PIMCO STRATEGIC INCOME FUND, INC
Form DEF 14A
May 28, 2015

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant þ Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Joint Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

PIMCO Strategic Income Fund, Inc. (RCS)

PIMCO Global StocksPLUS & Income Fund (PGP)

PIMCO High Income Fund (PHK)

PIMCO Dynamic Income Fund (PDI)

PIMCO Income Strategy Fund (PFL)

PIMCO Income Strategy Fund II (PFN)

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF JOINT ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

PIMCO STRATEGIC INCOME FUND, INC. (RCS)

PIMCO GLOBAL STOCKSPLUS & INCOME FUND (PGP)

PIMCO HIGH INCOME FUND (PHK)

PIMCO DYNAMIC INCOME FUND (PDI)

PIMCO INCOME STRATEGY FUND (PFL)

PIMCO INCOME STRATEGY FUND II (PFN)

1633 Broadway

New York, New York 10019

To the Shareholders of PIMCO Strategic Income Fund, Inc. (RCS), PIMCO Global StocksPlus & Income Fund (PGP), PIMCO High Income Fund (PHK), PIMCO Dynamic Income Fund (PDI), PIMCO Income Strategy Fund (PFL), PIMCO Income Strategy Fund II (PFN) (each, a Fund and, collectively, the Funds):

Notice is hereby given that an Annual Meeting of Shareholders of each Fund (each, a Meeting) will be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on Tuesday, June 30, 2015, with each Meeting to be held at 9:30 A.M., Eastern Time, for the following purposes, which are more fully described in the accompanying Proxy Statement:

1. To elect Trustees/Directors[1] of each Fund, each to hold office for the term indicated and until his or her successor shall have been elected and qualified; and

2. To transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

The Board of Trustees of each Fund has fixed the close of business on May 1, 2015 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the applicable Meeting or any adjournment(s) or postponement(s) thereof. The enclosed proxy is being solicited on behalf of the Board of Trustees of each Fund.

[1] Hereinafter, the terms Trustee or Trustees shall refer to a Director or Directors of RCS as well as a Trustee or Trustees of PGP, PFL, PFN, PHK and PDI.

By order of the Board of Trustees of each Fund

Joshua D. Ratner
Secretary

New York, New York

May 28, 2015

It is important that your shares be represented at the applicable Meeting in person or by proxy, no matter how many shares you own. If you do not expect to attend the applicable Meeting, please complete, date, sign and return the applicable enclosed proxy or proxies in the accompanying envelope, which requires no postage if mailed in the United States. Please mark and mail your proxy or proxies promptly in order to save any additional costs of further proxy solicitations and in order for the applicable Meeting to be held as scheduled.

PIMCO STRATEGIC INCOME FUND, INC. (RCS)

PIMCO GLOBAL STOCKSPLUS & INCOME FUND (PGP)

PIMCO HIGH INCOME FUND (PHK)

PIMCO DYNAMIC INCOME FUND (PDI)

PIMCO INCOME STRATEGY FUND (PFL)

PIMCO INCOME STRATEGY FUND II (PFN)

1633 Broadway

New York, New York 10019

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETINGS OF SHAREHOLDERS TO BE HELD ON JUNE 30, 2015

This Proxy Statement and the Annual Reports to Shareholders for the fiscal years ended January 31, 2015 for RCS, March 31, 2015 for PGP, PDI and PHK (when available), and July 31, 2014 for PFL and PFN are also available at pimco.com/closedendfunds.

PROXY STATEMENT

May 28, 2015

FOR THE JOINT ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Boards of Trustees/Directors[1] (the Board) of the shareholders of PIMCO Strategic Income Fund, Inc. (RCS), PIMCO Global StocksPLUS & Income Fund (PGP), PIMCO High Income Fund (PHK), PIMCO Dynamic Income Fund (PDI), PIMCO Income Strategy Fund (PFL), and PIMCO Income Strategy Fund II (PFN) (each, a Fund and, collectively, the Funds) of proxies to be voted at the Annual Meeting of Shareholders of each Fund and any adjournment(s) or postponement(s) thereof. The term Meeting is used throughout this joint Proxy Statement to refer to the Annual Meeting of

1 Hereinafter, the terms Trustee or Trustees shall refer to a Director or Directors of RCS, as well as a Trustee or Trustees of PGP, PFL, PFN, PHK and PDI.

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Shareholders of each Fund, as dictated by the context. The Meeting will be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on Tuesday, June 30, 2015, at 9:30 A.M.

The Notice of Annual Meeting of Shareholders (the Notice), this Proxy Statement and the enclosed proxy cards are first being sent to Shareholders on or about June 5, 2015.

The Meeting is scheduled as a meeting of the holders of all shares of the applicable Fund, which consist of holders of common shares of each Fund (the Common Shareholders) and holders of preferred shares of PFL, PFN and PHK (the Preferred Shareholders and, together with the Common Shareholders, the Shareholders). The Shareholders of each Fund are expected to consider and vote on similar matters. The Shareholders of each Fund will vote on the applicable proposal set forth herein (the Proposal) and on any other matters that may properly be presented for vote by the Shareholders of that Fund. The outcome of voting by the Shareholders of one Fund does not affect the outcome for the other Funds.

The Board of each Fund has fixed the close of business on May 1, 2015 as the record date (the Record Date) for the determination of Shareholders of each Fund entitled to notice of, and to vote at, the applicable Meeting. The Shareholders of each Fund on the Record Date will be entitled to one vote per share on each matter to which they are entitled to vote and that is to be voted on by Shareholders of the Fund, and a fractional vote with respect to fractional shares, with no cumulative voting rights in the election of Trustees. The following table sets forth the number of shares of common stock (Common Shares) and shares of preferred stock (Preferred Shares and, together with the Common Shares, the Shares) issued and outstanding of each Fund at the close of business on the Record Date:

	Outstanding Common Shares	**Outstanding Preferred Shares**
RCS	41,662,643	N/A
PGP	10,511,743	N/A
PFL	25,299,666	2,051
PFN	59,102,582	3,698
PHK	125,333,290	11,680
PDI	45,478,521	N/A

The classes of Shares listed for each Fund in the table above are the only classes of Shares currently authorized by that Fund.

At the Meeting, the election of two Trustees (the Preferred Shares Trustees) of PFL and PFN, respectively, will be voted on exclusively by the Preferred Shareholders of that Fund. On each other proposal to be brought before the Meeting (including the election of the nominees other than the Preferred Shares Trustees by all Shareholders), the Preferred Shareholders, if any, will have equal voting rights (*i.e.*, one vote per Share) with the applicable Fund s Common Shareholders and will vote together with Common Shareholders as a single class. As summarized in the table below:

RCS:

The Common Shareholders of RCS, voting as a single class, have the right to vote on the election of Craig A. Dawson and the re-election of Deborah A. DeCotis and Alan Rappaport as Directors of RCS.

PGP:

The Common Shareholders of PGP, voting as a single class, have the right to vote on the election of Craig A. Dawson and the re-election of William B. Ogden, IV and Hans W. Kertess as Trustees of PGP.

PFL:

The Common and Preferred Shareholders of PFL, voting together as a single class, have the right to vote on the election of Craig A. Dawson and Alan Rappaport and the re-election of James A. Jacobson as Trustees of PFL, and the Preferred Shareholders of PFL, voting as a separate class, have the right to vote on the election of Deborah A. DeCotis and Hans W. Kertess as Trustees of PFL.

PFN:

The Common and Preferred Shareholders of PFN, voting together as a single class, have the right to vote on the election of Craig A. Dawson and the re-election of Alan Rappaport as Trustees of PFN, and the Preferred Shareholders of PFN, voting as a separate class, have the right to vote on the re-election of Bradford K. Gallagher and William B. Ogden, IV as Trustees of PFN.

PHK:

The Common and Preferred Shareholders of PHK, voting together as a single class, have the right to vote on the re-election of Deborah A. DeCotis and John C. Maney as Trustees of PHK.

PDI:

The Common Shareholders of PDI, voting as a single class, have the right to vote on the re-election of Deborah A. DeCotis and John C. Maney as Trustees of PDI.

Summary

Proposal	Common Shareholders	Preferred Shareholders
Election of Trustees		
RCS		
Interested Trustee/Nominee		
Election of Craig A. Dawson*	ü	N/A
Independent Trustees/Nominees*		
Re-election of Deborah A. DeCotis	ü	N/A
Re-election of Alan Rappaport	ü	N/A
PGP		
Interested Trustee/Nominee		
Election of Craig A. Dawson*	ü	N/A
Independent Trustees/Nominees*		
Re-election of Hans W. Kertess	ü	N/A
Re-election of William B. Ogden, IV	ü	N/A
PFL		
Interested Trustees/Nominees		
Election of Craig A. Dawson*	ü	ü
Independent Trustee/Nominee*		
Election of Deborah A. DeCotis	N/A	ü
Re-election of James A. Jacobson	ü	ü
Election of Hans W. Kertess	N/A	ü
Election of Alan Rappaport	ü	ü
PFN		
Interested Trustee/Nominee		
Election of Craig A. Dawson*	ü	ü
Independent Trustees/Nominees*		
Election of Bradford K. Gallagher	N/A	ü
Election of William B. Ogden, IV	N/A	ü
Re-election of Alan Rappaport	ü	ü
PHK		
Interested Trustee/Nominee		
Re-election of John C. Maney*	ü	ü
Independent Trustees/Nominees*		
Re-election of Deborah A. DeCotis	ü	ü

Proposal	Common Shareholders	Preferred Shareholders
PDI		
Interested Trustee/Nominee		
Re-election of John C. Maney**	ü	N/A
Independent Trustees/Nominees*		
Re-election of Deborah A. DeCotis	ü	N/A

* Mr. Dawson is an interested person of each Fund, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the 1940 Act), due to his affiliation with PIMCO and its affiliates.

** Mr. Maney is an interested person of each Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates.

*** Independent Trustees or Independent Nominees are those Trustees or nominees who are not interested persons, as defined in the 1940 Act, of each Fund.

You may vote by mail by returning a properly executed proxy card, by Internet by going to the website listed on the proxy card, by telephone using the toll-free number listed on the proxy card, or in person by attending the Meeting. Shares represented by duly executed and timely delivered proxies will be voted as instructed on the proxy. If you execute and mail the enclosed proxy and no choice is indicated for the election of Trustees listed in the attached Notice, your proxy will be voted in favor of the election of all nominees. At any time before it has been voted, your proxy may be revoked in one of the following ways: (i) by timely delivering a signed, written letter of revocation to the Secretary of the applicable Fund at 1633 Broadway, New York, New York 10019, (ii) by properly executing and timely submitting a later-dated proxy vote, or (iii) by attending the Meeting and voting in person. Please call 1-(877)-536-1555 for information on how to obtain directions to be able to attend the Meeting and vote in person or for information or assistance regarding how to vote by telephone, mail or by internet. If any proposal, other than the Proposal set forth herein, properly comes before the Meeting, the persons named as proxies will vote in their sole discretion.

The principal executive offices of the Funds are located at 1633 Broadway, New York, New York 10019. PIMCO serves as the investment manager of each Fund. Additional information regarding the Manager may be found under Additional Information Investment Manager below.

The solicitation will be primarily by mail and by telephone and the cost of soliciting proxies for each Fund will be borne by PIMCO. Certain officers of the Funds and certain officers and employees of the Manager or its affiliates (none of whom will receive additional compensation therefor) may solicit proxies by telephone, mail, e-mail and personal interviews. Any out-of-pocket expenses incurred in connection with the solicitation will be borne by PIMCO.

Unless a Fund receives contrary instructions, only one copy of this Proxy Statement will be mailed to a given address where two or more Shareholders share that address and also share the same surname. Additional copies of the Proxy Statement will be delivered promptly upon request. Requests may be sent to the Secretary of the Fund c/o Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019, or by calling 1-(877)-297-1742 on any business day.

As of the Record Date, the Trustees, nominees and the officers of each Fund as a group and individually beneficially owned less than one percent (1%) of each Fund s outstanding Shares. To the knowledge of the Funds, no person beneficially owned more than five percent (5%) of the outstanding Shares of RCS, PGP or PDI, respectively, and the following entities beneficially owned more than five percent (5%) of a class of shares of PHK, PFL and PFN.

Beneficial Owner	Fund	Percentage of Ownership of Class
Bank of America Corporation 100 North Tryon Street, Charlotte, North Carolina 28255	PFL	5.02% of Common Shares 44.40% of Preferred Shares
UBS Group AG Bahnhofstrasse 45 P.O. Box CH-8049 Zurich, Switzerland	PFL	12.36% of Preferred Shares
Bank of America Corporation 100 North Tryon Street, Charlotte, North Carolina 28255	PFN	29.50% of Preferred Shares
UBS Group AG Bahnhofstrasse 45 P.O. Box CH-8049 Zurich, Switzerland	PFN	26.02% of Preferred Shares
UBS Group AG Bahnhofstrasse 45 P.O. Box CH-8049 Zurich, Switzerland	PHK	14.02% of Preferred Shares
Citigroup[1]	PHK	60.00% of Preferred Shares

[1] Shares jointly owned by Citigroup Inc. (399 Park Avenue, New York, NY 10043) and Citigroup Global Markets Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Inc. (388 Greenwich Street, New York, NY 10013).

PROPOSAL: ELECTION OF TRUSTEES

In accordance with PGP s, PHK s, PDI s, PFL and PFN s Amended and Restated Agreement and Declarations of Trust (each, a Declaration) and RCS s Articles of Incorporation, as amended (the Articles), the Trustees have been divided into the following three classes (each a Class): Class I, Class II and Class III. The Nominating Committee of each applicable Fund has recommended the nominees listed herein for election or re-election, as applicable, as Trustees by the Shareholders of RCS, PGP, PFL, PFN, PHK and PDI.

