 2018 was 2,045 yen and was estimated using the Black-Scholes option-pricing model with several assumptions. Refer to Note 17 of the consolidated financial statements for details. The weighted-average fair value per share does not indicate the actual value that would be realized by a Corporate Executive Officer upon the exercise of the above-mentioned stock acquisition rights. The actual value, if any, that is realized by a Corporate Executive Officer upon the exercise of any stock acquisition rights will depend on the extent to which the market value of Sony Corporation s common stock (Common Stock) exceeds the exercise price of the stock acquisition rights on the date of exercise, and several other restrictions imposed on the exercise of the stock acquisition rights, including the period when a Corporate Executive Officer could exercise the stock acquisition rights. Accordingly, there is no assurance that the value realized or to be realized by a Corporate Executive Officer upon the exercise of the stock acquisition rights is or will be at or near the weighted-average fair value per share presented above. In addition, the above weighted-average fair value per share was calculated to recognize compensation expense for the fiscal year ended March 31, 2018 for accounting purposes and should not be regarded as any indication or prediction of Sony with respect to its future stock performance.

*4 Indicates the total number of shares of restricted stock granted in the fiscal year ended March 31, 2018 for Corporate Executive Officers. The issue price per share of restricted stock was 4,365 yen.

*5 As a result of their resignation on June 19, 2018, the transfer restriction on 1/3 of the shares allotted to these individuals in the fiscal year ended March 31, 2018 will be removed in accordance with the relevant conditions, and Sony Corporation will acquire the remaining 2/3 of the shares of restricted stock allotted without any consideration to, or consent of these individuals.

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

*7 Remuneration for Kazuo Hirai, former Representative Corporate Executive Officer, is set in U.S. dollars. Apart from the remuneration contained in the above table, Sony also provided certain personal benefits and perquisites, including fringe benefits and in some instances income taxes related to perquisites, totaling 13 million yen to Kazuo Hirai during the fiscal year ended March 31, 2018.

*8 In the above chart, remuneration for Shigeki Ishizuka, Senior Executive Vice President, includes 40 million yen in fixed compensation and 50 million yen in performance-based compensation from SIPS. Remuneration for Ichiro Takagi, Senior Executive Vice President, includes 13 million yen in fixed compensation and 16 million yen in performance-based compensation from SVP, 13 million yen in fixed compensation and 16 million yen in performance-based compensation from SVS, and 14 million yen in fixed compensation and 18 million yen in performance-based compensation from Sony Marketing. Remuneration for Hiroki Totoki as a Corporate Executive Officer includes 25 million yen in fixed compensation and 27 million yen in performance-based compensation from Sony Mobile.

(3) Basic policy regarding Director and Corporate Executive Officer remuneration

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

(a) Basic policy regarding Director remuneration

The primary duty of Directors is to supervise the performance of business operations of the Sony Group as a whole. In order to improve this supervisory function over the business operations of Sony, which is a global company, the following two elements have been established as the basic policy for the determination of remuneration of Directors. No Director remuneration is paid to those Directors who concurrently serve as Corporate Executive Officers.

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

Ensuring the effectiveness of the supervisory function of the Directors.

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

Fixed remuneration;

Table of Contents

- Remuneration linked to share price; and
- Phantom Restricted Stock Plan.

The schedule for the amount of each component and its percentage of total remuneration is determined in accordance with the basic policy above. Remuneration of Directors shall be at an appropriate level determined based upon research made by a third party regarding remuneration of directors of both domestic and foreign companies.

Regarding remuneration linked to share price, restricted stock will be used to further promote shared values between the shareholders and Directors, and incentivize to develop and maintain a sound and transparent management system. Appropriate restrictions and conditions shall be set in order to enhance the effectiveness of the programs.

Regarding the Phantom Restricted Stock Plan, points determined every year by the Compensation Committee shall be granted to Directors every year during his/her tenure, and at the time of resignation, the remuneration amount shall be calculated by multiplying the Common Stock price by the individual s accumulated points. The resigning Director shall purchase shares of Common Stock with this remuneration. Sony will not grant any points pursuant to the Phantom Restricted Stock Plan to Directors for a fiscal year in which Sony granted restricted stock to Directors.

(b) Basic policy regarding Corporate Executive Officer remuneration

Corporate Executive Officers are key members of management responsible for executing the business operations of Sony. In order to further improve the business results of Sony, the following two elements have been established as the basic policy for the determination of remuneration of Corporate Executive Officers.

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

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

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

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

The basis for the schedule for the amount of each component is below.

The amount of remuneration linked to business results shall be determined based upon 1) the consolidated financial results of Sony, such as ROE (return on equity), operating income, net income and cash flow, for the fiscal year for which remuneration is being given, and 2) the level of achievement of business results in the business area(s) for which the relevant Corporate Executive Officer is responsible. The amount paid shall fluctuate within a range from 0 percent to 200 percent, in principle, of the standard payout amount.

Remuneration linked to the share price, such as stock options and restricted stock, will be used to incentivize executives to increase mid- to long-term shareholder value. Appropriate restrictions and conditions shall be set in order to enhance the effectiveness of this program.

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

Table of Contents

(For Reference)

(i) Remuneration linked to business results

The standard payout amount of remuneration linked to business results for the fiscal year ended March 31, 2018 was between 37.5 percent and 50.0 percent of cash compensation (fixed remuneration plus remuneration linked to business results) related to each individual s level of responsibility. The key performance indicators (KPIs) and the weighting of each KPI related to the performance of consolidated Sony were as follows:

KPI	Weight
ROE	40%
Operating Income	40%
Net Income	10%
Cash Flow	10%

(ii) Restricted Stock

The Compensation Committee decided to introduce a restricted stock plan starting from the fiscal year ended March 31, 2018, pursuant to which shares of restricted stock will be allotted to Sony Corporation s Corporate Executive Officers and other executives, and non-executive Directors of Sony Corporation (the Non-Executive Directors). The purpose of the plan for the Corporate Executive Officers and other executives of Sony Corporation is to further reinforce management s alignment with shareholder value, and to incentivize management to improve mid- to long- term performance and increase shareholder value. Furthermore, the purpose of the plan for the Non-Executive Directors is to incentivize these Directors to develop and maintain a sound and transparent management system by further promoting shared values between the shareholders and the Non-Executive Directors.

The grantees will not be able to sell or transfer the granted shares during the restricted period, and Sony Corporation will acquire the granted shares from a grantee without any consideration to, or consent of, the grantee under certain conditions. Details of the plan, such as vesting conditions, eligibility and the number of grants, will be determined by the Compensation Committee. Sony Corporation intends to grant shares of restricted stock to Sony Corporation s Corporate Executive Officers and other executives as a partial replacement for stock options, and to Non-Executive Directors as a partial replacement for the Phantom Restricted Stock Plan.

C. Board Practices

General

Sony continuously strives to strengthen its corporate governance system, recognizing that sound corporate governance is extremely important in operating Sony effectively, efficiently, and in a way that increases corporate value over the mid- to long-term. Sony approaches its corporate governance through two basic precepts: (a) the Board of Directors (the Board), a majority of which is comprised of independent outside Directors, focuses on effective oversight of management s operation of the business and maintaining a sound and transparent governance framework; and (b) the Board determines Sony s fundamental management policies and other material matters and delegates to each of the Corporate Executive Officers decision-making authority to conduct Sony s business operations broadly in line with their respective responsibilities, as defined by the Board, with a view to promoting timely and efficient decision-making within Sony. In furtherance of these efforts, Sony Corporation has adopted a Company with Three

Committees corporate governance system under the Companies Act of Japan (*Kaishaho*) and related regulations (collectively the Companies Act). Under this system, in addition to the requirements of applicable corporate governance laws and regulations, Sony has introduced its own requirements to help improve and maintain the soundness and transparency of its governance by strengthening the separation of the Directors function from that of management; maintaining what the company believes is an appropriate Board size, which enables the members of the Board to actively contribute to discussion; and advancing the proper functioning of the statutory committees.

Sony Corporation is governed by the Board, the members of which are elected at the Ordinary General Meeting of Shareholders. Under the Companies Act, a Company with Three Committees is required to have three committees: the Nominating Committee, Audit Committee and Compensation Committee. Under the Companies Act, each committee is required to consist of not fewer than three Directors, which must be named by the Board and the majority of whom must be outside Directors. Under this system, Directors have no power to execute the business of Sony Corporation except for limited circumstances as permitted by law. The Companies Act also requires the Board to appoint Corporate Executive Officers (*Shikko-yaku*), who make decisions regarding the execution of Sony s business activities within the scope of the authority delegated to them by the Board (as well as a Representative Corporate Executive Officer who has the statutory authority to represent Sony in the conduct of its affairs). Sony has appointed its Chief Executive Officer (CEO), who is responsible for Sony s overall management, and other officers that directly report to the CEO and who are responsible for important and extensive headquarters functions as Corporate Executive Officers. In addition to these statutory bodies and positions, Sony grants titles, such as Senior Executive Vice President, Executive Vice President and Senior Vice President, to management team members in accordance with their respective roles and responsibilities.

A summary of the governance system adopted by Sony Corporation is set forth below. For an explanation of the significant differences between the New York Stock Exchange s corporate governance standards and Sony s corporate governance practices, refer to Item 16G. *Disclosure About Differences in Corporate Governance*.