RCS. With respect to RCS, the term of office of the Class III Directors will expire at the Meeting; the term of office of the Class I Directors will expire at the annual meeting of Shareholders for the 2016-2017 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2016 through June 30, 2017) (for information on the Fund s recent change in fiscal year, see Additional Information Independent Registered Public Accounting Firm); and the term of the Class II Directors will expire at the annual meeting of Shareholders for the 2017-2018 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2017 through June 30, 2018). Currently, Craig Dawson, Alan Rappaport and Deborah A. DeCotis are Class III Directors. On March 10, 2014, the Board of RCS appointed Craig A. Dawson to serve as a Class III Director, which appointment became effective at the close of business on September 5, 2014. Pursuant to the Fund s Bylaws, as a Director appointed to fill a vacancy on the Fund s Board, Mr. Dawson must stand for election at the Meeting, which is the next annual meeting of Shareholders of the Fund following such appointment. The Nominating Committee has recommended to the Board that Mr. Dawson be nominated for election and that Mr. Rappaport and Ms. DeCotis be nominated for re-election as Class III Directors at the Meeting. Consistent with the Fund s Articles, if re-elected, the nominees shall hold office for terms coinciding with the Classes of Directors to which they have been designated. Therefore, if re-elected at the Meeting, Messrs. Dawson and Rappaport and Ms. DeCotis will serve terms consistent with the Class III Directors, which will expire at the Fund s annual meeting of Shareholders for the 2018-2019 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2018 through June 30, 2019).

PGP. With respect to PGP, the term of office of the Class I Trustees will expire at the meeting, the term of office of the Class II Trustees will expire at the annual meeting of Shareholders for the 2016-2017 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2016 through June 30, 2017) (for information on the Fund s recent change in fiscal year, see Additional Information Independent Registered Public Accounting Firm); and the term of office of the Class III Trustees will expire at the annual meeting of Shareholders for the 2017-2018 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2017 through June 30, 2018). Currently, Craig Dawson, William B. Ogden, IV and Hans W. Kertess are Class I Trustees. On March 10, 2014, the Board of PGP appointed Craig A. Dawson to serve as a Class I Trustee, which appointment became effective at the close of business on September 5, 2014. Pursuant to the Fund s Bylaws, as a Trustee appointed to fill a vacancy on the Fund s Board, Mr. Dawson must stand for election at the Meeting, which is the next annual meeting of Shareholders of the Fund following such appointment. The Nominating Committee has recommended to the Board that Mr. Dawson be nominated for election and that Messrs. Ogden and Kertess be nominated for re-election as Class I Trustees at the Meeting. Consistent with the Fund s Declaration, if re-elected, the nominees shall hold office for terms coinciding with the Classes of Trustees to which they have been designated. Therefore, if re-elected at the Meeting, Messrs. Dawson, Ogden and Kertess will serve terms consistent with the Class I Trustees, which will expire at the Fund s annual meeting of Shareholders for the 2018-2019 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2018 through June 30, 2019).

PFL. With respect to PFL, the term of office of the Class II Trustees will expire at the Meeting; the term of office of the Class III Trustees will expire at the annual meeting of Shareholders for the 2015-2016 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2015 through July 31, 2016); and the term of office of the Class I Trustees will expire at the annual meeting of Shareholders for the 2016-2017 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2016 through July 31, 2017). Currently, James A. Jacobson, Deborah A. DeCotis and Alan Rappaport are Class II Trustees. On March 10, 2014, the Board of PFL appointed Craig A. Dawson to serve as a Class III Trustee, which appointment became effective at the close of business on September 5, 2014. On December 16, 2014, the Board of PFL appointed Hans W. Kertess to serve as a Class I Trustee to be elected by Preferred Shareholders voting as a single class and Deborah A. DeCotis as a Class II Trustee to be elected by Preferred Shareholders voting as a single class. Pursuant to the Fund s Bylaws, as Trustees appointed to fill a vacancy on the Fund s Board, Mr. Dawson, Mr. Kertess and Ms. DeCotis must stand for election at the Meeting, which is the next annual meeting of Shareholders of the Fund following such appointment. The Nominating Committee has recommended to the Board that Mr. Dawson be nominated for election as a Class III Trustee, that Mr. Rappaport be nominated for election as a Class II Trustee and that Mr. Jacobson be nominated for re-election as a Class II Trustee by the Common Shareholders and Preferred Shareholders, voting as a single class, at the Meeting, and that Mr. Kertess and Ms. DeCotis be nominated for election by the Preferred Shareholders, voting as a separate class, as a Class I Trustee and as a Class II Trustee, respectively, at the Meeting. Consistent with the Fund s Declaration, if elected, the nominees shall hold office for terms coinciding with the Classes of Trustees to which they have been designated. Therefore, if elected at the Meeting, Messrs. Rappaport and Jacobson and Ms. DeCotis will serve terms consistent with the Class II Trustees, which will expire at the Fund s annual meeting of Shareholders for the 2017-2018 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2017 through July 31, 2018), if elected at the Meeting, Mr. Kertess will serve a term consistent with the Class I Trustees, which will expire at the Fund s annual meeting of shareholders for the 2016-2017 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2016 through July 31, 2017, and, if elected at the Meeting, Mr. Dawson will serve a term consistent with the Class III Trustees, which will expire at the Fund s annual meeting of Shareholders for the 2015-2016 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2015 through July 31, 2016).

PFN. With respect to PFN, the term of office of the Class I Trustees will expire at the Meeting; the term of office of the Class II Trustees will expire at the annual meeting of Shareholders for the 2015-2016 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2015 through July 31, 2016); and the term of office of the Class III Trustees will expire at the annual meeting of Shareholders for the 2016-2017 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2016 through July 31, 2017). Currently, Craig Dawson, Alan Rappaport and William B. Ogden, IV are Class I Trustees. On March 10, 2014, the Board of PFN appointed Craig A. Dawson to serve as a Class I Trustee, which appointment became effective at the close of business on September 5, 2014. On December 16, 2014, the Board of PFN appointed Bradford Gallagher to serve as a Class II Trustee to be elected by Preferred Shareholders voting as a single class and William B. Ogden, IV to serve as a Class I Trustee to be elected by Preferred Shareholders voting as a single class. Pursuant to the Fund s Bylaws, as Trustees appointed to fill a vacancy on the Fund s Board, Messrs. Dawson, Gallagher and Ogden must stand for election at the Meeting, which is the next annual meeting of Shareholders of the Fund following such appointment. The Nominating Committee has recommended to the Board that Mr. Dawson be nominated for election, that Mr. Rappaport be nominated for re-election by the Common and Preferred Shareholders, voting as a single class, as Class I Trustees at the Meeting, and that Mr. Ogden and Mr. Gallagher be nominated for election by the Preferred Shareholders, voting as a separate class, as a Class I Trustee and as a Class II Trustee, respectively, at the Meeting. Consistent with the Fund s Declaration, if elected, the nominees shall hold office for terms coinciding with the Classes of Trustees to which they have been designated. Therefore, if elected at the Meeting, Messrs. Rappaport, Ogden and Dawson will serve a term consistent with the Class I Trustees, which will expire at the Fund s annual meeting of Shareholders for the 2017-2018 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2017 through July 31, 2018) and Mr. Gallagher will serve a term consistent with the Class II Trustees, which will expire at the Fund s annual meeting of Shareholders for the 2015-2016 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2015 through July 31, 2016).

PHK. With respect to PHK, the term of office of the Class III Trustees will expire at the Meeting; the term of office of the Class I Trustees will expire at the annual meeting of Shareholders for the 2016-2017 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2016 through July 31, 2017) (for information on the Fund s recent change in fiscal year, see Additional Information Independent Registered Public Accounting Firm); and the term of office of the Class II Trustees will expire at the annual meeting of Shareholders for the 2017-2018 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2017 through July 31, 2018). Currently, John C. Maney and Deborah A. DeCotis are Class III Trustees. The Nominating Committee has recommended to the Board that Mr. Maney and Ms. DeCotis be nominated for re-election by the Common Shareholders and Preferred Shareholders, voting as a single class, as Class III Trustees at the Meeting. Consistent with the Fund s Declaration, if re-elected, the nominees shall hold office for terms coinciding with the Classes of Trustees to which they have been designated. Therefore, if re-elected at the Meeting, Mr. Maney and Ms. DeCotis will serve terms consistent with the Class III Trustees, which will expire at the Fund s annual meeting of Shareholders for the 2018-2019 fiscal year (*i.e.*, the annual meeting for the fiscal year running from August 1, 2018 through July 31, 2019).

PDI. With respect to PDI, the term of office of the Class III Trustees will expire at the Meeting; the term of office of the Class I Trustees will expire at the annual meeting of Shareholders for the 2016-2017 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2016 through June 30, 2017) (for information on the Fund s recent change in fiscal year, see Additional Information Independent Registered Public Accounting Firm); and the term of office of the Class II Trustees will expire at the annual meeting of Shareholders for the 2017-2018 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2017 through June 30, 2018). Currently, John C. Maney and Deborah A. DeCotis are Class III Trustees. The Nominating Committee has recommended to the Board that Mr. Maney and Ms. DeCotis be nominated for re-election by the Common Shareholders and Preferred Shareholders, voting as a single class, as Class III Trustees at the Meeting. Consistent with the Fund s Declaration, if re-elected, the nominees shall hold office for terms coinciding with the Classes of Trustees to which they have been designated. Therefore, if re-elected at the Meeting, Mr. Maney and Ms. DeCotis will serve terms consistent with the Class III Trustees, which will expire at the Fund s annual meeting of Shareholders for the 2018-2019 fiscal year (*i.e.*, the annual meeting for the fiscal year running from July 1, 2018 through June 30, 2019).

All members of the Board of each of PGP, PFL, PFN, PHK and PDI are and will remain, if elected, Continuing Trustees, as such term is defined in the Declaration of the applicable Fund, having either served as Trustee since the inception of the Fund or for 36 months, or having been nominated by at least a majority of the Continuing Trustees then members of the Board.

All members of the Board of RCS other than Mr. Dawson are and will remain, if elected, Continuing Directors, as such term is defined in the Articles of Incorporation, either having served as Director for a period of at least 12 months, or having been a successor to a Continuing Director and been recommended to succeed a Continuing Director by a majority of the Continuing Directors then members of the Board. Mr. Dawson, if elected, will become a Continuing Director as of September 5, 2015, at which point he will have served on the Board for 12 months.

At any annual meeting of Shareholders, any Trustee elected to fill a vacancy that has arisen since the preceding annual meeting of Shareholders (whether or not such vacancy has been filled by election of a new Trustee by the Board) shall hold office for a term that coincides with the term (or any remaining term) of the Class of Trustees to which such office was previously assigned, if such vacancy arose other than by an increase in the number of Trustees, and until his or her successor shall be elected and shall qualify. In the event such vacancy arose due to an increase in the number of Trustees, any Trustee so elected to fill such vacancy at an annual meeting shall hold office for a term which coincides with that of the Class of Trustee to which such office has been apportioned and until his or her successor shall be elected and shall qualify.

The following table summarizes the nominees who will stand for re-election or election, as applicable, at the Meeting, the respective Classes of Trustees to which they have been designated and the expiration of their respective terms if re-elected or elected:

Trustee/Director/Nominee	**Class**	**Expiration of Term if Re-Elected/Elected***
RCS		
Craig A. Dawson[1]	Class III	Annual Meeting for the 2018-2019 fiscal year
Alan Rappaport	Class III	Annual Meeting for the 2018-2019 fiscal year
Deborah A. DeCotis	Class III	Annual Meeting for the 2018-2019 fiscal year

Trustee/Director/Nominee	Class	Expiration of Term if Re-Elected/Elected*
PGP		
Craig A. Dawson[1]	Class I	Annual Meeting for the 2018-2019 fiscal year
Hans W. Kertess	Class I	Annual Meeting for the 2018-2019 fiscal year
William B. Ogden, IV	Class I	Annual Meeting for the 2018-2019 fiscal year
PFL		
Craig A. Dawson[1]	Class III	Annual Meeting for the 2015-2016 fiscal year
Deborah A. DeCotis	Class II	Annual Meeting for the 2017-2018 fiscal year
James A. Jacobson	Class II	Annual Meeting for the 2017-2018 fiscal year
Hans W. Kertess	Class I	Annual Meeting for the 2016-2017 fiscal year
Alan Rappaport	Class II	Annual Meeting for the 2017-2018 fiscal year
PFN		
Craig A. Dawson[1]	Class I	Annual Meeting for the 2017-2018 fiscal year
Alan Rappaport	Class I	Annual Meeting for the 2017-2018 fiscal year
William B. Ogden, IV	Class I	Annual Meeting for the 2017-2018 fiscal year
Bradford K. Gallagher	Class II	Annual Meeting for the 2015-2016 fiscal year
PHK		
John C. Maney[1]	Class III	Annual Meeting for the 2018-2019 fiscal year
Deborah A. DeCotis	Class III	Annual Meeting for the 2018-2019 fiscal year
PDI		
John C. Maney[1]	Class III	Annual Meeting for the 2018-2019 fiscal year
Deborah A. DeCotis	Class III	Annual Meeting for the 2018-2019 fiscal year

* A Trustee of RCS, PGP, PFL, PFN, PHK or PDI re-elected or elected at an annual meeting shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

[1] Each of Mr. Dawson and Mr. Maney is an Interested Trustee/Nominee.

Under this classified Board structure, generally only those Trustees in a single Class may be replaced in any one year, and it would require a minimum of two years to change a majority of the Board under normal circumstances. This structure, which may be regarded as an anti-takeover provision, may make it more difficult for a Fund s Shareholders to change the majority of Trustees of the Fund and, thus, promotes the continuity of management.

Unless authority is withheld, it is the intention of the persons named in the enclosed proxy for a Fund to vote each proxy for the persons listed above for that Fund. Each of the nominees has indicated he or she will serve if elected, but if he or she should be unable to serve for a Fund, the proxy holders may vote in favor of such substitute nominee as the Board may designate (or, alternatively, the Board may determine to save a vacancy).

Trustees and Officers

The business of each Fund is managed under the direction of the Fund s Board of Trustees. Subject to the provisions of each Fund s Declaration or Articles, its Bylaws and applicable state law, the Trustees have all powers necessary and convenient to carry out their responsibilities, including the election and removal of the Fund s officers.

Board Leadership Structure Currently, and assuming the nominees are elected as proposed, the Board of Trustees of each Fund consists and will continue to consist of eight Trustees, six of whom are not interested persons (within the meaning of Section 2(a)(19) of the 1940 Act) of the Fund or of the Manager (the Independent Trustees). An Independent Trustee serves as Chairman of the Trustees and is selected by a vote of the majority of the Independent Trustees. The Chairman presides at meetings of the Board and acts as a liaison with service providers, officers, attorneys and other Trustees generally between meetings, and performs such other functions as may be requested by the Board from time to time.

The Board of Trustees of each Fund meets regularly four times each year to discuss and consider matters concerning the Funds, and also holds special meetings to address matters arising between regular meetings. The Independent Trustees regularly meet outside the presence of management and are advised by independent legal counsel. Regular meetings generally take place in-person; other meetings may take place in-person or by telephone.

The Board of Trustees has established four standing Committees to facilitate oversight of the management of the Funds: the Audit Oversight Committee, the Nominating Committee, the Valuation Oversight Committee and the Compensation Committee. The functions and role of each Committee are described below under Board Committees and Meetings. The membership of each Committee consists of all of the Independent Trustees, which the Board believes allows them to participate in the full range of the Board s oversight duties.

The Board reviews its leadership structure periodically and has determined that this leadership structure, including an Independent Chairman, a supermajority of Independent Trustees and Committee membership limited to Independent Trustees, is appropriate in light of the characteristics and circumstances of each Fund. In reaching this conclusion, the Board considered, among other things, the predominant role of the Manager in the day-to-day management of Fund affairs, the extent to which the work of the Board is conducted through the Committees, the number of portfolios overseen by the Board that are advised by the Manager or have an investment adviser that is an affiliated person of the Manager (the Fund Complex), the variety of asset classes those portfolios include, the net assets of each Fund and other portfolios overseen by the Board in the Fund Complex and the management and other service arrangements of each Fund and such other portfolios. The Board also believes that its structure, including the presence of two Trustees who are executives with the Manager or Manager-affiliated entities, facilitates an efficient flow of information concerning the management of each Fund to the Independent Trustees.

Risk Oversight Each of the Funds has retained the Manager to provide investment advisory services and administrative services. Accordingly, the Manager is immediately responsible for the management of risks that may arise from Fund investments and operations. Some employees of the Manager serve as the Funds officers, including the Funds principal executive officer and principal financial and accounting officer, chief compliance officer and chief legal officer. The Manager and the Funds other service providers have adopted policies, processes, and procedures to identify, assess and manage different types of risks associated with each Fund s activities. The Board oversees the performance of these functions by the Manager and the Funds other service providers, both directly and through the Committee structure it has established. The Board receives from the Manager a wide range of reports, both on a regular and as-needed basis, relating to the Funds activities and to the actual and potential risks of the Funds. These include reports on investment and market risks, custody and valuation of Fund assets, compliance with applicable laws, and the Funds financial accounting and reporting. In addition, the Board meets periodically with the individual portfolio managers of the Funds or their delegates to receive reports regarding the portfolio management of the Funds and their performance, including their investment risks. In the course of these meetings and discussions with the Manager, the Board has emphasized the importance of maintaining vigorous risk-management programs and procedures.

In addition, the Board has appointed a Chief Compliance Officer (CCO). The CCO oversees the development of compliance policies and procedures that are reasonably designed to minimize the risk of violations of the federal securities laws (Compliance Policies). The CCO reports directly to the Independent Trustees, interacts with individuals within the Manager s organization including its Chief Risk Officer and provides presentations to the Board at its quarterly meetings and an annual report on the application of the Compliance Policies. The Board periodically discusses relevant risks affecting the Funds with the CCO at these meetings. The Board has approved the Compliance Policies and reviews the CCO s reports. Further, the Board annually reviews the sufficiency of the Compliance Policies, as well as the appointment and compensation of the CCO.

The Board recognizes that the reports it receives concerning risk management matters are, by their nature, typically summaries of the relevant information. Moreover, the Board recognizes that not all risks that may affect the Funds can be identified in advance; that it may not be practical or cost-effective to eliminate or mitigate certain risks; that it may be necessary to bear certain risks (such as investment-related risks) in seeking to achieve the Funds investment objectives; and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness.

Information Regarding Trustees and Nominees.

The following table provides information concerning the Trustees/Nominees of the Funds.

Name, Address, Year of Birth and Class*	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
Independent Trustees/Nominees					
Hans W. Kertess 1939 PGP/PFL/PHK/PDI-Class I RCS- Class II PFN- Class III	Chairman of the Board, Trustee, Nominee	RCS-Since 2008 PGP-Since 2005 PHK/PFL-Since 2003 PFN-Since 2004 PDI-Since 2012	President, H. Kertess & Co., a financial advisory company. Senior Adviser, Royal Bank of Canada Capital Markets. Formerly, Managing Director and Consultant, Royal Bank of Canada Capital Markets.	92	None

Name, Address, Year of Birth and Class*	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
Deborah A. DeCotis 1952 PGP/PFL/PFN- Class II RCS/PHK/PDI- Class III	Trustee, Nominee	RCS/ PGP/PFL/ PFN/ PHK- Since 2011 PDI-Since 2012	Advisory Director, Morgan Stanley & Co., Inc. (since 1996); Co-Chair Special Projects Committee, Memorial Sloan Kettering (since 2005); Member, Circle Financial Group (since 2011); Trustee, Stanford University (since 2010); and Member, Council on Foreign Relations (since 2013). Formerly, Principal, LaLoop LLC, a retail accessories company (1999-2014) and Director, Helena Rubenstein Foundation (1997-2010).	92	None

Name, Address, Year of Birth and Class*	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
Bradford K. Gallagher 1944 RCS/PDI/PGP/PHK/PFL/PFN- Class II	Trustee, Nominee	RCS/PGP/ PFL/PFN/ PHK- Since 2010 PDI-Since 2012	Retired. Founder, Spyglass Investments LLC, a private investment vehicle (since 2001). Formerly, Chairman and Trustee, Commonfund (2005-2014); Partner, New Technology Ventures Capital Management LLC, a venture capital fund (2011-2013); Chairman and Trustee, Atlantic Maritime Heritage Foundation (2007-2012) and Founder, President and CEO, Cypress Holding Company and Cypress Tree Investment Management Company (1995-2001).	92	Formerly, Chairman and Trustee of Grail Advisors ETF Trust (2009- 2010) and Trustee of Nicholas-Applegate Institutional Funds (2007-2010).
James A. Jacobson 1945 RCS- Class I PDI/PGP/PHK/PFL-Class II PFN- Class III	Trustee, Nominee	RCS/PGP/ PHK- Since 2009 PFL/PDI- Since 2012 PFN-Since 2013	Retired. Trustee and Chairman of Investment Committee, Ronald McDonald House of New York (since 2002); Trustee, Taft School, Watertown, CT (since 2007); Trustee, New Jersey City University, Jersey City, NJ (since 2014). Formerly, Vice Chairman and Managing Director, Spear, Leeds & Kellogg Specialists, LLC, a specialist firm on the New York Stock Exchange. (2003-2008).	92	Trustee, Alpine Mutual Funds Complex consisting of 18 funds.

Name, Address, Year of Birth and Class*	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
William B. Ogden, IV 1945 RCS/PGP/PFL/PFN/PHK/PDI-Class I	Trustee, Nominee	RCS-Since 2008 PGP/PHK/ PFL/PFN-Since 2006 PDI-Since 2012	Retired. Formerly, Managing Director, Investment Banking Division of Citigroup Global Markets Inc.	92	None
Alan Rappaport 1953 RCS/PGP-Class III PFL-Class II PHK/PDI/PFN-Class I	Trustee, Nominee	RCS/PGP/ PHK-Since 2010 PFL-Since 2014 PFN/PDI-Since 2012	Advisory Director (formerly Vice Chairman) (since 2009), Roundtable Investment Partners; Chairman (formerly President), Private Bank of Bank of America; Vice Chairman, US Trust (2001-2008); Adjunct Professor, New York University Stern School of Business (since 2011); Lecturer, Stanford University Graduate School of Business (2013-2014); Trustee, American Museum of Natural History (since 2005) and Trustee, NYU Langone Medical Center (since 2007); Director, Victory Capital Holdings, Inc., an asset management firm.	92	None

Name, Address, Year of Birth and Class*	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
Interested Trustees/Nominees					
Craig A. Dawson** 1968 650 Newport Center Drive, Newport Beach, CA 92660 RCS/PFL- Class III PGP/PFN- Class I PDI/PHK- Class II	Trustee, Nominee	RCS/ PGP/ PFL/ PFN/ PHK/ PDI- Since 2014	Managing Director and Head of Strategic Business Management, PIMCO (since 2014). Director of a number of PIMCO s European investment vehicles and affiliates (since 2008). Formerly, head of PIMCO s Munich office and head of European product management for PIMCO.	25	None

Name, Address, Year of Birth and Class*	Position(s) Held with the Funds	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee/ Nominee	Other Directorships Held by Trustee/ Nominee During the Past 5 Years
John C. Maney*** 1959 680 Newport Center Drive, Suite 250, Newport Beach, CA 92660 RCS- Class II PGP/PFL/PFN/PHK/PDI- Class III	Trustee, Nominee	RCS-Since 2008 PGP/PFL/ PFN/PHK- Since 2006 PDI-Since 2012	Managing Director of Allianz Asset Management of America L.P. (since January 2005) and a member of the Management Board and Chief Operating Officer of Allianz Asset Management of America L.P. (since November 2006). Formerly, Member of the Management Board of Allianz Global Investors Fund Management LLC (2007-2014) and Managing Director of Allianz Global Investors Fund Management LLC (2011-2014).	25	None

* Unless otherwise indicated, the business address of the persons listed above is c/o Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

** Mr. Dawson is an interested person of each Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his affiliation with PIMCO and its affiliates.

*** Mr. Maney is an interested person of each Fund, as defined in Section 2(a)(19) of the 1940 Act, due to his affiliation with Allianz Asset Management of America L.P. and its affiliates.

The following table states the dollar range of equity securities beneficially owned as of the Record Date by each Trustee and nominee of each Fund and, on an aggregate basis, of any registered investment companies overseen by the Trustees in the family of investment companies, including the Funds.

Name of Trustee/ Nominee*	Dollar Range of Equity Securities in the Funds*	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee/ Nominee in the Family of Investment Companies*
Independent Trustees/Nominees		
Hans W. Kertess	None	Over $100,000
Deborah A. DeCotis	None	Over $100,000
Bradford K. Gallagher	Over $100,000 (PFL, PFN and RCS)	Over $100,000
James A. Jacobson	None	Over $100,000
William B. Ogden, IV	None	$50,001 - $100,000
Alan Rappaport	$10,001 - $50,000 (PFL)	$50,001 - $100,000
Interested Trustees/Nominees		
John C. Maney	Over $100,000 (PDI)	Over $100,000
Craig A. Dawson	$50,001 - $100,000 (PHK and PFN)	Over $100,000

* Securities are valued as of the Record Date.

To the knowledge of the Funds, as of the Record Date, Trustees and nominees who are Independent Trustees or Independent Nominees and their immediate family members did not own securities of an investment adviser or principal underwriter of the Funds or a person (other than a registered investment company) directly or indirectly controlling, controlled by, or under common control with an investment adviser or principal underwriter of the Funds.

Mr. Ogden owns a less than 1% limited liability company interest in PIMCO Global Credit Opportunity Onshore Fund LLC, a PIMCO-sponsored private investment vehicle.

Compensation. Each of the Independent Trustees also serves as a trustee of PIMCO Municipal Income Fund, PIMCO California Municipal Income Fund, PIMCO New York Municipal Income Fund, PIMCO Municipal Income Fund II, PIMCO California Municipal Income Fund II, PIMCO New York Municipal Income Fund II, PIMCO Municipal Income Fund III, PIMCO California Municipal Income Fund III, PIMCO New York Municipal Income Fund III, PCM Fund, Inc., PIMCO Corporate & Income Strategy Fund, PIMCO Corporate & Income Opportunity Fund, PIMCO Income Opportunity Fund and PIMCO Dynamic Credit Income Fund, each a closed-end fund for which the Manager serves as investment manager (together with the Funds, the PIMCO Closed-End Funds), as well as PIMCO Managed Accounts Trust, an open-end investment company with multiple series for which the Manager serves as investment manager (together with the PIMCO Closed-End Funds, the PIMCO-Managed Funds).

In addition, each of the Independent Trustees also serves as a trustee of AllianzGI Convertible & Income Fund, AllianzGI Convertible & Income Fund II, AllianzGI NFJ Dividend, Interest & Premium Strategy Fund, AllianzGI Equity & Convertible Income Fund, Allianz Funds, Allianz Funds Multi-Strategy Trust, AllianzGI Institutional Multi-Series Trust and Premier Multi-Series VIT (together, the Allianz-Managed Funds), for which Allianz Global Investors Fund Management LLC (AGIFM), an affiliate of PIMCO that served as the investment manager of the PIMCO-Managed Funds prior to the close of business on September 5, 2014 (see Additional Information Investment Manager below), serves as investment adviser.

As indicated below, certain of the officers of the Funds are affiliated with the Manager.

Prior to the close of business on September 5, 2014, including during a portion of the periods covered in the table below, each of the PIMCO-Managed Funds and Allianz-Managed Funds held joint meetings of their Boards of Trustees whenever possible, and each Trustee, other than any Trustee who was a director, officer, partner or employee of the Manager, AGIFM or any entity controlling, controlled by or under common control with the Manager or AGIFM, received annual compensation of $250,000 for service on the Boards of all of the PIMCO-Managed Funds and Allianz-Managed Funds, payable quarterly. The Independent Chairman of the Boards received an additional $75,000 per year, payable quarterly. The Audit Oversight Committee Chairman received an additional $50,000 annually, payable quarterly. Trustees were also reimbursed for meeting-related expenses.

During periods prior to September 5, 2014, each Trustee s compensation and other costs in connection with joint meetings were allocated among the PIMCO-Managed Funds and Allianz-Managed Funds, as applicable, on the basis of fixed percentages as between such groups of Funds. Trustee compensation and other costs were then further allocated *pro rata* among the individual funds within each grouping based on the complexity of issues relating to each such fund and relative time spent by the Trustees in addressing them, and on each such fund s relative net assets.