Board of Directors

The primary roles of the Board are to: (a) determine Sony s fundamental management policies; (b) oversee the management of Sony s business operations as an entity independent from Sony s management; (c) appoint and dismiss the statutory committee members; (d) appoint and dismiss Corporate Executive Officers and certain other senior officers that assume important roles for management of Sony (such Corporate Executive Officers and other senior officers together, the Senior Executives); and (e) appoint and dismiss Representative Corporate Executive Officers.

Under the Companies Act, the term of office of Directors expires at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after their election.

With a view toward securing effective input and oversight by the Board, the Nominating Committee reviews and selects candidates for the Board with the aim of assuring that a substantial part of the Board is comprised of qualified outside Directors that satisfy the independence requirements established by Sony and by law. The Nominating Committee selects candidates that it views as well-suited to be Directors in light of the Board s purpose of enhancing Sony s corporate value. The Nominating Committee broadly considers various relevant factors, including a candidate s capabilities (such as the candidate s experience, achievements, expertise and international fluency), availability, and independence, as well as diversity in the boardroom, the appropriate size of the Board, and the knowledge, experiences and talent needed for the role. Under the Charter of the Board (the Board Charter), Sony also requires that the Board consist of not fewer than 10 Directors and not more than 20 Directors. In addition, since 2005 the majority of the members of the Board have been outside Directors.

Sony expects that each outside Director play an important role in ensuring proper business decisions by Sony and effective input and oversight by the Board through actively exchanging opinions and having discussions about Sony s business based on his or her various and broad experience, knowledge and expertise.

As of June 19, 2018, the Board has 13 Directors, ten of whom are outside Directors. The Nominating Committee has five Directors, four of whom are outside Directors; the Compensation Committee and the Audit Committee each have three Directors, all of whom are outside Directors.

The qualifications for Directors of Sony are generally as summarized below. As of June 19, 2018, all Directors satisfy the qualifications of the Board Charter as set forth below, and all outside Directors are qualified and designated as Independent Directors under the Securities Listing Regulations of the Tokyo Stock Exchange.

All Directors must meet the qualifications below:

(a) He/she shall not be a director, a statutory auditor, a corporate executive officer, a general manager or other employee of any company in competition with Sony in any of Sony s principal businesses (a Competing Company) or own 3% or more of the shares of any Competing Company.

(b) He/she shall not be or have been a representative partner or partner of Sony s independent auditor the past three years before being nominated as a Director.

(c) He/she shall not have any connection with any matter that may cause a material conflict of interest in performing the duties of a Director.

Table of Contents

Outside Directors must meet the additional qualifications below:

(a) He/she shall not have received directly from Sony, during any consecutive twelve-month period within the last three years, more than an amount equivalent to U.S. $120,000, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(b) He/she shall not be an executive director, corporate executive officer, general manager or other employee of any company whose aggregate amount of transactions with Sony, in any of the last three fiscal years, exceeds the greater of an amount equivalent to U.S. $1,000,000, or two percent of the annual consolidated sales of such company.

In addition, in order to qualify as an outside Director under the Companies Act, a Director must be a person who satisfies all of the following requirements:

(a) a person who is not a director of Sony or any of its subsidiaries engaged in the business operations of Sony or such subsidiaries, as the case may be, or a Corporate Executive Officer or general manager or other employee (Group Executive Director, etc.) of Sony or any of its subsidiaries and who has not been a Group Executive Director, etc. of Sony or any of its subsidiaries at any time within the ten years prior to assuming his/her office;

(b) if a person has been a director, accounting counselor (if the accounting counselor is a juridical person, a member who is in charge of the affairs), or corporate auditor of Sony or any of its subsidiaries (excluding a person who has been a Group Executive Director, etc.) at any time within the ten years prior to assuming office, a person who has not been a Group Executive Director, etc. of Sony or any of its subsidiaries at any time within the ten years prior to assuming office as a director, an accounting counselor, or a corporate auditor;

(c) a person who is not a director or a Corporate Executive Officer or general manager or other employee of a parent company or any entity which controls the management of Sony;

(d) a person who is not a Group Executive Director, etc. of a direct/indirect subsidiary of Sony or any entity the management of which is directly or indirectly controlled by Sony; and

(e) a person who is not a spouse or relative within the second degree of kinship of a director or a Corporate Executive Officer or general manager or other employee of Sony.

Also, each outside Director may, by resolution of the Nominating Committee, be nominated as a Director candidate for re-election five times, and thereafter by resolution of the Nominating Committee and by consent of all of the Directors. Even with consent of all of the Directors, in no event may any outside Director be re-elected more than eight times.

Nominating Committee

The primary roles of the Nominating Committee are to: (a) determine the content of proposals to be submitted for approval at the General Meeting of Shareholders regarding the appointment and dismissal of Directors and (b) evaluate management succession plans.

As stated above, under the Companies Act, the Nominating Committee must consist of at least three Directors, the majority of whom must be outside Directors. In addition, under the Board Charter, at least one Director of the Nominating Committee shall be a Corporate Executive Officer and the chair is to be selected from among the outside Directors. In determining whether to appoint or remove a member of the Nominating Committee, continuity of the Nominating Committee shall be duly taken into account.

The Nominating Committee is comprised of the following members as of June 19, 2018: Osamu Nagayama, who is the Chair of the Nominating Committee, the Chairman of the Board and an outside Director; Koichi Miyata, John V. Roos and Shuzo Sumi who are each outside Directors; and Kenichiro Yoshida, who is a Corporate Executive Officer.

Audit Committee

The primary roles of the Audit Committee are to: (a) monitor the performance of duties by Directors and Corporate Executive Officers and (b) oversee and evaluate the independent auditor.

As stated above, under the Companies Act, the Audit Committee must consist of at least three Directors, the majority of whom must be outside Directors. In addition, under the Companies Act and the Board Charter, each member of the Audit Committee (Audit Committee Member) must satisfy all of the following qualifications: (a) he/she shall not be a Director engaged in the business operations of Sony or any of its subsidiaries, a Corporate Executive Officer, an accounting counselor, a general manager or other employee of Sony and (b) he/she shall meet the independence requirements or such other equivalent requirements of the U.S. securities laws and regulations as may from time to time be applicable to Sony Corporation. The chair is to be selected from among the outside Directors. No Audit Committee Member shall become, as a general rule, a member of the Nominating Committee or the Compensation Committee. Moreover, at least one Audit Committee Member shall meet the audit committee financial expert requirements or such other equivalent requirements of the U.S. securities laws and regulations as may from time to time be applicable to Sony Corporation. The Board makes a determination on whether or not such Audit Committee Members meet these requirements. In determining whether to appoint or remove the Audit Committee Member, continuity of the Audit Committee shall be duly taken into account.

With respect to the candidates for independent auditor nominated by the CEO and other Corporate Executive Officers, the Audit Committee evaluates the nomination, prior to making a decision on the candidates. The Audit Committee continues to evaluate the performance, the independence, the qualification and the reasonableness of the independent auditor so appointed.

The Audit Committee is comprised of the following members as of June 19, 2018: Kazuo Matsunaga, who is the Chair of the Audit Committee and an outside Director, and Kunihito Minakawa and Toshiko Oka, who are each outside Directors. Kunihito Minakawa and Toshiko Oka are audit committee financial experts within the meaning of Item 16A of this report.

Compensation Committee

The primary roles of the Compensation Committee are to: (a) set policy on the content of individual compensation for Directors, Corporate Executive Officers and other officers and (b) determine the amount and content of individual compensation of Directors, Corporate Executive Officer and other Senior Executives in accordance with the policy.

As stated above, under the Companies Act, the Compensation Committee must consist of at least three Directors, the majority of whom must be outside Directors, and a Director who is a CEO, a Chief Operating Officer or a Chief Financial Officer of Sony or who holds any equivalent position shall not be a member of the Compensation Committee. In determining whether to appoint or remove a member of the Compensation Committee, continuity of the Compensation Committee shall be duly taken into account.

The Compensation Committee is comprised of the following members as of June 19, 2018: Eikoh Harada, who is the Chair of the Compensation Committee and an outside Director; and Eriko Sakurai and Nicholas Donatiello, Jr. who are each outside Directors.

Corporate Executive Officers

As stated above, the Board must appoint one or more Corporate Executive Officers who make decisions regarding the execution of Sony s business activities within the scope of authority delegated by the Board. As of June 19, 2018, there are five Corporate Executive Officers, one of whom is also a Director. Significant decision-making authority has been delegated to each Corporate Executive Officer, including the CEO, with respect to investments, strategic alliances and other actions related to the execution of business operations. Sony Corporation believes that this significant delegation enables Sony to be managed in a dynamic and responsive manner. The terms of office of Corporate Executive

Officers expire at the conclusion of the first meeting of the Board held immediately after the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after their election. From among those Corporate Executive Officers who, as a general rule, are also Directors, the Board shall elect Representative Corporate Executive Officers. Each Representative Corporate Executive Officer has the statutory authority to represent Sony Corporation in the conduct of its affairs. The appointment and dismissal of Corporate Executive Officers and the assignment of roles and responsibilities for Corporate Executive Officers are made by the Board. In making these decisions, the Board, especially outside Directors, considers whether candidates have the necessary skills, capabilities, experiences and achievements that correspond to the Corporate Executive Officers expected roles and responsibilities in executing relevant business operations. For a list of the Corporate Executive Officers as of June 19, 2018, refer to Directors and Senior Management in Item 6.A *Directors, Senior Management and Employees.*

Table of Contents

The Board determines the fundamental management policies and other material matters related to the operation of Sony s business. The Board assigns the duties of Corporate Executive Officers by determining the areas over which each Corporate Executive Officer is in charge and delegating its decision-making authority to the Corporate Executive Officers accordingly, with a view to promoting timely and efficient decision-making within the Sony Group. Please refer to the Board Charter, attached as Exhibit 1.3 hereto, which details the processes and policies for reporting by the Corporate Executive Officers to the Board and matters requiring Board approval.

Meeting Record and Other Information

During the fiscal year ended March 31, 2018, the Board convened eight times. The Nominating Committee met five times, the Audit Committee met six times and the Compensation Committee met six times. All ten outside Directors, including Joichi Ito who retired in June 2017, participated in all meetings of the Board held during their tenure period in the fiscal year ended March 31, 2018. Also, all nine outside Directors who are members of Committees participated in all of the meetings of each Committee held during the fiscal year ended March 31, 2018. The Board conducted outside Directors meetings, Directors corporate strategic workshops with management, site visits by outside Directors and meetings of the Chairman of the Board and the CEO. These activities were aimed at enhancing the oversight function of the Board, securing better understanding by outside Directors of Sony s business and management s initiatives and encouraging corporate strategic discussions among Directors.

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

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

At a Board meeting held on April 26, 2006, the Board reaffirmed the internal control and governance framework in effect as of the date of determination and determined to continue to evaluate and improve such framework going forward, as appropriate. At a Board meeting held on May 13, 2009 and April 30, 2015, the Board amended and updated the internal control and governance framework, and at a Board meeting held on April 27, 2018, the Board reaffirmed such framework in effect and determined to continue to evaluate and improve such framework going forward, as appropriate. These determinations were required by and met the requirements of the Companies Act.

D. Employees

As of March 31, 2018, Sony had approximately 117,300 employees, a decrease of approximately 11,100 employees from March 31, 2017. During the fiscal year ended March 31, 2018, although there was an increase of employees in the Financial Services and Pictures segments, there was a significant decrease of employees in the Electronics segment mainly due to the transfer of the battery business. Approximately 14% of the total number of employees were members of labor unions.

As of March 31, 2017, Sony had approximately 128,400 employees, an increase of approximately 3,100 employees from March 31, 2016. During the fiscal year ended March 31, 2017, there was an increase of employees mainly in the

Electronics segment due to an increase at manufacturing sites in Asia Pacific, and Japan due to the acquisition of the semiconductor business from Toshiba Corporation. Approximately 20% of the total number of employees were members of labor unions.

As of March 31, 2016, Sony had approximately 125,300 employees, a decrease of approximately 6,400 employees from March 31, 2015. During the fiscal year ended March 31, 2016, while employees of the Pictures, Music and Financial Services segments increased due to the expansion of these businesses, the total number of Electronics employees decreased due to production adjustments implemented at manufacturing sites in East Asia (except Japan) and restructuring initiatives taken mainly in the MC segment. The number of employees in All Other also decreased compared to March 31, 2015, reflecting the decrease of employees in the disc manufacturing business worldwide. Approximately 23% of the total number of employees were members of labor unions.

Table of Contents

The following table shows the number of employees of Sony by segment and region as of March 31, 2016, 2017 and 2018.

Number of Employees by Segment and Region

	March 31		
	2016	2017	**2018**
By segment:			
Electronics*	88,000	91,100	**77,400**
Music	7,900	8,200	**8,200**
Pictures	8,700	9,000	**9,800**
Financial Services	9,400	10,100	**11,400**
All Other	4,700	4,600	**5,300**
Unallocated Corporate employees	6,600	5,400	**5,200**
By region:			
Japan	49,000	51,400	**51,500**
Outside of Japan	76,300	77,000	**65,800**
Total	125,300	128,400	**117,300**

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

In addition, the average number of employees for the fiscal years ended March 31, 2016, 2017 and 2018 calculated by averaging the total number of employees at the end of each quarter, was approximately 128,700, 128,000 and 118,900 respectively.

Sony generally considers its labor relations to be good.

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

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

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

In the Pictures segment, Sony also generally considers its labor relations to be good. A number of Pictures subsidiaries are signatories to union contracts. During the fiscal year ended March 31, 2018, negotiations were successfully concluded for a new three-year agreement with each of the following: the Screen Actors Guild-American Federation of Television and Radio Artists (SAG-AFTRA) Codified Basic Agreement and Television Agreement; the Screen Actors Guild (SAG) Basic Cable Agreement; Union of British Columbia Performers; the British Columbia Council of Film Unions Master Agreement; and the Directors Guild of Canada; and for a one-year agreement with the American Federation of Musicians for its Agreements covering Theatrical and Televised Motion Pictures. Negotiations have commenced with the International Alliance of Theatrical and Stage Employees (IATSE) for the Basic Agreement, its Local Agreements in Los Angeles, and its Area Standards Agreement, with the Communication Workers of America covering parking production assistants in New York and with SAG for the Animation Agreement. Negotiations will commence shortly with the Teamsters for agreements covering Drivers in Los Angeles and Miami, and for agreements covering Location Managers and Casting Directors in New York and Los Angeles. Negotiations will also commence shortly for agreements with the International Brotherhood of Electrical Workers Local 40, the Southern California District Council of Laborers and its affiliate, Studio Utility Employees, Local 724, the Operative Plasterers and Cement Masons International Association of the United States and Canada, Local 755, the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada, Local 78, and the IATSE Mechanics Local and Art Directors Local in New York. It is not anticipated that these negotiations will result in an interruption in production.

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

Table of Contents

E. Share Ownership

The total number of shares of Common Stock beneficially owned by Directors and Corporate Executive Officers (15 people) listed in Directors and Senior Management above was approximately 0.016% percent of the total shares outstanding as of May 30, 2018. Refer to Board Practices above.

During the fiscal year ended March 31, 2018, Sony granted stock acquisition rights, which represent rights to subscribe for shares of Common Stock, to Corporate Executive Officers, Corporate Executives, Group Executives, and selected employees. The stock acquisition rights cannot be exercised for one year from the date of grant and generally vest ratably up to three years from the date of grant and are generally exercisable up to ten years from the date of grant. The following table shows the portion of those stock acquisition rights which were granted by Sony to Directors and Corporate Executive Officers as of May 30, 2018 and which were outstanding as of the same date.

Year granted **(Fiscal year ended March 31)**	**Total number of shares subject to stock acquisition rights (in thousands)**	**Exercise price per share**
2018	200	45.73 U.S. dollars
2018	320	5,231yen
2017	300	31.06 U.S. dollars
2017	480	3,364 yen
2016	200	27.51 U.S. dollars
2016	286	3,404 yen
2015	100	20.67 U.S. dollars
2015	178	2,410.5 yen
2014	200	20.01 U.S. dollars
2014	60	2,007 yen
2013	200	11.23 U.S. dollars
2013	14	932 yen
2012	80	19.44 U.S. dollars
2012	20	1,523 yen
2011	50	35.48 U.S. dollars
2011	30	2,945 yen
2010	50	29.56 U.S. dollars
2010	25	2,595 yen
2009	30	30.24 U.S. dollars
2009	11	2,987 yen

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

Item 7. *Major Shareholders and Related Party Transactions*

A. Major Shareholders

As of March 31, 2018, there were 1,266,552,149 shares of Common Stock outstanding, including 1,127,101 shares of treasury stock. Out of the total outstanding shares, 113,751,938 shares were in the form of ADRs and 299,563,576 shares were held of record in the form of Common Stock by residents in the U.S. As of March 31, 2018, the number of registered ADR holders was 5,306 and the number of registered holders of Common Stock in the U.S. was 367.

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

Date of Report*	Reported entities	Reported number of direct or indirect owned and deemed owned shares**	Reported percentage of direct or indirect owned and deemed owned shares**
April 4, 2014	Sumitomo Mitsui Trust Bank, Limited	52,312,421	5.04
March 22, 2017	BlackRock Japan Co., Ltd.	79,184,569	6.27
March 23, 2018	Capital Research and Management Company	77,416,538	6.12

Table of Contents

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

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

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

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

B. Related Party Transactions

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

In addition, in the fiscal year ended March 31, 2018, sales to affiliates accounted for under the equity method totaled 45.4 billion yen and purchases from those equity affiliates totaled 3.2 billion yen. Although there were 107 equity affiliates accounted for under the equity method at March 31, 2018, there were no individually significant investments.

As of March 31, 2018, Sony had accounts receivable, trade of 15.5 billion yen due from its equity affiliates and had accounts payable, trade of 2.6 billion yen due to its equity affiliates. Due to the size of these transactions, Sony does not consider the amount involved to be material to its business. Refer to Note 5 of the consolidated financial statements for additional information regarding Sony s investments in and transactions with equity affiliates.

C. Interests of Experts and Counsel

Not Applicable

Item 8. ***Financial Information***

A. Consolidated Statements and Other Financial Information

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

Legal Proceedings

Beginning in 2009, the U.S. Department of Justice (DOJ), the European Commission and certain other governmental agencies outside the United States have conducted investigations relating to competition in the optical disk drives market. Sony Corporation and/or certain of its subsidiaries have been subject to these investigations. Sony understands that the investigations of several governmental agencies, including the DOJ, have ended, and the only remaining investigation has reached a settlement, which is subject to a final ruling from the relevant agency. However, proceedings initiated by the European Commission as a result of its investigation continue. In October 2015, the European Commission adopted a decision in which it fined Sony Corporation and certain of its subsidiaries 31 million euros; however, Sony filed an appeal against the decision with the European Union s General Court. In addition, a number of direct and indirect purchaser lawsuits, including class actions, have been filed in certain jurisdictions in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Certain of these lawsuits have been settled, including the class actions brought by the direct and indirect purchasers in the United States; however, certain other lawsuits continue. Based on the stage of the pending proceedings, it is not possible to estimate the amount of losses or range of possible losses, if any, that might ultimately result from adverse judgments, settlements or other resolution of all of these matters.