Subsequent to September 5, 2014, in connection with a new investment management agreement between the PIMCO-Managed Funds and the Manager and the termination of the investment management agreement between the PIMCO-Managed Funds and AGIFM (see Additional Information Investment Manager below), each of the PIMCO-Managed Funds began holding, and are expected to continue to hold, joint meetings of their Boards of Trustees whenever possible, but will generally no longer hold joint meetings with the Allianz-Managed Funds. Under the new Board structure, each Independent Trustee currently receives annual compensation of $225,000 for his or her service on the Boards of the PIMCO-Managed Funds, payable quarterly. The Independent Chairman of the Boards receives an additional $75,000 per year, payable quarterly. The Audit Oversight Committee Chairman receives an additional $50,000 annually, payable quarterly. Trustees are also reimbursed for meeting-related expenses.

Each Trustee s compensation for his or her service as a Trustee on the Boards of the PIMCO-Managed Funds and other costs in connection with joint meetings of such Funds are allocated among the PIMCO-Managed Funds, as applicable, on the basis of fixed percentages as between PMAT and PIMCO Closed-End Funds. Trustee compensation and other costs will then be further allocated pro rata among the individual funds within each grouping based on each such fund s relative net assets.

The Funds have no employees. The Funds officers, Mr. Dawson and Mr. Maney are compensated by the Manager or one of its affiliates, as applicable.

The Trustees do not currently, nor did they prior to September 5, 2014, receive any pension or retirement benefits from the Funds or the Fund Complex.

The following table provides information concerning the compensation paid to the Trustees and nominees for the fiscal years ended July 31, 2014 for PFL and PFN, January 31, 2015 for RCS and March 31, 2015 for PGP, PDI and PHK (for information on recent changes in certain of the Funds fiscal years, see Additional Information Independent Registered Public Accounting Firm). For the calendar year ended December 31, 2014, the Trustees received the compensation set forth in the table below for serving as Trustees of the Funds and other funds in the same Fund Complex as the Funds. Each officer and each

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Trustee who is a director, officer, partner, member or employee of the Manager, or of any entity controlling, controlled by or under common control with the Manager, including any Interested Trustee, serves without any compensation from the Funds.

Compensation Table

Name of Trustee/ Nominees	Aggregate Compensation from RCS for the Fiscal Year Ended January 31, 2015	Aggregate Compensation from PGP for the Fiscal Year Ended March 31, 2015	Aggregate Compensation from PFL for the Fiscal Year Ended July 31, 2014	Aggregate Compensation from PFN for the Fiscal Year Ended July 31, 2014	Aggregate Compensation from PHK for the Fiscal Year Ended March 31, 2015	Aggregate Compensation from PDI for the Fiscal Year Ended March 31, 2015	Total Compensation from the Funds and Fund Complex Paid to Trustees/Nominees for the Calendar Year Ended December 31, 2014*
Independent Trustee/Nominee							
Hans W. Kertess	$ 4,928	$ 2,330	$ 14,778	$ 3,952	$ 19,471	$ 23,735	$ 369,640
Bradford K. Gallagher	$ 3,747	$ 1,760	$ 11,364	$ 3,039	$ 14,716	$ 17,927	$ 282,489
James A. Jacobson	$ 4,535	$ 2,140	$ 13,649	$ 3,648	$ 17,886	$ 21,799	$ 340,589
William B. Ogden, IV	$ 3,748	$ 1,760	$ 11,372	$ 3,041	$ 14,719	$ 17,931	$ 282,489
Alan Rappaport	$ 3,748	$ 1,760	$ 11,372	$ 3,041	$ 14,719	$ 17,931	$ 282,489
Deborah A. DeCotis	$ 3,747	$ 1,760	$ 11,364	$ 3,039	$ 14,716	$ 17,927	$ 369,989
Interested Trustee/Nominee							
John C. Maney	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Craig A. Dawson**	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

* In addition to the PIMCO-Managed Funds, which are advised by the Manager, during each Fund s most recently completed calendar year, all of the Trustees (other than Mr. Dawson) served as trustees of the Allianz-Managed Funds, which are managed by an affiliate of the Manager.

** Mr. Dawson became a Trustee of the Funds effective at the close of business on September 5, 2014. Neither he nor Mr. Maney receive compensation from the Funds.

Trustee Qualifications The Board has determined that each Trustee is qualified to serve as such based on several factors (none of which alone is decisive). Each Trustee, with the exception of Mr. Dawson, has served in such role for several years. Mr. Dawson, who is also a Managing Director and Head of Strategic Business Management at PIMCO, has served as a Trustee of each Fund since PIMCO assumed the role of the Fund s investment adviser and administrator in 2014. Accordingly, each Trustee is knowledgeable about the Funds business and service provider arrangements, and has also served for several years as trustee or director to a number of other investment companies advised by the Manager and its affiliates. Among the factors the Board considered when concluding that an individual is qualified to serve on the Board were the following: (i) the individual s business and professional experience and accomplishments; (ii) the individual s ability to work effectively with other members of the Board; (iii) the individual s prior experience, if any, serving on the boards of public companies (including, where relevant, other investment companies) and other complex enterprises and organizations; and (iv) how the individual s skills, experiences and attributes would contribute to an appropriate mix of relevant skills and experience on the Board.

In respect of each current Trustee, the individual s substantial professional accomplishments and prior experience, including, in some cases, in fields related to the operations of the Funds, were a significant factor in the determination by the Board that the individual is qualified to serve as a Trustee of the Funds. The following is a summary of various qualifications, experiences and skills of each Trustee (in addition to business experience during the past five years set forth in the table above) that contributed to the Board s conclusion that an individual is qualified to serve on the Board. References to qualifications, experiences and skills are not intended to hold out the Board or individual Trustees as having any special expertise or experience, and shall not impose any greater responsibility or liability on any such person or on the Board by reason thereof.

Hans W. Kertess Mr. Kertess has substantial executive experience in the investment management industry. He is the president of a financial advisory company, H. Kertess & Co. and a Senior Adviser of Royal Bank of Canada Capital Markets, and formerly served as a Managing Director of Royal Bank of Canada Capital Markets. He has significant expertise in the investment banking industry.

Craig A. Dawson Mr. Dawson has substantial executive experience in the investment management industry. Mr. Dawson is a Managing Director at PIMCO and Head of Strategic Business Management. In that role he is in charge of guiding PIMCO s new business initiatives. Prior to taking on this position, Mr. Dawson was in charge of PIMCO s Munich office and head of European product management. Mr. Dawson also serves as a Director of a number of PIMCO s European investment vehicles and affiliates. Because of his familiarity with PIMCO and its affiliates, Mr. Dawson serves as an important information resource for the Independent Trustees and as a facilitator of communication with PIMCO.

Deborah A. DeCotis Ms. DeCotis has substantial senior executive experience in the investment banking industry, having served as a Managing Director for Morgan Stanley. She has extensive board experience and experience in oversight of investment management functions through her experience as a former Director of the Helena Rubenstein Foundation, Stanford Graduate School of Business and Armor Holdings.

Bradford K. Gallagher Mr. Gallagher has substantial executive and board experience in the financial services and investment management industries. He has served as director to several other investment companies. Having served on the Operating Committee of Fidelity Investments and as a Managing Director and President of Fidelity Investments Institutional Services Company, he provides the Funds with significant asset management industry expertise. He also brings significant securities industry experience, having served as a developer and founder of several enterprises and private investment vehicles.

James A. Jacobson Mr. Jacobson has substantial executive and board experience in the financial services industry. He served for more than 15 years as a senior executive at a New York Stock Exchange (the NYSE) specialist firm. He has also served on the NYSE Board of Directors, including terms as Vice Chair. As such, he provides significant expertise on matters relating to portfolio brokerage and trade execution. He also provides the Funds with significant financial expertise, serves as the Audit Oversight Committee s Chair and has been determined by the Board to be an audit committee financial expert. He has expertise in investment company matters through his service as a trustee of another fund family.

John C. Maney Mr. Maney has substantial executive and board experience in the investment management industry. He has served in a variety of senior-level positions with investment advisory firms affiliated with the Manager. Because of his familiarity with the Manager and affiliated entities, he serves as an important information resource for the Independent Trustees and as a facilitator of communication with Allianz Asset Management of America L.P., PIMCO s U.S. parent company.

William B. Ogden, IV Mr. Ogden has substantial senior executive experience in the investment banking industry. He served as Managing Director at Citigroup, where he established and led the firm s efforts to raise capital for, and provide mergers and acquisition advisory services to, asset managers and investment advisers. He also has significant expertise with fund products through his senior-level responsibility for originating and underwriting a broad variety of such products.

Alan Rappaport Mr. Rappaport has substantial senior executive experience in the financial services industry. He formerly served as Chairman and President of the Private Bank of Bank of America and as Vice Chairman of U.S. Trust. He is currently an Advisory Director of an investment firm.

Board Committees and Meetings.

Audit Oversight Committee. The Board of each Fund has established an Audit Oversight Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Each Fund s Audit Oversight Committee currently consists of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis, each of whom is an Independent Trustee. Mr. Jacobson is the Chairman of each Fund s Audit Oversight Committee. Each Fund s Audit Oversight Committee provides oversight with respect to the internal and external accounting and auditing procedures of each Fund and, among other things, determines the selection of the independent registered public accounting firm for each Fund and considers the scope of the audit, approves all audit and permitted non-audit services proposed to be performed by those auditors on behalf of each Fund, and approves non-audit services to be performed by the auditors for certain affiliates, including the Manager and entities in a control relationship with the Manager that provide services to each Fund where the engagement relates directly to the operations and financial reporting of the Fund. The Committee considers the possible effect of those services on the independence of the Funds independent registered public accounting firm. Each member of each Fund s Audit Oversight Committee is independent, as independence for audit committee members is defined in the currently applicable listing standards of the NYSE, on which the Common Shares of each Fund are listed.

The Board of each Fund has adopted a written charter for its Audit Oversight Committee. A copy of the written charter for each Fund, as amended through September 5, 2014, is attached to this Proxy Statement as <u>Exhibit A</u>. A report of the Audit Oversight Committee of PFL and PFN, dated September 23, 2014, is attached to this Proxy Statement as <u>Exhibit C-1</u>. A report of the Audit Oversight Committee of RCS, dated March 24, 2015, is attached to this Proxy

Statement as Exhibit C-2. A report of the Audit Oversight Committee of PGP, PDI and PHK, dated May 21, 2015, is attached to this Proxy Statement as Exhibit C-3.

Nominating Committee. The Board of each Fund has a Nominating Committee composed solely of Independent Trustees, currently consisting of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis. The Nominating Committee is responsible for reviewing and recommending qualified candidates to the Board in the event that a position is vacated or created or when Trustees are to be nominated for election by shareholders. The Nominating Committee of each Fund has adopted a charter, which is attached to this Proxy Statement as Exhibit B.

Each member of each Fund s Nominating Committee is independent, as independence for nominating committee members is defined in the currently applicable listing standards of the NYSE, on which the Common Shares of each Fund are listed.

Qualifications, Evaluation and Identification of Trustee/Nominees. The Nominating Committee of each Fund requires that Trustee candidates have a college degree or equivalent business experience. When evaluating candidates, each Fund s Nominating Committee may take into account a wide variety of factors including, but not limited to: (i) availability and commitment of a candidate to attend meetings and perform his or her responsibilities on the Board, (ii) relevant industry and related experience, (iii) educational background, (iv) ability, judgment and expertise and (v) overall diversity of the Board s composition. The process of identifying nominees involves the consideration of candidates recommended by one or more of the following sources: (i) the Fund s current Trustees, (ii) the Fund s officers, (iii) the Fund s investment adviser, (iv) shareholders of the Fund, and (v) any other source the Committee deems to be appropriate. The Nominating Committee of each Fund may, but is not required to, retain a third party search firm at a Fund s expense to identify potential candidates.

Consideration of Candidates Recommended by Shareholders. The Nominating Committee of each Fund will review and consider nominees recommended by Shareholders to serve as Trustees, provided that the recommending Shareholder follows the Procedures for Shareholders to Submit Nominee Candidates for the PIMCO Sponsored Closed-End Funds, which are set forth as Appendix B to the Funds Nominating Committee Charter. Among other requirements, these procedures provide that the recommending Shareholder must submit any recommendation in writing to the Fund, to the attention of the Fund s Secretary, at the address of the principal executive offices of the Fund and that such submission must be received at such offices not less than 45 days nor more than 75 days prior to the date of the Board or shareholder meeting at which the nominee would be elected. Any recommendation must include certain biographical and other information regarding the candidate and the recommending Shareholder, and must include a written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected. The foregoing description of the requirements is only a summary. Please refer to Appendix B to the Nominating Committee Charter for each Fund, which is attached to this Proxy Statement as Exhibit B for details.

The Nominating Committee has full discretion to reject nominees recommended by Shareholders, and there is no assurance that any such person properly recommended and considered by the Committee will be nominated for election to the Board of each Fund.

Diversity. The Nominating Committee takes diversity of a particular nominee and overall diversity of the Board into account when considering and evaluating nominees for Trustee. While the Committee has not adopted a particular definition of diversity, when considering a nominee s and the Board s diversity, the Committee generally considers the manner in which each nominee s professional experience, education, expertise in matters that are relevant to the oversight of the Funds (*e.g.*, investment management, distribution, accounting, trading, compliance, legal), general leadership experience, and life experience are complementary and, as a whole, contribute to the ability of the Board to oversee the Funds.

Valuation Oversight Committee. The Board of each Fund has a Valuation Committee currently consisting of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis. Mr. Ogden is the Chair of each Fund s Valuation Oversight Committee. The Valuation Oversight Committee has been delegated responsibility by the Board for overseeing determination of the fair value of each Fund s portfolio securities on behalf of the Board in accordance with the Fund s valuation procedures. The Valuation Oversight Committee reviews and approves procedures for the fair valuation of each Fund s portfolio securities and periodically reviews information from the Manager regarding fair value and liquidity determinations made pursuant to Board-approved procedures, and makes related recommendations to the full Board and assists the full Board in resolving particular fair valuation and other valuation matters.

Compensation Committee. The Board of each Fund has a Compensation Committee currently consisting of Messrs. Gallagher, Jacobson, Kertess, Ogden, Rappaport and Ms. DeCotis. The Compensation Committee meets as the Board deems necessary to review and make recommendations regarding compensation payable to the Trustees of the Fund who are not directors, officers, partners or employees of the Manager or any entity controlling, controlled by or under common control with the Manager.