Since 2011, in relation to the secondary batteries business that was operated by Sony and certain of its subsidiaries, a number of direct and indirect purchaser lawsuits, including class actions, have been filed in certain

Table of Contents

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

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

Dividend Policy

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

A fiscal year-end dividend of 15 yen per share of Common Stock of Sony Corporation was approved at the Board of Directors meeting held on April 27, 2018 and the payment of such dividend started on May 30, 2018. Sony Corporation has already paid an interim dividend for Common Stock of 12.5 yen per share to each shareholder; accordingly, the total annual dividend per share of Common Stock for the fiscal year ended March 31, 2018 is 27.5 yen.

B. Significant Changes

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

Item 9. *The Offer and Listing*

A. Offer and Listing Details

Trading Markets

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

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

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

Table of Contents

Trading on the TSE and the NYSE

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

	Tokyo Stock Exchange price per share of Common Stock		New York Stock Exchange price per share of ADS	
	High	Low	High	Low
	(yen)		(U.S. dollars)	
Annual highs and lows*				
The fiscal year ended March 31, 2014	2,413	1,497	23.38	15.23
The fiscal year ended March 31, 2015	3,450	1,588	28.65	15.93
The fiscal year ended March 31, 2016	3,970	2,199	32.95	19.90
Quarterly highs and lows*				
The fiscal year ended March 31, 2017	3,792	2,541	34.17	23.62
1st quarter	3,122	2,541	29.45	23.62
2nd quarter	3,450	2,953	34.17	29.03
3rd quarter	3,493	2,930	33.67	27.72
4th quarter	3,792	3,269	33.78	28.04
Quarterly highs and lows*				
The fiscal year ended March 31, 2018	5,738	3,402	53.91	31.21
1st quarter	4,408	3,402	38.94	31.21
2nd quarter	4,616	4,067	41.65	36.38
3rd quarter	5,485	4,039	48.33	36.25
4th quarter	5,738	4,959	53.91	45.24
Monthly highs and lows*				
2017				
December	5,266	4,976	46.34	44.37
2018				
January	5,738	5,148	51.94	45.24
February	5,671	5,007	53.91	45.33
March	5,500	4,959	51.59	47.55
April	5,468	5,089	50.61	44.53
May	5,460	5,031	48.98	45.63

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

B. Plan of Distribution

Not Applicable

C. Markets

Please refer to Item 9 A Offer and Listing Details.

D. Selling Shareholders

Not Applicable

E. Dilution

Not Applicable

F. Expenses of the Issue

Not Applicable

Item 10. *Additional Information*

A. Share Capital

Not Applicable

Table of Contents

B. Memorandum and Articles of Association

Organization

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

Objects and purposes

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

(i) manufacture and sale of electronic and electrical machines and equipment, medical instruments, optical instruments and other equipment, machines and instruments;

(ii) planning, production and sale of audio-visual software and computer software programs;

(iii) manufacture and sale of metal industrial products, chemical industrial products and ceramic industrial products, textile products, paper products and wood-crafted articles, daily necessities, foodstuffs and toys, transportation machines and equipment, and petroleum and coal products;

(iv) real estate activities, construction business, transportation business and warehousing business;

(v) publishing business and printing business;

(vi) advertising agency business, insurance agency business, broadcasting enterprise, recreation business such as travel, management of sporting facilities, etc. and other service enterprises;

(vii) financial business;

(viii) Type I and Type II telecommunications business under the Telecommunications Business Law;

(ix) investing in stocks and bonds, etc.;

(x) manufacture, sale, export and import of products which are incidental to or related to those mentioned above;

(xi) rendering of services related to those mentioned above;

(xii) investment in businesses mentioned above operated by other companies or persons; and

(xiii) all businesses which are incidental to or related to those mentioned above.

Directors

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

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

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

Table of Contents

Capital stock

(General)

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

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

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

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

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

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

(Authorized capital)

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

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

Table of Contents

(Distribution of Surplus)

Distribution of Surplus General

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

Distributions of Surplus may be made in cash or in kind in proportion to the number of shares of Common Stock held by each shareholder. A resolution of the Board of Directors or a General Meeting of Shareholders authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of Surplus is to be made in kind, Sony Corporation may, pursuant to a resolution of the Board of Directors or (as the case may be) a General Meeting of Shareholders, grant a right to the shareholders to require Sony Corporation to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a General Meeting of Shareholders (refer to *(Voting rights)* with respect to a special resolution).

Under the Articles of Incorporation of Sony Corporation, year-end dividends and interim dividends may be distributed in cash to shareholders appearing in Sony Corporation s register of shareholders as of March 31 and September 30 each year, respectively, in proportion to the number of shares of Common Stock held by each shareholder following approval by the Board of Directors or (as the case may be) the General Meeting of Shareholders. Sony Corporation is not obliged to pay any dividends in cash unclaimed for a period of five years after the date on which they first became payable.

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

Distribution of Surplus Restriction on distribution of Surplus

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

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

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

In the above formula:

A	=	the total amount of other capital surplus and other retained earnings, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year
B	=	(if Sony Corporation has disposed of its treasury stock after the end of the last business year) the amount of the consideration for such treasury stock received by Sony Corporation less the book value thereof
C	=	(if Sony Corporation has reduced its stated capital after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any)
D	=	(if Sony Corporation has reduced its additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any)
E	=	(if Sony Corporation has cancelled its treasury stock after the end of the last business year) the book value of such treasury stock

F	=	(if Sony Corporation has distributed Surplus to its shareholders after the end of the last business year) the total book value of the Surplus so distributed
G	=	certain other amounts set forth in ordinances of the Ministry of Justice, including (if Sony Corporation has reduced Surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last business year) the amount of such reduction and (if Sony Corporation has distributed Surplus to the shareholders after the end of the last business year) the amount set aside in additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

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

(a) the book value of its treasury stock;

(b) the amount of consideration for any of treasury stock disposed of by Sony Corporation after the end of the last business year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet as of the end of the last business year) all or certain part of such exceeding amount as calculated in accordance with ordinances of the Ministry of Justice.

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

If Sony Corporation has prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a General Meeting of Shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for any of the treasury stock disposed of by Sony Corporation, during the period in respect of which such interim financial statements have been prepared. Sony Corporation may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last business year and an income statement for the period from the first day of the current business year to the date of such balance sheet. Interim financial statements so prepared by Sony Corporation must be audited by the Audit Committee and the independent auditor, as required by the Companies Act and in accordance with the details prescribed by ordinances of the Ministry of Justice.

(Capital and reserves)

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

(Stock splits)

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

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

(Consolidation of shares)

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

(General Meeting of Shareholders)

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

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

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

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

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

(Voting rights)

So long as Sony Corporation maintains the unit share system, a holder of shares constituting one or more units is entitled to one vote for each such unit of stock (refer to *(Unit share system)* below; currently 100 shares constitute one unit), except that no voting rights with respect to shares of capital stock of Sony Corporation are afforded to Sony Corporation or any corporate or certain other entities more than one-quarter of the total voting rights of which are directly or indirectly held by Sony Corporation. If Sony Corporation eliminates from its Articles of Incorporation the provisions relating to units of stock, holders of capital stock will have one vote for each share they hold. Except as otherwise provided by law or by the Articles of Incorporation of Sony Corporation, a resolution can be adopted at a General Meeting of Shareholders by a majority of the number of voting rights of all the shareholders represented at the meeting. The Companies Act and Sony Corporation s Articles of Incorporation provide, however, that the quorum for the election of Directors shall be one-third of the total number of voting rights of all the shareholders. Sony Corporation s shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may cast their votes in writing and may also exercise their voting rights through proxies, provided that the proxies are also shareholders holding voting rights. Shareholders may also exercise their voting rights by electronic means pursuant to the method designated by Sony Corporation.

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

(1) acquisition of its own shares from a specific party other than its subsidiaries;

(2) consolidation of shares;

(3) any offering of new shares or existing shares held by Sony Corporation as treasury stock at a specially favorable price (or any offering of stock acquisition rights to acquire shares of capital stock, or bonds with stock acquisition rights on specially favorable conditions) to any persons other than shareholders;

(4) the exemption of liability of a Director, Corporate Executive Officer or independent auditor with certain exceptions;

(5) a reduction of stated capital with certain exceptions;

(6) a distribution of in-kind dividends which meets certain requirements;

(7) dissolution, merger, consolidation, or corporate split with certain exceptions;

(8) the transfer of the whole or a material part of the business;

(9) the transfer of the whole or a part of the shares or equity interests in a subsidiary which meets certain requirements;

(10) the taking over of the whole of the business of any other corporation with certain exceptions; or

(11) share exchange or share transfer for the purpose of establishing 100 percent parent-subsidiary relationships with certain exceptions,

the quorum shall be one-third of the total number of voting rights of all the shareholders, and the approval by at least two-thirds of the number of voting rights of all the shareholders represented at the meeting is required (the special shareholders resolutions).

(Issue of additional shares and pre-emptive rights)

Holders of Sony Corporation s shares of capital stock have no pre-emptive rights under its Articles of Incorporation. Authorized but unissued shares may be issued, or existing shares held by Sony Corporation as treasury stock may be transferred, at such times and upon such terms as the Board of Directors or the CEO determines, subject to the limitations as to the offering of new shares or transfer of existing shares held by Sony Corporation as treasury stock at a specially favorable price mentioned under *(Voting rights)* above.