Meetings. With respect to RCS, during the fiscal year ended January 31, 2015, the Board of Directors held four regular meetings and eight special meetings. The Audit Oversight Committee met in separate session three times, the Nominating Committee met in separate session twice, the Valuation Oversight Committee met in separate session four times and the Compensation Committee met in separate session once. Each Director (other than Mr. Dawson, who was not a Director of the Fund prior to September 5, 2014) attended in person or via teleconference at least 75% of the regular meetings of the Board and meetings of the committees on which such Director served for RCS that were held during the fiscal year ended January 31, 2015. Mr. Dawson has attended all of the meetings of the Board since his appointment as a Director.

With respect to PGP, during the fiscal year ended March 31, 2015, the Board of Trustees held four regular meetings and six special meetings. The Audit Oversight Committee met in separate session four times, the Nominating Committee met in separate session once, the Valuation Oversight Committee met in separate session four times and the Compensation Committee met in separate session once. Each Trustee (other than Mr. Dawson, who was not a Trustee of the Fund prior to September 5, 2014) attended in person or via teleconference at least 75% of the regular meetings of the Board and meetings of the committees on which such Trustee served for PGP that were held during the fiscal year ended March 31, 2015. Mr. Dawson has attended all of the meetings of the Board since his appointment as a Trustee.

With respect to PFL, during the fiscal year ended July 31, 2014, the Board of Trustees held four regular meetings and five special meetings. The Audit Oversight Committee met in separate session three times, the Nominating Committee met in separate session once, the Valuation Oversight Committee met in separate session four times and the Compensation Committee met in separate session twice. Each Trustee (other than Mr. Dawson, who was not a Trustee of the Fund prior to September 5, 2014) attended in person or via teleconference at least 75% of the regular meetings of the Board and meetings of the committees on which such Trustee served for PFL that were held during the fiscal year ended July 31, 2014. Mr. Dawson has attended all of the meetings of the Board since his appointment as Trustee.

With respect to PFN, during the fiscal year ended July 31, 2014, the Board of Trustees held four regular meetings and four special meetings. The Audit Oversight Committee met in separate session three times, the Nominating

Committee met in separate session once, the Valuation Oversight Committee met in separate session four times and the Compensation Committee met in separate session twice. Each Trustee (other than Mr. Dawson, who was not a Trustee of the Fund prior to September 5, 2014) attended in person or via teleconference at least 75% of the regular meetings of the Board and meetings of the committees on which such Trustee served for PFN that were held during the fiscal year ended July 31, 2014. Mr. Dawson has attended all of the meetings of the Board since his appointment as a Trustee.

With respect to PHK, during the fiscal year ended March 31, 2015, the Board of Trustees held four regular meetings and six special meetings. The Audit Oversight Committee met in separate session four times, the Nominating Committee met in separate session once, the Valuation Oversight Committee met in separate session four times and the Compensation Committee met in separate session once. Each Trustee (other than Mr. Dawson, who was not a Trustee of the Fund prior to September 5, 2014) attended in person or via teleconference at least 75% of the regular meetings of the Board and meetings of the committees on which such Trustee served for PHK that were held during the fiscal year ended March 31, 2015. Mr. Dawson has attended all of the meetings of the Board since his appointment as a Trustee.

With respect to PDI, during the fiscal year ended March 31, 2015, the Board of Trustees held four regular meetings and six special meetings. The Audit Oversight Committee met in separate session four times, the Nominating Committee met in separate session once, the Valuation Oversight Committee met in separate session four times and the Compensation Committee met in separate session once. Each Trustee (other than Mr. Dawson, who was not a Trustee of the Fund prior to September 5, 2014) attended in person or via teleconference at least 75% of the regular meetings of the Board and meetings of the committees on which such Trustee served for PDI that were held during the fiscal year ended March 31, 2015. Mr. Dawson has attended all of the meetings of the Board since his appointment as a Trustee.

The Trustees generally do not attend the annual shareholder meetings.

Shareholder Communications with the Board of Trustees. The Board of Trustees of each Fund has adopted procedures by which Shareholders may send communications to the Board. Shareholders may mail written communications to the Board to the attention of the Board of Trustees, [name of Fund], c/o Joshua D. Ratner, Vice President, Secretary and Chief Legal Officer (CLO), PIMCO Investment Management Company LLC, 1633 Broadway, New York, New York 10019. Shareholder communications must (i) be in writing and be signed by the Shareholder and (ii) identify the class and number of Shares held by the Shareholder. The CLO of each Fund or his designee is responsible for reviewing properly submitted shareholder communications. The CLO shall either (i) provide a copy of each properly submitted shareholder communication to the Board at its next regularly scheduled Board meeting or (ii) if the CLO determines that the communication requires more immediate attention, forward the communication to the Trustees promptly after receipt. The CLO may, in good faith, determine that a shareholder communication should not be provided to the Board because it does not reasonably relate to a Fund or its operations, management, activities, policies, service providers, Board, officers, shareholders or other matters relating to an investment in the Fund or is otherwise routine or ministerial in nature. These procedures do not apply to (i) any communication from an officer or Trustee of a Fund, (ii) any communication from an employee or agent of a Fund, unless such communication is made solely in such employee s or agent s capacity as a shareholder, or (iii) any shareholder proposal submitted pursuant to Rule 14a-8 under the Exchange Act or any communication made in connection with such a proposal. A Fund s Trustees are not required to attend the Fund s annual shareholder meetings or to otherwise make themselves available to shareholders for communications, other than by the aforementioned procedures.

Section 16(a) Beneficial Ownership Reporting Compliance. Each Fund s Trustees and certain officers, investment adviser, certain affiliated persons of the investment adviser and persons who beneficially own more than 10% of any class of outstanding securities of a Fund (*i.e*., a Fund s Common Shares or Preferred Shares) are required to file forms reporting their affiliation with the Fund and reports of ownership and changes in ownership of the Fund s securities with the Securities and Exchange Commission (the SEC) and the NYSE. These persons and entities are required by SEC regulation to furnish the Fund with copies of all such forms they file. Based solely on a review of these forms furnished to each Fund, each Fund believes that each of the Trustees and relevant officers, investment adviser and relevant affiliated persons of the investment adviser and the persons who beneficially own more than 10% of any class of outstanding securities of a Fund has complied with all applicable filing requirements during each Fund s respective fiscal year.

Required Vote. The election of Mr. Dawson and re-election of Mr. Rappaport and Ms. DeCotis to the Board of Directors of RCS will require the affirmative vote of a plurality of the votes of the Common Shareholders of RCS cast in the election of Directors at the Meeting, in person or by proxy. The election of Mr. Dawson and the re-election of Messrs. Kertess and Ogden to the Board of Trustees of PGP will require the affirmative vote of a plurality of the votes of the Common Shareholders of the Fund cast in the election of Trustees at the Meeting, in person or by proxy. The election of Mr. Dawson and the re-election of Mr. Jacobson and Ms. DeCotis to the Board of Trustees of PFL will require the affirmative vote of a plurality of the votes of Common Shareholders and Preferred Shareholders of the Fund (voting together as a single class) cast in the election of Trustees at the Meeting, in person or by proxy. The re-election of Mr. Gallagher to the Board of Trustees of PFL will require the affirmative vote of a plurality of the votes of the Preferred Shareholders (voting as a separate class) of the Fund cast in the election of Trustees at the Meeting, in person or by proxy. The election of Mr. Dawson and the re-election of Messrs. Rappaport and Ogden to the Board of Trustees of PFN will require the affirmative vote of a plurality of the votes of Common Shareholders and Preferred Shareholders of the Fund (voting together as a single class) of the Fund cast in the election of Trustees at the Meeting, in person or by proxy. The re-election of Mr. Gallagher to the Board of Trustees of PFN will require the affirmative vote of a plurality of the votes of the Preferred Shareholders (voting as a separate class) of the Fund cast in the election of Trustees at the Meeting, in person or by proxy. The re-election of Mr. Maney and Ms. DeCotis to the Board of Trustees of PHK will require the affirmative vote of a plurality of the votes of Common Shareholders and Preferred Shareholders of the Fund (voting together as a single class) cast in the election of Trustees at the Meeting, in person or by proxy. The re-election of Mr. Maney and Ms. DeCotis to the Board of Trustees of PDI will require the affirmative vote of a plurality of the votes of Common Shareholders of the Fund cast in the election of Trustees at the Meeting, in person or by proxy.

THE BOARD OF TRUSTEES OF EACH FUND UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL FOR EACH FUND.

ADDITIONAL INFORMATION

Executive and Other Officers of the Funds. The table below provides certain information concerning the executive officers of the Funds and certain other officers who perform similar duties. Officers of PGP, PFL, PFN, PHK and PDI hold office at the pleasure of the relevant Board and until their successors are chosen and qualified, or in each case until he or she sooner dies, resigns, is removed with or without cause or becomes disqualified. Officers of RCS shall be elected or appointed by the Board of Directors each year at its first meeting held after the annual meeting of Shareholders, or at any other time. Officers serve at the pleasure of the Board. Each such officer shall hold office until his or her successor shall have been duly elected or appointed and qualified, or until his or her death, or until he or she shall have resigned or have been removed. Officers and employees of the Funds who are principals, officers, members or employees of the Manager are not compensated by the Funds.

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years
Peter G. Strelow[1] 1970	President; Principal Executive Officer	Since 2014	Managing Director, PIMCO. President and Principal Executive Officer, PIMCO-Managed Funds. President, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Youse Guia[1] 1972	Chief Compliance Officer	Since 2014	Senior Vice President and Deputy Chief Compliance Officer, PIMCO. Chief Compliance Officer, PIMCO-Managed Funds. Formerly, Head of Compliance, Allianz Global Investors U.S. Holdings LLC and Chief Compliance Officer of the Allianz Funds, Allianz Multi-Strategy Trust, Allianz Global Investors Sponsored Closed-End Funds, Premier Multi-Series VIT and The Korea Fund, Inc.
Joshua D. Ratner[2] 1976	Vice President, Secretary and Chief Legal Officer	Since 2014	Executive Vice President and Senior Counsel, PIMCO. Chief Legal Officer, PIMCO Investments LLC. Vice President, Secretary and Chief Legal Officer, PIMCO-Managed Funds. Vice President Senior Counsel, Secretary, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Eric D. Johnson[2] 1970	Vice President	Since 2014	Executive Vice President, PIMCO. Vice President, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years
William G. Galipeau[1] 1974	Treasurer, Principal Financial & Accounting Officer	Since 2014	Executive Vice President, PIMCO. Treasurer and Principal Financial & Accounting Officer, PIMCO-Managed Funds. Vice President, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Vice President, Fidelity Investments.
Erik C. Brown[1] 1967	Vice President	Since 2014	Executive Vice President, PIMCO. Vice President, PIMCO-Managed Funds. Assistant Treasurer, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Trent W. Walker[1] 1974	Assistant Treasurer	Since 2014	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds. Treasurer, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.
Stacie D. Anctil[1] 1969	Assistant Treasurer	Since 2014	Senior Vice President, PIMCO. Assistant Treasurer, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT.

Name, Address and Year of Birth	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years
Ryan Leshaw[1] 1980	Assistant Secretary	Since 2014	Vice President and Counsel, PIMCO. Assistant Secretary, PIMCO-Managed Funds, PIMCO Funds, PIMCO Variable Insurance Trust, PIMCO ETF Trust, PIMCO Equity Series and PIMCO Equity Series VIT. Formerly, Associate, Willkie Farr & Gallagher LLP.

1 The address of these officers is Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, California 92660.

2 The address of these officers is Pacific Investment Management Company LLC, 1633 Broadway, New York, New York 10019.

Each of the Funds executive officers is an interested person of each Fund (as defined in Section 2(a)(19) of the 1940 Act) as a result of his or her position(s) set forth in the table above.

Investment Manager. Effective at the close of business on September 5, 2014, the Manager, located at 650 Newport Center Drive, Newport Beach, CA, 92660, assumed responsibility as the investment manager to the Funds pursuant to a new investment management agreement (the Agreement) between each Fund and the Manager (the Transition). Under the Agreement, the Manager provides the day-to-day portfolio management services it provided to each Fund as its sub-adviser and also assumed responsibility for the supervisory and administrative services previously provided by each Fund s former investment manager, AGIFM. As part of the Transition, the Manager s personnel replaced AGIFM personnel as officers of each Fund and in other roles to provide and/or oversee the administrative, accounting/financial reporting, compliance, legal, marketing, transfer agency, shareholder servicing and other services required for the daily operations of the Funds. The Manager is a majority-owned indirect subsidiary of Allianz SE, a publicly traded European insurance and financial services company.

Independent Registered Public Accounting Firm. On December 16, 2014, the Board of Trustees approved a change of RCS s fiscal year end from January 31 to June 30, a change of PGP s fiscal year end from March 31 to June 30, a change of PHK s fiscal year end from March 31 to July 31 and a change of PDI s fiscal year end from March 31 to June 30. Each of RCS s, PGP s and PDI s current fiscal year will end on June 30, 2015 and PHK s current fiscal year will end on July 31, 2015. The Audit Oversight Committee of each Fund s Board and the full Board of each Fund unanimously selected PricewaterhouseCoopers LLP (PwC) as the independent registered public accounting firm for the fiscal years ending July 31, 2015 for PFL and PFN, June 30, 2015 for RCS, PGP and PDI and July 31, 2015 for PHK. PwC served as the independent registered public accounting firm of each Fund for the last fiscal year and also serves as the independent registered public accounting firm of various other investment companies for which the Manager serves as investment adviser. PwC is located at 300 Madison Avenue, New York, New York 10017. None of the Funds knows of any direct financial or material indirect financial interest of PwC in the Funds. A representative of PwC, if requested by any Shareholder, will be present at the Meeting via telephone to respond to appropriate questions from Shareholders and will have an opportunity to make a statement if he or she chooses to do so.

Pre-approval Policies and Procedures. Each Fund s Audit Oversight Committee has adopted written policies relating to the pre-approval of audit and permitted non-audit services to be performed by the Fund s independent registered public accounting firm. Under the policies, on an annual basis, a Fund s Audit Oversight Committee reviews and pre-approves proposed audit and permitted non-audit services to be performed by the independent registered public accounting firm on behalf of the Fund.

In addition, each Fund s Audit Oversight Committee pre-approves annually any permitted non-audit services (including audit-related services) to be provided by the independent registered public accounting firm to the Manager and any entity controlling, controlled by, or under common control with the Manager that provides ongoing services to the Fund (together, the Accounting Affiliates), provided, in each case, that the engagement relates directly to the operations and financial reporting of the Fund. Although the Audit Oversight Committee does not pre-approve all services provided by the independent registered public accounting firm to Accounting Affiliates (for instance, if the engagement does not relate directly to the operations and financial reporting of the Fund), the Committee receives an annual report from the independent registered public accounting firm showing the aggregate fees paid by Accounting Affiliates for such services.

Each Fund s Audit Oversight Committee may also from time to time pre-approve individual non-audit services to be provided to the Fund or an Accounting Affiliate that were not pre-approved as part of the annual process described above. A member of the Audit Oversight Committee to whom this responsibility has been delegated (a Designated Member) may also pre-approve these individual non-audit services, provided that the fee for such services does not exceed a pre-determined dollar threshold. Any such pre-approval by the Designated Member is reported to the full Audit Oversight Committee for ratification at its next regularly scheduled meeting.

The pre-approval policies provide for waivers of the requirement that the Audit Oversight Committee pre-approve permitted non-audit services provided to the Funds or their Accounting Affiliates pursuant to de minimis exceptions described in Section 10A of the Exchange Act and applicable regulations (referred to herein as the de minimis exception).

Audit Fees. Audit Fees are fees related to the audit and review of the financial statements included in annual reports and registration statements, and other services that are normally provided in connection with statutory and regulatory filings or engagements. For each Fund s last two fiscal years, the Audit Fees billed by PwC to the Fund are shown in the table below:

Fund	**Fiscal Year Ended**	**Audit Fees**
RCS	January 31, 2015	$ 38,828
	January 31, 2014	$ 80,000
PGP	March 31, 2015	$ 37,782
	March 31, 2014	$ 83,000
PFL	July 31, 2014	$ 85,050
	July 31, 2013	$ 81,000
PFN	July 31, 2014	$ 85,050
	July 31, 2013	$ 81,000
PHK	March 31, 2015	$ 44,456
	March 31, 2014	$ 90,000
PDI	March 31, 2015	$ 67,978
	March 31, 2014	$ 75,000

Audit-Related Fees. Audit-Related Fees are fees related to assurance and related services that are reasonably related to the performance of the audit or review of financial statements, but not reported under Audit Fees above, and that include accounting consultations, agreed-upon procedure reports (inclusive of annual review of basic maintenance testing associated with the Preferred Shares for PFL, PFN and PHK), attestation reports and comfort letters. The table below shows, for each Fund s last two fiscal years, the Audit-Related Fees billed by PwC to that Fund. During those fiscal years, there were no Audit-Related Fees billed by PwC to the Funds Accounting Affiliates for audit-related services related directly to the operation and financial reporting of the Funds.

Fund	Fiscal Year Ended	Audit Related Fees
RCS	January 31, 2015	$ 0
	January 31, 2014	$ 0
PGP	March 31, 2015	$ 0
	March 31, 2014	$ 0
PFL	July 31, 2014	$ 16,000
	July 31, 2013	$ 16,000
PFN	July 31, 2014	$ 16,000
	July 31, 2013	$ 16,000
PHK	March 31, 2015	$ 16,480
	March 31, 2014	$ 16,000
PDI	March 31, 2015	$ 0
	March 31, 2014	$ 0

Tax Fees. Tax Fees are fees associated with tax compliance, tax advice and tax planning, including services relating to the filing or amendment of federal, state or local income tax returns, regulated investment company qualification reviews, and tax distribution and analysis reviews. The table below shows, for each Fund s last two fiscal years, the aggregate Tax Fees billed by PwC to each Fund. During those fiscal years, there were no Tax Fees billed by PwC to the Funds Accounting Affiliates for audit-related services related directly to the operation and financial reporting of the Funds:

Fund	Fiscal Year Ended	Tax Fees
RCS	January 31, 2015	$ 23,740
	January 31, 2014	$ 15,990
PGP	March 31, 2015	$ 16,470
	March 31, 2014	$ 15,990
PFL	July 31, 2014	$ 16,480
	July 31, 2013	$ 15,530
PFN	July 31, 2014	$ 16,480
	July 31, 2013	$ 15,530
PHK	March 31, 2015	$ 16,470
	March 31, 2014	$ 15,990
PDI	March 31, 2015	$ 16,490
	March 31, 2014	$ 16,010

All Other Fees. All Other Fees are fees related to services other than those reported above under Audit Fees, Audit-Related Fees and Tax Fees. For each Fund s last two fiscal years, no such fees were billed by PwC to the Fund or the Fund s Accounting Affiliates.

During the periods indicated in the tables above, no services described under Audit-Related Fees, Tax Fees or All Other Fees were approved pursuant to the de minimis exception.

Aggregate Non-Audit Fees. The aggregate non-audit fees billed by PwC, during each Fund s last two fiscal years (except as noted in the table below), for services rendered to each Fund and the Fund s Accounting Affiliates are shown in the table below:

Fund	Fiscal Year Ended	Aggregate Non-Audit Fees for Fund	Non-Audit Fees for Accounting Affiliates	Aggregate Non-Audit Fees**
RCS	January 31, 2015	$ 23,740	$ 8,312,459*	$ 8,336,199
	January 31, 2014	$ 15,990	$ 6,949,876	$ 6,965,866
PGP	March 31, 2015	$ 16,470	$ 9,379,621	$ 9,396,091
	March 31, 2014	$ 15,990	$ 7,894,763	$ 7,910,753
PFL	July 31, 2014	$ 32,480	$ 7,885,546*	$ 7,918,026
	July 31, 2013	$ 31,530	$ 7,163,242	$ 7,194,772
PFN	July 31, 2014	$ 32,480	$ 7,885,546*	$ 7,918,026
	July 31, 2013	$ 31,530	$ 7,163,242	$ 7,194,772
PHK	March 31, 2015	$ 32,950	$ 9,379,621	$ 9,412,571
	March 31, 2014	$ 31,990	$ 7,894,763	$ 7,926,753
PDI	March 31, 2015	$ 16,490	$ 9,379,621	$ 9,369,111
	March 31, 2014	$ 16,010	$ 7,894,763	$ 7,910,773

* For the twelve months ended as of the most recent calendar quarter ended prior to the Fund s fiscal year end.

** Includes the sum of the Aggregate Non-Audit Fees for Fund and the Non-Audit Fees for Accounting Affiliates as noted in the columns to the left.

Each Fund s Audit Oversight Committee has determined that the provision by PwC of non-audit services to the Fund s Accounting Affiliates that were not pre-approved by the Committee was compatible with maintaining the independence of PwC as the Fund s principal auditors.

Effective at the close of business on September 5, 2014, pursuant to its Investment Management Agreement with the Funds, PIMCO began bearing Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees with respect to the Funds under its new investment management agreement with the Funds. These fees were borne by the Funds for periods prior to September 5, 2014.

Other Business. As of the date of this Proxy Statement, each Fund s officers and the Manager know of no business to come before the Meeting other than as set forth in the Notice. If any other business is properly brought before the Meeting, the persons named as proxies will vote in their sole discretion.

Quorum, Adjournments and Methods of Tabulation. A quorum for each of PGP, PFL, PFN, PHK and PDI at the applicable Meeting will consist of the presence in person or by proxy of thirty percent (30%) of the total Shares of the Fund entitled to vote at such Meeting, except that, where the Preferred Shares or Common Shares will vote as separate classes, then 30% of the shares of each class entitled to vote will be necessary to constitute a quorum for the transaction of business by that class. For RCS, the presence at the Meeting, in person or by proxy, of the holders of a majority of Shares entitled to vote shall be necessary and sufficient to constitute a quorum. In the event that a quorum is not present at a Meeting or, even if a quorum is present, in the event that sufficient votes in favor of the proposal set forth in the Notice are not received by the time scheduled for a Meeting, the persons named as proxies may propose one or more adjournments of such Meeting after the date set for the original Meeting, with no other notice than announcement at the Meeting, to permit further solicitation of proxies with respect to the Proposal. In addition, if, in the judgment of the persons named as proxies for a Fund, it is advisable to defer action on the Proposal, the persons named as proxies may propose one or more adjournments of the applicable Meeting with respect to the Proposal for a reasonable time. Any adjournments with respect to the Proposal will require, with respect to PGP, PFL, PFN, PHK and PDI, the affirmative vote of a plurality of the Shares of the relevant Fund entitled to vote thereon present in person or represented by proxy at the session of the Meeting to be adjourned, or, with respect to RCS, the affirmative vote of a majority of the Shares of RCS entitled to vote thereon present in person or represented by proxy at the session of the Meeting to be adjourned. In the case of a proposal to elect Trustees recommended by the Nominating Committee, the persons named as proxies will vote in favor of such adjournment those proxies which they are entitled to vote in favor of one or more of the nominees. They will vote against any such adjournment those proxies submitted that instruct them to withhold all votes on the nominees. The costs of any additional solicitation and of any adjourned session will be borne by PIMCO under its investment management agreement with the Funds. Any proposals properly before a Meeting for which sufficient favorable votes have been received by the time of the Meeting will be acted upon and such action will be final regardless of whether the Meeting is adjourned to permit additional solicitation with respect to any other proposal. In certain circumstances in which a Fund has received sufficient votes to approve a matter being recommended for approval by the Fund s Board, the Fund may request that brokers and nominee entities, in their discretion, withhold or withdraw submission of broker non-votes in order to avoid the need for solicitation of additional votes in favor of the proposal.

Votes cast by proxy or in person at a Meeting will be counted by persons appointed by PGP, PFL, PFN, PHK and PDI as tellers and by RCS as inspectors (collectively, the Tellers/Inspectors) for the Meeting. For purposes of determining the presence of a quorum for each Fund, the Tellers/Inspectors will include the total number of Shares present at a Meeting in person or by proxy, including Shares represented by proxies that reflect abstentions and broker non-votes (*i.e.*, shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or the persons entitled to vote and the broker or nominee does not have the discretionary voting power on a particular matter). For a proposal requiring approval of a plurality of votes cast, such as the election of Trustees, abstentions and broker non-votes will have no effect on the outcome of such a Proposal. For a proposal requiring approval of a specific percentage of shares present or outstanding, abstentions and broker non-votes will have the same effect as a vote against the proposal.

Reports to Shareholders. Below are the dates on or about which the Annual Reports to Shareholders for the most recently completed fiscal year of each Fund were mailed:

Fund	Mail Date for Annual Report to Shareholders for the Most Recently Completed Fiscal Year
RCS	3/27/15
PGP	Expected to be mailed on or before 6/1/15
PFL	10/7/14
PFN	10/7/14
PHK	Expected to be mailed on or before 6/1/15
PDI	Expected to be mailed on or before 6/1/15

Additional copies of the Funds Annual Reports and Semi-Annual Reports may be obtained without charge from the Funds by calling 1-(844)-337-4626 or by visiting the Funds website at www.pimco.com/closedendfunds.

Shareholder Proposals for the Annual Meeting for the 2016-2017 Fiscal Year (for RCS, PGP, PHK and PDI) and the Annual Meeting for the 2015-2016 Fiscal Year (for PFL and PFN). It is currently anticipated that each Fund s next annual meeting of Shareholders after the Meeting addressed in this Proxy Statement will be held in June 2016. Proposals of Shareholders intended to be presented at that annual meeting of each Fund must be received by each Fund no later than February 6, 2016 for inclusion in each Fund s proxy statement and proxy cards relating to that meeting. The submission by a Shareholder of a proposal for inclusion in the proxy materials does not guarantee that it will be included. Shareholder proposals are subject to certain requirements under the federal securities laws and must be submitted in accordance with the applicable

Fund s Bylaws. Shareholders submitting any other proposals (including proposals to elect Trustee nominees) for each Fund intended to be presented at the annual meeting for the 2016-2017 or the 2015-2016 fiscal year for the Funds, as applicable (*i.e*., other than those to be included in the Fund s proxy materials) must ensure that such proposals are received by each Fund, in good order and complying with all applicable legal requirements and requirements set forth in each Fund s Bylaws. Each Fund s Bylaws each provide that any such proposal must be received in writing by each Fund not less than 45 days nor more than 60 days prior to the first anniversary date of the date on which each Fund first mailed its proxy materials for the prior year s shareholder meeting; provided that, if, in accordance with applicable law, the upcoming shareholder meeting is set for a date that is not within 30 days from the anniversary of each Fund s prior shareholder meeting, such proposal must be received by the later of the close of business on (i) the date 45 days prior to such upcoming shareholder meeting date or (ii) the 10^{th} business day following the date such upcoming shareholder meeting date is first publicly announced or disclosed. Assuming the next annual meeting is ultimately scheduled to be within 30 days of the June 30 anniversary of this year s meeting, such proposals must be received no earlier than April 6, 2016 and no later than April 21, 2016 for each Fund. If a Shareholder who wishes to present a proposal fails to notify the Fund within these dates described above, the proxies solicited for the meeting will be voted on the Shareholder s proposal, if it is properly brought before the meeting, in accordance with the judgment of the persons named in the enclosed proxy card(s). If a Shareholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC s proxy rules. Shareholder proposals should be addressed to the attention of the Secretary of the applicable Fund, at the address of the principal executive offices of the Fund, with a copy to David C. Sullivan, Ropes & Gray LLP, Prudential Tower, 800 Boylston Street, Boston, Massachusetts 02199-3600.

PLEASE EXECUTE AND RETURN THE ENCLOSED PROXY CARDS PROMPTLY TO ENSURE THAT A QUORUM IS PRESENT AT THE APPLICABLE ANNUAL MEETING. A SELF-ADDRESSED, POSTAGE-PAID ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE.

May 28, 2015

Exhibit A to Proxy Statement

PIMCO Sponsored Closed-End Funds

Audit Oversight Committee Charter

(Adopted as of January 14, 2004,

as amended through September 5, 2014)

The Board of Trustees (each a Board) of each of the registered investment companies listed in Appendix A hereto (each, a Fund and, collectively, the Funds), as the same may be periodically updated, has adopted this Charter to govern the activities of the Audit Oversight Committee (the Committee) of the particular Board with respect to its oversight of the Fund. This Charter applies separately to each Fund and its particular Board and Committee, and shall be interpreted accordingly. This Charter supersedes and replaces any audit committee charter previously adopted by the Board or a committee of the Board.