In the case of an issuance of shares (including a transfer of existing shares held by Sony Corporation as treasury stock) or stock acquisition rights whereby any subscriber will hold more than 50 percent of the voting rights of all shareholders, generally Sony Corporation shall give public notice at least two weeks prior to the payment date for such issuance, and if shareholders who hold one-tenth or more of the voting rights of all shareholders dissent from the issuance of shares or stock acquisition rights, the approval by a resolution of a General Meeting of Shareholders is generally required before the payment date pursuant to the Companies Act. In addition, in the case of an issuance of shares (including a transfer of existing shares held by Sony Corporation as treasury stock) or stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25 percent or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative vote from a person independent of the management is generally required pursuant to the rules of the TSE. The Board of Directors or the CEO may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks prior public notice is given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

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

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

(Liquidation rights)

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

(Record date)

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

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

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

(Acquisition by Sony Corporation of its capital stock)

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

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

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

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

Table of Contents

(Unit share system)

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

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

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

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

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

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

Reporting of substantial shareholdings

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

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly,

93

except for the limitations under the Foreign Exchange Regulations as described in D. Exchange Controls below, and except for general limitations under the Companies Act or Sony Corporation s Articles of Incorporation on the rights of shareholders applicable regardless of residence or nationality, there is no limitation under Japanese laws and regulations applicable to Sony Corporation or under its Articles of Incorporation on the rights of non-residents or foreign shareholders to hold or exercise voting rights on the shares of capital stock of Sony Corporation.

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

C. Material Contracts

None

D. Exchange Controls

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

Exchange non-residents are:

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

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

Foreign investors are:

- individuals who are exchange non-residents;
- corporations that are organized under the laws of foreign countries or whose principal offices are located outside of Japan; and

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

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

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

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

E. Taxation

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

This summary is based upon the representations of the depositary and the assumption that each obligation in the deposit agreement in relation to the ADSs dated as of October 15, 2014, and in any related agreement, will be performed in accordance with its terms.

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

(i) is a resident of the U.S. for purposes of the Treaty;

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

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

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan (non-resident Holders) who are holders of shares of Common Stock of Sony Corporation or of ADRs evidencing ADSs representing shares of Common Stock of Sony Corporation. The information given below regarding Japanese taxation is based on the tax laws and tax treaties in force and their interpretations by the Japanese tax authorities as of June 19, 2018. Tax laws and tax treaties as well as their interpretations may change at any time, possibly with retroactive effect. Sony

Corporation will not update this summary for any changes in the tax laws or tax treaties or their interpretation that occurs after such date.

Generally, non-resident Holders are subject to Japanese withholding tax on dividends paid by Japanese corporations. Such taxes are withheld prior to payment of dividends as required by Japanese law. Stock splits are, in general, not a taxable event.

In the absence of an applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident Holders is generally 20.42 percent, provided, with respect to dividends paid on listed shares issued by a Japanese corporation (such as the shares of Common Stock or ADSs of Sony Corporation) to non-resident Holders other than any individual shareholder who holds 3 percent or more of the total shares issued by the relevant Japanese corporation, the aforementioned 20.42 percent withholding tax rate is reduced to 15.315 percent for dividends due and payable on or before December 31, 2037. Due to the imposition of a special additional withholding tax (2.1 percent of the original withholding tax amount) to secure funds for reconstruction from the Great East Japan Earthquake, the original withholding tax rates of 15 percent and 20 percent as applicable, have been effectively increased to 15.315 percent and 20.42 percent, respectively, until December 31, 2037.

Table of Contents

As of the date of this document, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain, and 10 percent under the income tax treaties with, among other countries, Australia, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the U.K. and the United States). Under the Treaty, the maximum rate of Japanese withholding tax that may be imposed on dividends paid by a Japanese corporation to a U.S. holder that does not own directly or indirectly at least 10 percent of the voting stock of the Japanese corporation is generally reduced to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to a U.S. holder that is a pension fund are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Sony Corporation to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law, or if any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of Common Stock by Sony Corporation is, in principle, required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends (together with any other required forms and documents) in advance through the withholding agent to the relevant tax authority before the payment of dividends. A standing proxy for non-resident Holders of a Japanese corporation may provide this application service. In this regard, a certain simplified special filing procedure is available for non-resident Holders to claim treaty benefits of exemption from or reduction of Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention Regarding Relief from Japanese Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock (together with any other required forms and documents). With respect to ADSs, this reduced rate or exemption is applicable if the depositary or its agent submits two Application Forms (one before payment of dividends and the other within eight months after the record date concerning such payment of dividends). To claim this reduced rate or exemption, a non-resident Holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership (as applicable) and to provide other information or documents as may be required by the depositary. A non-resident Holder who is entitled, under an applicable income tax treaty, to a reduced rate which is lower than the withholding tax rate otherwise applicable under Japanese tax law or an exemption from the withholding tax, but failed to submit the required application in advance will be entitled to claim the refund of taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident Holder is entitled to a reduced treaty rate under the applicable income tax treaty) or the full amount of tax withheld (if such non-resident Holder is entitled to an exemption under the applicable income tax treaty) from the relevant Japanese tax authority, by complying with a certain subsequent filing procedure. Sony Corporation does not assume any responsibility to ensure withholding at the reduced treaty rate or to ensure the absence of withholding for shareholders who would be so eligible under any applicable income tax treaty but where the required procedures as stated above are not followed.

Gains derived from the sale of shares of Common Stock or ADSs of Sony Corporation outside Japan by a non-resident Holder holding such shares or ADSs as portfolio investors are, in general, not subject to Japanese income tax or corporation tax under Japanese tax law. U.S. holders are not subject to Japanese income or corporation tax with respect to such gains under the Treaty.

Japanese inheritance tax and gift tax at progressive rates may be payable by an individual who has acquired from another individual shares of Common Stock or ADSs of Sony Corporation as a legatee, heir or donee even though neither the acquiring individual nor the deceased nor donor is a Japanese resident.

Holders of shares of Common Stock or ADSs of Sony Corporation should consult their tax advisors regarding the effect of these taxes and, in the case of U.S. holders, the possible application of the Estate and Gift Tax Treaty between the U.S. and Japan.

United States Taxation with respect to shares of Common Stock and ADSs

The U.S. dollar amount of dividends received (prior to deduction of Japanese taxes) by a U.S. holder of ADSs or Common Stock of Sony Corporation will be included in income as ordinary income for U.S. federal income tax purposes to the extent paid out of current or accumulated earnings and profits of Sony Corporation as determined for U.S. federal income tax purposes. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. holder with respect to the ADSs or Common Stock will be subject to taxation at a reduced rate if the dividends are qualified dividends. Dividends paid on the ADSs or Common Stock will be treated as qualified dividends if Sony Corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid a passive foreign investment company (PFIC). Based on Sony Corporation s audited financial statements and relevant market and shareholder data, Sony Corporation believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2017 taxable year. In addition, based on Sony Corporation s audited financial statements and Sony Corporation s current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, Sony Corporation does not anticipate becoming a PFIC for the 2018 taxable year. Holders of ADSs and Common Stock of Sony Corporation should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of the considerations discussed above and their own particular circumstances.

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

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

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

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

F. Dividends and Paying Agent

Not Applicable

G. Statement by Experts

Not Applicable

H. Documents on Display

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

I. Subsidiary Information

Not Applicable

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

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

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

The following table shows the results of VaR. These analyses for the fiscal year ended March 31, 2018 indicate the potential maximum loss in fair value as predicted by the VaR analysis resulting from market fluctuations in one day at a 95 percent confidence level. The VaR of currency exchange rate risk principally consists of risks arising from the volatility of the exchange rates between the yen and the U.S. dollar and between the yen and the euro, the currencies in which a significant amount of financial assets and liabilities and derivative transactions are maintained on a consolidated basis. The VaR of interest rate risk and stock price risk consists of risks arising from the volatility of the interest rates and stock prices against invested securities and derivatives transactions in the Financial Services segment.

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

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

Table of Contents

Consolidated

	June 30, 2017	September 30, 2017	December 31, 2017	**March 31, 2018**
		(Yen in billions)		
Net VaR	1.2	1.2	1.0	**0.9**
VaR of currency exchange rate risk	1.2	1.1	0.9	**0.9**
VaR of interest rate risk	0.1	0.1	0.1	**0.1**
VaR of stock price risk	0.0	0.0	0.0	**0.0**

Financial Services

	June 30, 2017	September 30, 2017	December 31, 2017	**March 31, 2018**
		(Yen in billions)		
Net VaR	1.2	1.0	0.8	**0.7**
VaR of currency exchange rate risk	1.1	0.9	0.7	**0.7**
VaR of interest rate risk	0.1	0.1	0.1	**0.1**
VaR of stock price risk	0.0	0.0	0.0	**0.0**

Sony without the Financial Services segment

	June 30, 2017	September 30, 2017	December 31, 2017	**March 31, 2018**
		(Yen in billions)		
Net VaR	0.8	0.7	0.4	**0.5**
VaR of currency exchange rate risk	0.8	0.7	0.4	**0.5**
VaR of interest rate risk	0.0	0.0	0.0	**0.0**
VaR of stock price risk	0.0	0.0	0.0	**0.0**

Item 12. *Description of Securities Other Than Equity Securities*

A. Debt Securities

Not Applicable

B. Warrants and Rights

Not Applicable

C. Other Securities

Not Applicable

D. American Depositary Shares

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

Table of Contents

Under the terms of the Deposit Agreement, Holders may have to pay the following service fees to the Depositary.