Statement of Purpose and Functions

The Committee s general purpose is to oversee the Fund s accounting and financial reporting policies and practices and its internal controls, including by assisting with the Board s oversight of the integrity of the Fund s financial statements, the Fund s compliance with legal and regulatory requirements, the qualifications and independence of the Fund s independent auditors, and the performance of the Fund s internal control systems and independent auditors. The Committee s purpose is also to prepare reports required by Securities and Exchange Commission rules to be included in the Fund s annual proxy statements, if any.

The Committee s function is oversight. While the Committee has the responsibilities set forth in this Charter, it is not the responsibility of the Committee to plan or conduct audits, to prepare or determine that the Fund s financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to assure compliance with laws, regulations or any internal rules or policies of the Fund. Fund management is responsible for Fund accounting and the implementation and maintenance of the Fund s internal control systems, and the independent auditors are responsible for conducting a proper audit of the Fund s financial statements. Members of the Committee are not employees of the Funds and, in serving on this Committee, are not, and do not hold themselves out to be, acting as accountants or auditors. As such, it is not the duty or responsibility of the Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within management and outside the Fund from which the Committee receives information and (ii) the accuracy of financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

Membership

The Committee shall be comprised of as many trustees as the Board shall determine, but in any event not less than three (3) Trustees. Each member of the Committee must be a member of the Board. The Board may remove or replace any member of the Committee at any time in its sole discretion. One or more members of the Committee may be designated by the Board as the Committee s chairman or co- chairman, as the case may be.

Each member of the Committee may not be an interested person of the Fund, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the Investment Company Act), and must otherwise satisfy the standards for independence of an audit committee member of an investment company issuer as set forth in Rule 10A-3(b) (taking into account any exceptions to those requirements set forth in such rule) under the Securities Exchange Act of 1934, as amended, and under applicable listing standards of the New York Stock Exchange (the NYSE). Each member of the Committee must be financially literate (or must become so within a reasonable time after his or her appointment to the Committee) and at least one member of the Committee must have accounting or related financial management expertise, in each case as the Board interprets such qualification in its business judgment under NYSE listing standards.

Responsibilities and Duties

The Committee s policies and procedures shall remain flexible to facilitate the Committee s ability to react to changing conditions and to generally discharge its functions. The following describe areas of attention in broad terms. The Committee shall:

1. Determine the selection, retention or termination of the Fund s independent auditors based on an evaluation of their independence and the nature and performance of the audit and any permitted non-audit services. Decisions by the Committee concerning the selection, retention or termination of the independent auditors shall be submitted to the Board for ratification in accordance with the requirements of Section 32(a) of the Investment Company Act. The Fund s independent auditors must report directly to the Committee, which shall be responsible for resolution of disagreements between management and the independent auditors relating to financial reporting.

2. To consider the independence of the Fund s independent auditors at least annually, and in connection therewith receive on a periodic basis formal written disclosures and letters from the independent auditors as required by the applicable rules of the Public Company Accounting Oversight Board (the PCAOB).

3. To the extent required by applicable regulations, pre-approve (i) all audit and permitted non-audit services rendered by the independent auditors to the Fund and (ii) all non-audit services rendered by the independent auditors to the Fund s investment advisers (including sub-advisers) and to certain of the investment advisers affiliates.

The Committee may implement policies and procedures by which such services are approved other than by the full Committee.

4. Review the fees charged by the independent auditors to the Fund, the investment advisers and certain affiliates of the investment advisers for audit, audit- related and permitted non-audit services.

5. If and to the extent that the Fund intends to have employees, set clear policies for the hiring by the Fund of employees or former employees of the Fund s independent auditors.

6. Obtain and review at least annually a report from the independent auditors describing (i) the accounting firm s internal quality-control procedures and (ii) any material issues raised (a) by the accounting firm s most recent internal quality-control review or peer review or (b) by any governmental or other professional inquiry or investigation performed within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to address any such issues.

7. Review with the Fund s independent auditors arrangements for and the scope of the annual audit and any special audits, including the form of any opinion proposed to be rendered to the Board and shareholders of the Fund.

8. Meet with management and the independent auditors to review and discuss the Fund s annual audited financial statements, including a review of any specific disclosures of management s discussion of the Fund s investment performance; and, with respect to the Fund s audited financial statements, discuss with the independent auditors matters required by the applicable rules of the PCAOB and any other matters required to be reported to the Committee under applicable law; and provide a statement whether, based on its review of the Fund s audited financial statements, the Committee recommends to the Board that the audited financial statements be included in the Fund s Annual Report.

Meet with management to review and discuss the Fund s unaudited financial statements included in the semi-annual report, including, if any, a review of any specific disclosure of management s discussion of the Fund s investment performance.

9. Discuss with management and the independent auditors the Fund s unaudited financial statements.

10. Review with the independent auditors any audit problems or difficulties encountered in the course of their audit work and management s responses thereto.

11. Review with management and, as applicable, with the independent auditors the Fund s accounting and financial reporting policies, practices and internal controls, management s guidelines and policies with respect to risk assessment and risk management, including the effect on the Fund of any recommendation of changes in accounting principles or practices by management or the independent auditors.

12. Discuss with management any press releases discussing the Fund s investment performance and other financial information about the Fund, as well as any financial information provided by management to analysts or rating agencies. The Committee may discharge this responsibility by discussing the general types of information to be disclosed by the Fund and the form of presentation (i.e., a case-by-case review is not required) and need not discuss in advance each such release of information.

13. Establish procedures for (i) the receipt, retention, and treatment of complaints received by the Fund regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Fund, the Fund s investment advisers, administrator, principal underwriter (if any) or any other provider of accounting-related services for the investment advisers of concerns regarding accounting or auditing matters.

14. Investigate or initiate the investigation of any improprieties or suspected improprieties in the Fund s accounting operations or financial reporting.

15. Review with counsel legal and regulatory matters that have a material impact on the Fund s financial and accounting reporting policies and practices or its internal controls.

16. Report to the Board on a regular basis (at least annually) on the Committee s activities.

17. Perform such other functions consistent with this Charter, the Agreement and Declaration of Trust, Articles of Incorporation and/or Bylaws applicable to the Fund, and applicable law or regulation, as the Committee or the Board deems necessary or appropriate.

The Committee may delegate any portion of its authority and responsibilities as set forth in this Charter to a subcommittee of one or more members of the Committee.

Meetings

At least annually, the Committee shall meet separately with the independent auditors and separately with the representatives of Fund management responsible for the financial and accounting operations of the Fund. The Committee shall hold other regular or special meetings as and when it deems necessary or appropriate.

Outside Resources and Assistance from Management

The appropriate officers of the Fund shall provide or arrange to provide such information, data and services as the Committee may request. The Committee shall have the authority to engage at the Fund s expense independent counsel and other experts and consultants whose expertise the Committee considers necessary to carry out its responsibilities. The Fund shall provide for, or arrange for the provision of, appropriate funding, as determined by the Committee, for the payment of: (i) compensation of the Fund s independent auditors for the issuance of an audit report relating to the Fund s financial statements or the performance of other audit, review or attest services for the Fund; (ii) compensation of independent legal counsel or other advisers retained by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in fulfilling its purposes or carrying out its responsibilities under this Charter.

Annual Evaluations

The Committee shall review and reassess the adequacy of this Charter at least annually and recommend any changes to the Board. In addition, the performance of the Committee shall be reviewed at least annually.

Adoption and Amendments

The Board shall adopt and approve this Charter and may amend the Charter at any time on the Board s own motion.

Appendix A

Funds Subject to this Charter

(As of September 5, 2014)

PCM FUND, INC. (PCM)

PIMCO MUNICIPAL INCOME (PMF)

PIMCO MUNICIPAL INCOME II (PML)

PIMCO MUNICIPAL INCOME III (PMX)

PIMCO CALIFORNIA MUNICIPAL INCOME (PCQ)

PIMCO CALIFORNIA MUNICIPAL INCOME II (PCK)

PIMCO CALIFORNIA MUNICIPAL INCOME III (PZC)

PIMCO NEW YORK MUNICIPAL INCOME (PNF)

PIMCO NEW YORK MUNICIPAL INCOME II (PNI)

PIMCO NEW YORK MUNICIPAL INCOME III (PYN)

PIMCO CORPORATE AND INCOME STRATEGY (PCN)

PIMCO CORPORATE AND INCOME OPPORTUNITY (PTY)

PIMCO HIGH INCOME (PHK)

PIMCO INCOME STRATEGY (PFL)

PIMCO INCOME STRATEGY II (PFN)

PIMCO INCOME OPPORTUNITY (PKO)

PIMCO GLOBAL STOCKSPLUS & INCOME (PGP)

PIMCO STRATEGIC INCOME FUND, INC. (RCS)

PIMCO DYNAMIC INCOME (PDI)

PIMCO DYNAMIC CREDIT INCOME (PCI)

Exhibit B to Proxy Statement

Nominating Committee Charter

PIMCO Managed Accounts Trust and

PIMCO Sponsored Closed-End Funds

The Boards of Directors/Trustees (the Boards) of each Trust and respective series thereof (each Trust or series, a Fund) have adopted this Charter to govern the activities of the Nominating Committee (the Committee) of each Board.

Statement of Purpose and Responsibility

The primary purpose and responsibility of each Committee is the screening and nomination of candidates for election to the Board as independent Directors/Trustees.

Organization and Governance

Each Committee shall be comprised of as many Directors/Trustees as the Board shall determine, but in any event not fewer than two (2) Directors/Trustees. Each Committee must consist entirely of Board members who are not interested persons of the relevant Funds, as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended. Each Board may remove or replace any member of the Committee at any time in its sole discretion.

One or more members of a Committee may be designated by the Board as the Committee s chairman or co-chairman, as the case may be.

A Committee will not have regularly scheduled meetings. Committee meetings shall be held as and when the Committee or the Board determines necessary or appropriate in accordance with the Fund s Bylaws.

Qualifications for Director/Trustee Nominees

A Director/Trustee candidate must have a college degree or equivalent business experience. The Committee may take into account a wide variety of factors in considering Director/Trustee candidates, including (but not limited to): (i) availability and commitment of a candidate to attend meetings and perform his or her responsibilities on the Board, (ii) relevant industry and related experience, (iii) educational background, (iv) ability, judgment and expertise and (v) overall diversity of the Board s composition.

Identification of Nominees

In identifying potential nominees for a Board, the Committee may consider candidates recommended by the following sources: (i) the Fund s current Directors/Trustees; (ii) the Fund s officers; (iii) the Fund s investment adviser or sub- advisers; (iv) shareholders of the Fund (see below); and (v) any other source the Committee deems to be appropriate. The Committee may, but is not required to, retain a third party search firm at the Fund s expense to identify potential candidates.

Consideration of Candidates Recommended By Shareholders

A Committee will consider and evaluate nominee candidates properly submitted by shareholders on the same basis as it considers and evaluates candidates recommended by other sources. Appendix A (for PIMCO Managed Accounts Trust) and Appendix B (for the PIMCO Sponsored Closed-End Funds) to this Charter, as they may be amended from time to time by a Committee, set forth procedures that must be followed by shareholders to submit properly a nominee candidate to the Committee (recommendations not properly submitted in accordance with Appendix A or Appendix B (as applicable) will not be considered by the Committee).

Recommendation of Candidates to the Board

A Committee will recommend to the Board the Directors/Trustees candidates that it deems qualified to serve as independent directors/trustees on the Board. To the extent practicable, the Committee will rank such potential nominees for the Board in order of preference.

Appendix A

Procedures for Shareholders to Submit Nominee Candidates for PIMCO Managed Accounts Trust

A shareholder of a Fund must follow the following procedures in order to submit properly a nominee recommendation for the Committee s consideration.

1. The shareholder must submit any such recommendation (a Shareholder Recommendation) in writing to a Fund, to the attention of the Secretary, at the address of the principal executive offices of the Fund. Once each quarter, if any Shareholder Recommendations have been received by the Secretary during the quarter, the Secretary will inform the Committee of the new Shareholder Recommendations. Because the Fund does not hold annual or other regular meetings of shareholders for the purpose of electing Trustees, the Committee will accept Shareholder Recommendations on a continuous basis.

2. All Shareholder Recommendations properly submitted to a Fund will be held by the Secretary until such time as (i) the Committee convenes to consider candidates to fill Board vacancies or newly created Board positions (a Trustee Consideration Meeting) or (ii) the Committee instructs the Secretary to discard a Shareholder Recommendation following a Trustee Consideration Meeting or an Interim Evaluation (as defined below).

3. At a Trustee Consideration Meeting, the Committee will consider each Shareholder Recommendation then held by the Secretary. Following a Trustee Consideration Meeting, the Committee may instruct the Secretary to discard any or all of the Shareholder Recommendations currently held by the Secretary.

4. A Committee may, in its discretion and at any time, convene to conduct an evaluation of validly submitted Shareholder Recommendations (each such meeting, an Interim Evaluation) for the purpose of determining which Shareholder Recommendations will be considered at the next Trustee Consideration Meeting. Following an Interim Evaluation, the Committee may instruct the Secretary to discard any or all of the Shareholder Recommendations currently held by the Secretary.

5. The Shareholder Recommendation must include: (i) a statement in writing setting forth (A) the name, date of birth, business address, residence address and nationality of the person recommended by the shareholder (the candidate); (B) the number of shares of (and class, if any) of the Fund(s) owned of record or beneficially by the candidate, as reported to such shareholder by the candidate; (C) any other information regarding the

candidate called for with respect to director nominees by paragraphs (a), (d), (e) and (f) of Item 401 of Regulation S-K or paragraph (b) of Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934, as amended (the Exchange Act), adopted by the Securities and Exchange Commission (or the corresponding provisions of any regulation or rule subsequently adopted by the Securities and Exchange Commission or any successor agency applicable to the Trust); (D) any other information regarding the candidate that would be required to be disclosed if the candidate were a nominee in a proxy statement or other filing required to be made in connection with the election of Trustees or directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (E) whether the recommending shareholder believes that the candidate is or will be an interested person of the Fund (as defined in the Investment Company Act of 1940, as amended) and, if not an interested person, information regarding the candidate that will be sufficient for the Fund to make such determination; (ii) the written and signed consent of the candidate to be named as a nominee and to serve as a Trustee if elected; (iii) the recommending shareholder s name as it appears on the Fund s books; (iv) the number of shares of (and class, if any) of the Fund(s) owned beneficially and of record by the recommending shareholder; and (v) a description of all arrangements or understandings between the recommending shareholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made by the recommending shareholder. In addition, the Committee may require the candidate to furnish such other information as it may reasonably require or deem necessary to determine the eligibility of such candidate to serve on the Board or to satisfy applicable law.