Service	Rate	By Whom Paid
Issuance of ADSs upon deposit of Sony Corporation s Common Stock	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) issued	Person depositing Sony Corporation s Common Stock or person receiving ADSs
Delivery of deposited securities against surrender of ADSs	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) surrendered	Person surrendering ADSs for the purpose of withdrawal of deposited securities or person to whom deposited securities are delivered
Distribution of cash dividends or other cash distributions (i.e., sale of rights and other entitlements)	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held	Person to whom distribution is made
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, (ii) exercise of rights to purchase additional ADSs	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held	Person to whom distribution is made
Distribution of securities other than ADSs or rights purchase Additional ADSs (i.e., spin-off shares)	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held	Person to whom distribution is made
ADS Services	Up to 5.00 U.S. dollar per 100 ADSs (or fraction thereof) held on the applicable record date(s) established by the Depositary	Person holding ADSs on the applicable record date(s) established by the Depositary

The Company, Holders, beneficial owners of ADSs, persons depositing Sony Corporation s Common Stock and persons surrendering ADSs for cancellation and for the purpose of withdrawing deposited securities shall be responsible for the following ADS charges under the term of the Deposit Agreement: (i) taxes (including applicable interest and penalties) and other governmental charges; (ii) such registration fees as may from time to time be in effect for the registration of Sony Corporation s Common Stock or other deposited securities on the share register and applicable to transfer of Sony Corporation s Common Stock or other deposited securities to or from the name of the custodian, the Depositary or any nominees upon the making of deposits and withdrawals, respectively; (iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing Sony Corporation s Common Stock or withdrawing deposited securities or of the Holders and beneficial owners of ADSs; (iv) the expenses and charges incurred by the Depositary in the conversion of foreign currency; (v) such fees and expenses as are incurred by the Depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to Sony Corporation s Common Stock, deposited securities, ADSs and ADRs; and (vi) the fees and expenses incurred by the Depositary, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

Direct and Indirect Payments by the Depositary to Sony

The Depositary reimburses Sony for certain expenses Sony incurs in connection with its ADR program, subject to certain ceilings. These reimbursable expenses currently include, but are not limited to, legal and accounting fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the fiscal year ended March 31, 2018, such reimbursements totaled approximately 742,050 U.S. dollars.

In addition, as part of its service to Sony, the Depositary waives fees in connection with its ADR program, subject to a ceiling. These waived expenses currently include, but are not limited to, standard costs associated with the administration of the ADR program, associated operating expenses, investor relations advice and access to an internet-based tool used in Sony s investor relations activities. For the fiscal year ended March 31, 2018, the amount of such indirect payments was estimated to total 5,000 U.S. dollars.

Table of Contents

Item 13. ***Defaults, Dividend Arrearages and Delinquencies***
None

Item 14. ***Material Modifications to the Rights of Security Holders and Use of Proceeds***
None

Item 15. ***Controls and Procedures***
Item 15(a). Disclosure Controls and Procedures

Sony has carried out an evaluation under the supervision and with the participation of Sony s management, including the CEO and CFO, of the effectiveness of the design and operation of Sony s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of March 31, 2018. Disclosure controls and procedures require that information to be disclosed in the reports Sony files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported as and when required, within the time periods specified in the applicable rules and forms, and that such information is accumulated and communicated to Sony s management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon Sony s evaluation, the CEO and CFO have concluded that, as of March 31, 2018, the disclosure controls and procedures were effective at the reasonable assurance level.

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

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

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Sony;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Sony are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Sony s assets that could have a material effect on the financial statements.

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

Sony s management evaluated the effectiveness of Sony s internal control over financial reporting as of March 31, 2018 based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2018.

Sony s independent registered public accounting firm, PricewaterhouseCoopers Aarata LLC, has issued an audit report on Sony s internal control over financial reporting as of March 31, 2018, presented on page (F-2).

Item 15(c). Attestation Report of the Registered Public Accounting Firm

Refer to the Report of Independent Registered Public Accounting Firm on page (F-2).

Table of Contents

Item 15(d). Changes in Internal Control over Financial Reporting

There has been no change in Sony s internal control over financial reporting during the fiscal year ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, Sony s internal control over financial reporting.

Item 16. ***[Reserved]***

Item 16A.*Audit Committee Financial Expert*
Sony s Board of Directors has determined that Kunihito Minakawa and Toshiko Oka each qualifies as an audit committee financial expert as defined in Item 16A of Form 20-F under the Securities Exchange Act of 1934, as amended. In addition, both are determined to be independent as defined under the NYSE Corporate Governance Standards.

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

Item 16C.*Principal Accountant Fees and Services*
Audit and Non-Audit Fees

The following table presents fees for audit and other services rendered by PricewaterhouseCoopers for the fiscal years ended March 31, 2017 and 2018.

	Fiscal year ended March 31	
	2017	**2018**
	Yen in millions	
Audit Fees (1)	3,401	**3,562**
Audit-Related Fees (2)	177	**446**
Tax Fees (3)		**1**
All Other Fees (4)	61	**68**
	3,639	**4,077**

(1) Audit Fees consist of fees for the annual audit services engagement and other audit services, which are those services that only the external auditor can provide.

(2) Audit-Related Fees consist of fees billed for assurance and related services, and audit services relating to benefit plans, business acquisitions and dispositions.

(3) Tax Fees primarily consist of fees for tax advice.

(4) All Other Fees consist of fees primarily for services rendered with respect to advisory services.

Audit Committee s Pre-Approval Policies and Procedures

Consistent with the U.S. Securities and Exchange Commission rules regarding auditor independence, Sony Corporation s Audit Committee is responsible for appointing, reviewing and setting compensation, retaining, and overseeing the work of Sony s independent auditor, so that the auditor s independence will not be impaired. The Audit Committee established a formal policy requiring pre-approval of all audit and permissible non-audit services provided by the independent auditor to Sony Corporation or any of its subsidiaries. The Audit Committee periodically reviews this policy with due regard for compliance with laws and regulations of host countries where Sony Corporation is listed.

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

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

Not Applicable

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

The following table sets out information concerning purchases made by Sony Corporation during the fiscal year ended March 31, 2018.

Period	(a) Total number of shares purchased	(b) Average price paid per share (yen)	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plans or programs
April 1 30, 2017	1,544	3,581.32	N/A	N/A
May 1 31, 2017	2,472	3,926.96	N/A	N/A
June 1 30, 2017	5,196	4,167.39	N/A	N/A
July 1 31, 2017	4,462	4,391.01	N/A	N/A
August 1 31, 2017	3,500	4,369.79	N/A	N/A
September 1 30, 2017	2,209	4,280.17	N/A	N/A
October 1 31, 2017	2,959	4,172.74	N/A	N/A
November 1 30, 2017	4,393	5,105.24	N/A	N/A
December 1 31, 2017	6,251	5,133.24	N/A	N/A
January 1 31, 2018	4,345	5,462.68	N/A	N/A
February 1 28, 2018	2,821	5,328.96	N/A	N/A
March 1 31, 2018	2,132	5,317.52	N/A	N/A
Total	42,284	4,687.36	N/A	N/A

Under the Companies Act, a holder of shares constituting less than one full unit may require Sony Corporation to purchase such shares at their market value (Refer to B. Memorandum and Articles of Association *Capital stock* *(Unit share system)* in Item 10. *Additional Information*). During the fiscal year ended March 31, 2018, Sony Corporation purchased 42,284 shares of Common Stock for a total purchase price of 198,200,165 yen upon such requests from holders of shares constituting less than one full unit.

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

Not Applicable

Table of Contents

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

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

NYSE Standards	Sony s Corporate Governance Practices
Board Independence. A majority of board directors must be independent.	Sony has adopted the Company with Three Committees system under the Companies Act. Sony s Charter of the Board of Directors (attached as an exhibit 1.3 to this report) requires its board to consist of between 10 to 20 directors.
	The Companies Act does not require Sony to have a majority of independent (in the meaning given by the NYSE Corporate Governance Standards) directors on its board; rather, it requires Sony to have a majority of outside directors (the definition of the term outside director is summarized below) on each of three statutory committees (the Nominating Committee, the Audit Committee and the Compensation Committee).
Director Independence. A director is not independent if such director is	Outside director is defined in the Companies Act as a person who satisfies all of the requirements (i) through (v) below:
(i) a person who the board determines has a material direct or indirect relationship with the company, its parent or a consolidated subsidiary; (ii) a person who, within the last three years, has been an employee of the company or has an immediate family member of an executive officer of the company, its parent or a consolidated subsidiary;	(i) a person who is not a director of Sony Corporation or any of its subsidiaries engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a Corporate Executive Officer or general manager or other employee (Group Executive Director, etc.) of Sony Corporation or any of its subsidiaries and who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office; (ii) if a person who has been a director, accounting counselor (if the accounting counselor is a juridical person, a member who is in charge of the

(iii) a person who had received, or whose immediate family member had received, during any 12-month period within the last three years, more than 120,000 U.S. dollars per year in direct compensation from the company, its parent or a consolidated subsidiary, other than director and committee fees or deferred compensation for prior services (provided such compensation is not contingent in any way on continued service);

(iv) (A) a person who is, or whose immediate family member is, a current partner or employee of a firm that is the company s internal or external auditor; (B) a person whose immediate family member is a partner of such a firm; (C) a person who has an immediate family member who is a current employee of such a firm and who personally participates in the firm s audit, assurance or tax compliance (but not tax planning) practice; or (D) a person who was, or has an immediate family member who was, within the last three years, a partner or employee of such a firm and personally worked on the listed company s audit within that time;

affairs), or corporate auditor of Sony Corporation or any of its subsidiaries (excluding a person who has been a Group Executive Director, etc.) at the time within ten years prior to assuming his/her office, a person who has not been a Group Executive Director, etc. of Sony Corporation or any of its subsidiaries for ten years prior to assuming his/her office as a director, an accounting counselor, or a corporate auditor; (iii) a person who is not a director or a Corporate Executive Officer or general manager or other employee of a parent company or any entity which controls the management of Sony Corporation; (iv) a person who is not a Group Executive Director, etc. of a direct/indirect subsidiary of Sony Corporation or any entity the management of which is directly or indirectly controlled by Sony Corporation; and (v) a person who is not a spouse or relative within the second degree of kinship of a

Table of Contents

NYSE Standards	Sony s Corporate Governance Practices
	director or a Corporate Executive Officer or general manager or other employee of Sony Corporation.
(v) a person who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the listed company s present executive officers at the same time serves or served on that company s compensation committee; or	Under the Companies Act, a director s status as an outside director is unaffected by the director s compensation, his or her affiliation with business partners, or the board s affirmative determination of independence. On the other hand, under the Companies Act, a director who has had a career as a management director, corporate executive officer, or other employee of the company, its subsidiaries or other group companies is by definition not an outside director.
(vi) an executive officer or employee of a company, or has an immediate family member of an executive officer of a company, that makes payments to, or receives payments from, the listed company, its parent or a consolidated subsidiary for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of 1 million U.S. dollars or 2 percent of such other company s consolidated gross revenues.	Sony s Charter of the Board of Directors includes a provision requiring that each outside director: (i) Shall not have received directly from Sony Group, during any consecutive 12-month period within the last three years, more than an amount equivalent to 120,000 U.S. dollars, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); and (ii) Shall not be an executive director, a corporate executive officer, a general manager or other employee of any company whose aggregate amount of transactions with Sony Group, in any of the last three fiscal years, exceeds the greater of an amount equivalent to 1,000,000 U.S. dollars, or 2 percent of the annual consolidated sales of such company; In addition, the Securities Listing Regulations of the Tokyo Stock Exchange require Sony to make efforts to have at least one Independent Director on the Board of Directors. Independent Director is defined in the Securities Listing Regulations of the Tokyo Stock

Exchange as an outside director who is unlikely to have conflicts of interest with shareholders. According to the guidelines of the Tokyo Stock Exchange, if a person falls in any of the categories listed below, such person, in principle, will be considered to have a conflict of interest with shareholders of the listed company.

(1) A person for which the listed company is a major client or a person who executes business of a person for which the listed company is a major client;

(2) A major client of the listed company or a person who executes business of a major client of the listed company;

(3) A consultant, accounting professional, or legal professional (or, if such consultant, accounting professional, or legal professional is a juridical person, a member of such juridical person) of

105

Table of Contents

NYSE Standards	Sony s Corporate Governance Practices
	the listed company who receives a large amount of money or other consideration other than remuneration for directorship/auditorship from such listed company;
	(4) A person who has fallen in any of categories (a) through (d) listed below until recently:
	(a) A person who falls in any of (1) through (3) listed above;
	(b) A person who executes business of a parent company of the listed company or a director who does not execute business of a parent company of the listed company;
	(c) A corporate auditor of a parent company of the listed company; or
	(d) A person who executes business of a fellow subsidiary of the listed company.
	(5) A close relative of a person who falls in any of categories (a) through (h) listed below (only if such person is significant):
	(a) A person who falls in any of (1) through (4) listed above;
	(b) An accounting counselor of the listed company;
	(c) A person who executes business of a subsidiary of the listed company;

(d) A director who does not execute business of a subsidiary of the listed company or an accounting counselor of a subsidiary of the listed company;

(e) A person who executes business of a parent company of the listed company or a director who does not execute business of a parent company of the listed company;

(f) A corporate auditor of a parent company of the listed company;

(g) A person who executes business of a fellow subsidiary of the listed company; or

(h) A person who has fallen in any of categories (b) through (d) listed above or a person who has executed business of the listed company until recently.

As of June 19, 2018, 10 of the 13 members of Sony s Board of Directors qualified as outside directors. In addition, all 10 outside directors are qualified and designated as Independent Directors under the Securities Listing Regulations of the Tokyo Stock Exchange.

Table of Contents

NYSE Standards	Sony s Corporate Governance Practices
Executive Sessions. Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.	An outside director, as defined under the Companies Act, is equivalent to a non-management director under the NYSE rules because an outside director does not engage in the execution of business operations of the company. The outside/non-management directors generally meet several times a year without management, though neither the Companies Act nor Sony s Charter of the Board of Directors requires non-management directors to meet regularly without management and there is no requirement for the outside directors to meet alone in an executive session at least once a year.
Nominating/Corporate Governance Committee. A nominating/corporate governance committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities (including development of corporate governance guidelines) and annual performance evaluation of the committee.	Sony s Nominating Committee consists of at least three directors. Under the Companies Act, the Committee is responsible for determining the contents of proposals regarding the appointment and dismissal of directors to be submitted for approval to the shareholders meeting. Unlike listed U.S. companies under NYSE rules, it is not responsible for developing governance guidelines or overseeing the evaluation of the board and management. Under the Companies Act, a majority of its members must be outside directors, as defined under the Companies Act. Sony s Charter of the Board of Directors requires at least one of the directors on the Committee to be a corporate executive officer.
Compensation Committee. A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee. In addition, in accordance with the SEC rules adopted pursuant to Section 952 of the Dodd-Frank Act, NYSE listing standards expanded the factors relevant in determining whether a committee member has a relationship to the company that will materially affect that member s duties to the compensation committee and provided compensation committees the authority to engage compensation advisers. Additionally, the committee may obtain or retain the advice of a compensation adviser only after taking into consideration all factors relevant to determining that adviser s independence from management, unless the	Sony s Compensation Committee consists of at least three directors. Under the Companies Act, a majority of its members must be outside directors, as defined under the Companies Act. Sony s Charter of the Board of Directors prohibits the CEO, the COO and/or the CFO (or a person at any equivalent position) from serving on the Compensation Committee. Under the Companies Act, the Committee is responsible for, among others, determining the compensation of each director and corporate executive officer.

adviser s role is (i) limited to consulting on a generally applicable broad-based plan or (ii) is providing information that is not customized for the issuer or is not customized by the adviser and about which the adviser does not provide advice.

Table of Contents

NYSE Standards	Sony s Corporate Governance Practices
Audit Committee. An audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act is required. The committee must have at least three members. All members must be independent. The committee must have a charter addressing the committee s purpose, an annual performance evaluation of the committee and the duties and responsibilities of the committee.	Sony s Audit Committee consists of at least three directors. Under the Companies Act, a majority of its members must be outside directors, as defined under the Companies Act. In addition, pursuant to the Companies Act, no member of the Committee shall be a director of the company or any of its subsidiaries who is engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer of the company or any of its subsidiaries, or an accounting counselor, general manager or other employee of any of such subsidiaries. Sony s Charter of the Board of Directors also requires each member of the Audit Committee to meet the independence requirements of the applicable U.S. securities laws and regulations, and requires at least one member to meet the audit committee financial expert requirements. Currently, all the members of Sony s Audit Committee are also independent as defined in the NYSE Corporate Governance Standards, and two members of the Committee are qualified as audit committee financial experts. Sony s Charter of the Board of Directors discourages any Audit Committee member from concurrently being a member of other Committees.
Equity Compensation Plans. Equity compensation plans require shareholder approval, subject to limited exemptions.	Under the Companies Act, if Sony wishes to adopt an equity compensation plan under which stock acquisition rights or shares of common stock are granted on specially favorable conditions, except where all of its shareholders are granted rights to subscribe for such stock acquisition rights/shares of common stock or such stock acquisition rights/shares of common stock are gratuitously allocated to all of its shareholders, each on a pro rata basis, then Sony must obtain shareholder approval by a special resolution of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights of all of its shareholders and the approval by at least two-thirds of the number of voting rights of all the shareholders represented at the meeting is required under Sony s Articles of Incorporation. On the other hand, under the Companies Act, if Sony wishes to adopt an equity compensation plan under

which stock acquisition rights or shares of common stock are granted against fair value thereof, such plan can be adopted by the resolution of Sony s Compensation Committee, and grants of stock acquisition rights or shares pursuant to such plan may be decided by a resolution of the Board of Directors or a determination by a Corporate Executive Officer to whom the authority to make such determination has been delegated, and no shareholder approval is required.

Table of Contents

NYSE Standards	Sony s Corporate Governance Practices
Corporate Governance Guidelines. Corporate governance guidelines must be adopted and disclosed.	Sony is required to disclose the status of its corporate governance under the Companies Act, Financial Instruments and Exchange Act and its related regulations, and the Securities Listing Regulations of the Tokyo Stock Exchange; however, Sony does not have corporate governance guidelines that cover all the requirements described in the NYSE Corporate Governance Standards, as many of the provisions do not apply to Sony. Details of the status are posted on the following website: http://www.sony.net/SonyInfo/csr_report/governance/
Code of Ethics. A code of business conduct and ethics for directors, officers and employees must be adopted and disclosed, along with any waivers of the code for directors or executive officers.	Although this provision of the NYSE Corporate Governance Standards does not apply to Sony, Sony has adopted a code of conduct to be observed by all its directors, officers and other employees. The code of conduct is available at http://www.sony.net/code The code s content covers principal items described in the NYSE Corporate Governance Standards.

Item 16H. ***Mine Safety Disclosure***

Not Applicable

Item 17. ***Financial Statements***

Not Applicable

Item 18. ***Financial Statements***

Refer to the consolidated financial statements.

Item 19. ***Exhibits***

Documents filed as exhibits to this annual report:

1.1	Articles of Incorporation of Sony Corporation (English Translation), incorporated by reference to Exhibit 1.1 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2015 (Commission file number 001-06439) filed on June 23, 2015
1.2	Share Handling Regulations (English Translation), incorporated by reference to Exhibit 1.2 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2010 (Commission file number 001-06439) filed on June 28, 2010
1.3	Charter of the Board of Directors, as amended (English Translation)
8.1	Significant subsidiaries (as defined in §210.1-02(w) of Regulation S-X) of Sony Corporation, including additional subsidiaries that management has deemed to be significant, as of March 31, 2018: Incorporated by reference to Business Overview and Organizational Structure in Item 4. Information on the Company
12.1	302 Certification
12.2	302 Certification
13.1	906 Certification
15.1	Consent of PricewaterhouseCoopers Aarata LLC
101.1	XBRL INSTANCE DOCUMENT
101.1	XBRL TAXONOMY EXTENSION SCHEMA
101.1	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.1	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.1	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.1	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SONY CORPORATION
(Registrant)

By: /s/ HIROKI TOTOKI

(Signature)
Hiroki Totoki
Senior Executive Vice President,

Chief Financial Officer

Date: June 19, 2018

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

Table of Contents

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Sony Corporation and its subsidiaries (the Company) as of March 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, cash flows and changes in stockholders equity for each of the three years in the period ended March 31, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the consolidated financial statements). We also have audited the Company s internal control over financial reporting as of March 31, 2018, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2018 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, 2018, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company s management is responsible for these consolidated 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 Management s Annual Report on Internal Control over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on the Company s consolidated financial statements and on the Company s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers Aarata LLC

Tokyo, Japan

May 21, 2018,

except for Note 29 (2),

as to which the date is June 19, 2018

We have served as the Company s auditor since 2006.

Table of Contents

[THIS PAGE IS INTENTIONALLY LEFT BLANK]

Table of Contents

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31

	Yen in millions	
	2017	**2018**
ASSETS		
Current assets:		
Cash and cash equivalents	960,142	1,586,329
Marketable securities	1,051,441	1,176,601
Notes and accounts receivable, trade	1,006,961	1,061,442
Allowance for doubtful accounts and sales returns	(53,150)	(48,663)
Inventories	640,835	692,937
Other receivables	223,632	190,706
Prepaid expenses and other current assets	525,861	516,744
Total current assets	4,355,722	5,176,096
Film costs	336,928	327,645
Investments and advances:		
Affiliated companies	149,371	157,389
Securities investments and other	9,962,422	10,598,669
	10,111,793	10,756,058
Property, plant and equipment:		
Land	117,293	84,358
Buildings	666,381	655,434
Machinery and equipment	1,842,852	1,798,722
Construction in progress	28,779	38,295
	2,655,305	2,576,809
Less Accumulated depreciation	1,897,106	1,837,339
	758,199	739,470
Other assets:		
Intangibles, net	584,185	527,168
Goodwill	522,538	530,492
Deferred insurance acquisition costs	568,837	586,670
Deferred income taxes	98,958	96,772
Other	323,396	325,167
	2,097,914	2,066,269
Total assets	17,660,556	19,065,538

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2017	**2018**
LIABILITIES		
Current liabilities:		
Short-term borrowings	464,655	496,093
Current portion of long-term debt	53,424	225,522
Notes and accounts payable, trade	539,900	468,550
Accounts payable, other and accrued expenses	1,394,758	1,514,433
Accrued income and other taxes	106,037	145,905
Deposits from customers in the banking business	2,071,091	2,159,246
Other	591,874	610,792
Total current liabilities	5,221,739	5,620,541
Long-term debt	681,462	623,451
Accrued pension and severance costs	396,715	394,504
Deferred income taxes	432,824	449,863
Future insurance policy benefits and other	4,834,492	5,221,772
Policyholders account in the life insurance business	2,631,073	2,820,702
Other	314,771	278,338
Total liabilities	14,513,076	15,409,171
Redeemable noncontrolling interest	12,058	9,210
Commitments and contingent liabilities		
EQUITY		
Sony Corporation s stockholders equity:		
Common stock, no par value		
2017 Shares authorized: 3,600,000,000; shares issued: 1,263,763,660	860,645	
2018 Shares authorized: 3,600,000,000; shares issued: 1,266,552,149		865,678
Additional paid-in capital	1,275,337	1,282,577
Retained earnings	984,368	1,440,387
Accumulated other comprehensive income		
Unrealized gains on securities, net	126,635	126,191
Unrealized losses on derivative instruments, net	(58)	(1,242)
Pension liability adjustment	(308,736)	(296,444)
Foreign currency translation adjustments	(436,610)	(445,251)
	(618,769)	(616,746)
Treasury stock, at cost		
Common stock		

2017	1,073,222 shares	(4,335)	
2018	1,127,101 shares		(4,530)
		2,497,246	2,967,366
Noncontrolling interests		638,176	679,791
Total equity		3,135,422	3,647,157
Total liabilities and equity		17,660,556	19,065,538

The accompanying notes are an integral part of these statements.

Table of Contents

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

Fiscal year ended March 31

	Yen in millions		
	2016	**2017**	**2018**
Sales and operating revenue:			
Net sales	6,949,357	6,443,328	7,231,613
Financial services revenue	1,066,319	1,080,284	1,221,235
Other operating revenue	90,036	79,638	91,134
	8,105,712	7,603,250	8,543,982
Costs and expenses:			
Cost of sales	5,166,894	4,753,010	5,188,259
Selling, general and administrative	1,691,930	1,505,956	1,583,197
Financial services expenses	907,758	910,144	1,042,163
Other operating expense, net	47,171	149,001	4,072
	7,813,753	7,318,111	7,817,691
Equity in net income of affiliated companies	2,238	3,563	8,569
Operating income	294,197	288,702	734,860
Other income:			
Interest and dividends	12,455	11,459	19,784
Gain on sale of securities investments, net	52,068	225	1,517
Other	2,326	2,734	2,427
	66,849	14,418	23,728
Other expenses:			
Interest	25,286	14,544	13,566
Loss on devaluation of securities investments	3,309	7,629	4,955
Foreign exchange loss, net	20,565	22,181	30,634
Other	7,382	7,147	10,384
	56,542	51,501	59,539
Income before income taxes	304,504	251,619	699,049
Income taxes:			
Current	94,578	100,260	127,685
Deferred	211	23,798	24,085
	94,789	124,058	151,770
Net income	209,715	127,561	547,279
Less Net income attributable to noncontrolling interests	61,924	54,272	56,485
Net income attributable to Sony Corporation s stockholders	147,791	73,289	490,794

	Yen		
	2016	**2017**	**2018**

Per share data:			
Common stock			
Net income attributable to Sony Corporation s stockholders			
Basic	119.40	58.07	388.32
Diluted	117.49	56.89	379.75
Cash dividends	20.00	20.00	27.50

The accompanying notes are an integral part of these statements.

Table of Contents

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Fiscal year ended March 31

	Yen in millions		
	2016	**2017**	**2018**
Net income	209,715	127,561	547,279
Other comprehensive income, net of tax			
Unrealized gains (losses) on securities	2,220	(30,293)	1,070
Unrealized gains (losses) on derivative instruments	(1,198)	1,140	(1,184)
Pension liability adjustment	(171,753)	63,232	12,390
Foreign currency translation adjustments	(83,899)	(17,988)	(6,335)
Total comprehensive income (loss)	(44,915)	143,652	553,220
Less Comprehensive income attributable to noncontrolling interests	75,329	35,814	60,403
Comprehensive income (loss) attributable to Sony Corporation s stockholders	(120,244)	107,838	492,817

The accompanying notes are an integral part of these statements.

Table of Contents

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

Fiscal year ended March 31

	Yen in millions		
	2016	**2017**	**2018**
Cash flows from operating activities:			
Net income	209,715	127,561	547,279
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	397,091	327,048	361,444
Amortization of film costs	299,587	297,505	359,274
Accrual for pension and severance costs, less payments	(6,383)	9,297	4,113
Other operating expense, net	47,171	149,001	4,072
(Gain) loss on sale or devaluation of securities investments, net	(48,857)	7,404	3,438
(Gain) loss on revaluation of marketable securities held in the financial services business for trading purposes, net	44,821	(55,789)	(47,339)
Loss on revaluation or impairment of securities investments held in the financial services business, net	2,653	47	220
Deferred income taxes	211	23,798	24,085
Equity in net (income) loss of affiliated companies, net of dividends	5,045	4,409	(2,956)
Changes in assets and liabilities:			
Increase in notes and accounts receivable, trade	(5,828)	(37,529)	(80,004)
(Increase) decrease in inventories	(57,804)	11,199	(51,508)
Increase in film costs	(318,391)	(331,179)	(362,496)
Decrease in notes and accounts payable, trade	(49,525)	(1,386)	(87,939)
Increase (decrease) in accrued income and other taxes	(23,607)	26,701	29,181
Increase in future insurance policy benefits and other	403,392	433,803	495,419