Appendix B

Procedures for Shareholders to Submit Nominee Candidates for

the PIMCO Sponsored Closed-End Funds

A Fund shareholder must follow the following procedures in order to properly submit a nominee recommendation for the Committee s consideration.

1. The shareholder/stockholder must submit any such recommendation (a Shareholder Recommendation) in writing to a Fund, to the attention of the Secretary, at the address of the principal executive offices of the Fund.

2. The Shareholder Recommendation must be delivered to or mailed and received at the principal executive offices of a Fund not less than forty-five (45) calendar days nor more than seventy-five (75) calendar days prior to the date of the Board or shareholder meeting at which the nominee would be elected.

3. The Shareholder Recommendation must include: (i) a statement in writing setting forth (A) the name, age, date of birth, business address, residence address and nationality of the person recommended by the shareholder (the candidate); (B) the class and number of all shares of the Fund owned of record or beneficially by the candidate, as reported to such shareholder by the candidate; (C) any other information regarding the candidate called for with respect to director nominees by paragraphs (a), (d), (e) and (f) of Item 401 of Regulation S-K or paragraph (b) of Item 22 of Rule 14a-101 (Schedule 14A) under the Securities Exchange Act of 1934, as amended (the Exchange Act), adopted by the Securities and Exchange Commission (or the corresponding provisions of any regulation or rule subsequently adopted by the Securities and Exchange Commission or any successor agency applicable to the Fund); (D) any other information regarding the candidate that would be required to be disclosed if the candidate were a nominee in a proxy statement or other filing required to be made in connection with solicitation of proxies for election of Directors/Trustees or directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (E) whether the recommending shareholder believes that the candidate is or will be an interested person of the Fund (as defined in the Investment Company Act of 1940, as amended) and, if not an interested person, information regarding the candidate that will be sufficient for the Fund to make such determination; (ii) the written and signed consent of the candidate to be named as a nominee and to serve as a Director/Trustee if elected; (iii) the recommending shareholder s name as it appears on the Fund s books; (iv) the class and number of all shares of the Fund owned beneficially and

of record by the recommending shareholder; and (v) a description of all arrangements or understandings between the recommending shareholder and the candidate and any other person or persons (including their names) pursuant to which the recommendation is being made by the recommending shareholder. In addition, the Committee may require the candidate to furnish such other information as it may reasonably require or deem necessary to determine the eligibility of such candidate to serve on the Board.

Exhibit C-1 to Proxy Statement

Report of Audit Oversight Committees

of the Boards of Trustees of

PIMCO Income Strategy Fund (PFL)

PIMCO Income Strategy Fund II (PFN)

(each, a Fund and, collectively, the Funds)

Dated September 23, 2014

The Audit Oversight Committee (the Committee) oversees the Funds financial reporting process on behalf of the Board of Trustees of each Fund (the Board) and operates under a written Charter adopted by the Board. The Committee meets with each Fund s management (Management) and independent registered public accounting firm and reports the results of its activities to the Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In connection with the Committee s and independent accountant s responsibilities, Management has advised that the Funds financial statements for the fiscal year ended July 31, 2014 were prepared in conformity with the generally accepted accounting principles.

The Committee has reviewed and discussed with Management and PricewaterhouseCoopers LLP (PwC), the Funds independent registered public accounting firm, the audited financial statements for the fiscal year ended July 31, 2014. The Committee has discussed with PwC the matters required to be discussed by Statements on Auditing Standard No. 61 (SAS 61). SAS 61 requires the independent registered public accounting firm to communicate to the Committee matters including, if applicable: 1) methods used to account for significant unusual transactions; 2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; 3) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor s conclusions regarding the reasonableness of those estimates; and 4) disagreements with Management over the application of accounting principles and certain other matters.

With respect to each Fund, the Committee has received the written disclosure and the letter from PwC required by Rule 3526 of the Public Company Accounting Oversight Board (requiring registered public accounting firms to make written disclosure to and discuss with the Committee various matters relating to the auditor s independence), and has discussed with PwC their independence. The Committee has also reviewed the aggregate fees billed by

PwC for professional services rendered to each Fund and for non-audit services provided to Pacific Investment Management Company LLC (PIMCO), the Funds investment manager and any entity controlling, controlled by or under common control with PIMCO that provided services to the Funds. As part of this review, the Committee considered, in addition to other practices and requirements relating to selection of the Funds independent registered public accounting firm, whether the provision of such non-audit services was compatible with maintaining the independence of PwC.

Based on the foregoing review and discussions, the Committee presents this Report to the Board and recommends that (1) the audited financial statements for the fiscal year ended July 31, 2014 be included in the Funds Annual Report to shareholders for such fiscal year, (2) such Annual Report be filed with the Securities and Exchange Commission and the New York Stock Exchange, and (3) PwC be reappointed as the Funds independent registered public accounting firm for the fiscal year ending July 31, 2015.

Submitted by the Audit Oversight Committees of the Boards of Trustees:

Deborah A. DeCotis,

Bradford K. Gallagher,

James A. Jacobson,

Hans W. Kertess,

Alan B. Miller,

Marti Murray

William B. Ogden, IV and

Alan Rappaport

Exhibit C-2 to Proxy Statement

Report of Audit Oversight Committee

of the Board of Directors of

PIMCO Strategic Income Fund, Inc. (RCS or the Fund)

Dated March 24, 2015

The Audit Oversight Committee (the Committee) oversees the Fund s financial reporting process on behalf of the Board of Directors of the Fund (the Board) and operates under a written Charter adopted by the Board. The Committee meets with the Fund s management (Management) and independent registered public accounting firm and reports the results of its activities to the Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In connection with the Committee s and independent accountant s responsibilities, Management has advised that the Fund s financial statements for the fiscal year ended January 31, 2015 were prepared in conformity with the generally accepted accounting principles.

The Committee has reviewed and discussed with Management and PricewaterhouseCoopers LLP (PwC), the Fund s independent registered public accounting firm, the audited financial statements for the fiscal year ended January 31, 2015. The Committee has discussed with PwC the matters required to be discussed by Statements on Auditing Standard No. 61 (SAS 61). SAS 61 requires the independent registered public accounting firm to communicate to the Committee matters including, if applicable: 1) methods used to account for significant unusual transactions; 2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; 3) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor s conclusions regarding the reasonableness of those estimates; and 4) disagreements with Management over the application of accounting principles and certain other matters.

With respect to the Fund, the Committee has received the written disclosure and the letter from PwC required by Rule 3526 of the Public Company Accounting Oversight Board (requiring registered public accounting firms to make written disclosure to and discuss with the Committee various matters relating to the auditor s independence), and has discussed with PwC their independence. The Committee has also reviewed the aggregate fees billed by PwC for professional services rendered to the Fund and for non-audit services provided to Allianz Global Investors Fund Management LLC (AGIFM), the

Fund s investment manager prior to September 5, 2014 and Pacific Investment Management Company LLC (PIMCO), the Fund s sub-adviser prior to September 5, 2014 and current investment manager and any entity controlling, controlled by or under common control with AGIFM or PIMCO that provided services to the Fund. As part of this review, the Committee considered, in addition to other practices and requirements relating to selection of the Fund s independent registered public accounting firm, whether the provision of such non-audit services was compatible with maintaining the independence of PwC.

Based on the foregoing review and discussions, the Committee presents this Report to the Board and recommends that (1) the audited financial statements for the fiscal year ended January 31, 2015 be included in the Fund s Annual Report to shareholders for such fiscal year, (2) such Annual Report be filed with the Securities and Exchange Commission and the New York Stock Exchange, and (3) PwC be reappointed as the Fund s independent registered public accounting firm for the fiscal year ending June 30, 2015.

Submitted by the Audit Oversight Committee of the Board of Directors:

Deborah A. DeCotis,

Bradford K. Gallagher,

James A. Jacobson,

Hans W. Kertess,

William B. Ogden, IV and

Alan Rappaport

Exhibit C-3 to Proxy Statement

Report of Audit Oversight Committee

of the Board of Trustees of

PIMCO Dynamic Income Fund (PDI)

PIMCO Global StocksPLUS & Income Fund (PGP)

PIMCO High Income Fund (PHK)

(each, a Fund and, collectively, the Funds)

Dated May 21, 2015

The Audit Oversight Committee (the Committee) oversees the Funds financial reporting process on behalf of the Board of Trustees of each Fund (the Board) and operates under a written Charter adopted by the Board. The Committee meets with each Fund s management (Management) and independent registered public accounting firm and reports the results of its activities to the Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal controls. In connection with the Committee s and independent accountant s responsibilities, Management has advised that the Funds financial statements for the fiscal year ended March 31, 2015 and were prepared in conformity with the generally accepted accounting principles.

The Committee has reviewed and discussed with Management and PricewaterhouseCoopers LLP (PwC), the Funds independent registered public accounting firm, the audited financial statements for the fiscal year ended March 31, 2015. The Committee has discussed with PwC the matters required to be discussed by Statements on Auditing Standard No. 61 (SAS 61). SAS 61 requires the independent registered public accounting firm to communicate to the Committee matters including, if applicable: 1) methods used to account for significant unusual transactions; 2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; 3) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor s conclusions regarding the reasonableness of those estimates; and 4) disagreements with Management over the application of accounting principles and certain other matters.

With respect to each Fund, the Committee has received the written disclosure and the letter from PwC required by Rule 3526 of the Public Company Accounting Oversight Board (requiring registered public accounting firms to make written disclosure to and discuss with the Committee various matters relating to the auditor s independence), and has discussed with PwC their independence. The Committee has also reviewed the aggregate fees billed by PwC for professional services rendered to each Fund and for non-audit services provided to Allianz Global Investors Fund Management LLC (AGIFM), the Funds investment manager prior to September 5, 2014, and Pacific Investment Management Company LLC (PIMCO), the Funds sub-adviser prior to September 5, 2014 and current investment manager and any entity controlling, controlled by or under common control with AGIFM or PIMCO that provided services to each Fund. As part of this review, the Committee considered, in addition to other practices and requirements relating to selection of the Funds independent registered public accounting firm, whether the provision of such non-audit services was compatible with maintaining the independence of PwC.

Based on the foregoing review and discussions, the Committee presents this Report to the Board and recommends that (1) the audited financial statements for the fiscal year ended March 31, 2015 be included in the Funds Annual Report to shareholders for such fiscal year, (2) such Annual Report be filed with the Securities and Exchange Commission and the New York Stock Exchange, and (3) PwC be reappointed as the Funds independent registered public accounting firm for the fiscal years ending June 30, 2015 for PDI and PGP and July 31, 2015 for PHK.

Submitted by the Audit Oversight Committee of the Board of Trustees:

Deborah A. DeCotis,

Bradford K. Gallagher,

James A. Jacobson,

Hans W. Kertess,

William B. Ogden, IV and

Alan Rappaport

CEF_Proxy_050115

PIMCO STRATEGIC INCOME FUND, INC.

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. THE MATTERS WE ARE SUBMITTING FOR YOUR CONSIDERATION ARE SIGNIFICANT TO THE FUND AND TO YOU AS A FUND SHAREHOLDER. **PLEASE TAKE THE TIME TO READ THE PROXY STATEMENT AND CAST YOUR PROXY VOTE TODAY!**

PROXY IN CONNECTION WITH THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

The undersigned holder of common shares of PIMCO Strategic Income Fund, Inc., a Maryland corporation (the Fund), hereby appoint(s) Peter G. Strelow, William Galipeau and Joshua D. Ratner, or any of them, each with full power of substitution, as the proxy or proxies for the undersigned to: (i) attend the Annual Meeting of shareholders of the Fund (the Annual Meeting) to be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 30, 2015 beginning at 9:30 A.M. Eastern Time, and any adjournment(s) or postponement(s) thereof; and (ii) cast on behalf of the undersigned all votes that the undersigned is entitled to cast at the Annual Meeting and otherwise to represent the undersigned with all powers possessed by the undersigned as if personally present at such Annual Meeting. The undersigned acknowledges receipt of the Notice of the Annual Meeting and the accompanying Proxy Statement dated May 28, 2015. The undersigned hereby revokes any prior proxy given with respect to the Annual Meeting, and ratifies and confirms all that the proxies, or any one of them, may lawfully do.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES OF THE FUND, WHICH UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL.

IF THIS PROXY IS PROPERLY EXECUTED, THE VOTES ENTITLED TO BE CAST BY THE UNDERSIGNED WILL BE CAST IN THE MANNER DIRECTED ON THE REVERSE SIDE HEREOF, AND WILL BE VOTED IN THE DISCRETION OF THE PROXY HOLDER(S) ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT(S) OR POSTPONEMENT(S) THEREOF. IF THIS PROXY IS PROPERLY EXECUTED BUT NO DIRECTION IS MADE AS REGARDS TO A PROPOSAL INCLUDED IN THE PROXY STATEMENT, SUCH VOTES ENTITLED TO BE CAST BY THE UNDERSIGNED WILL BE CAST FOR SUCH PROPOSAL.

Please refer to the Proxy Statement for a discussion of the Proposal.

PLEASE VOTE, DATE AND SIGN ON THE REVERSE SIDE HEREOF AND RETURN THE SIGNED PROXY PROMPTLY IN THE ENCLOSED ENVELOPE. IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 30, 2015. The Proxy Statement and the Annual Report to Shareholders for the fiscal year ended January 31, 2015 for PIMCO Strategic Income Fund, Inc. are also available at pimco.com/closedendfunds.

[PROXY ID NUMBER HERE] [BAR CODE HERE] [CUSIP HERE]

PIMCO STRATEGIC INCOME FUND, INC. COMMON SHARES

YOUR SIGNATURE IS REQUIRED FOR YOUR VOTE

TO BE COUNTED.

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SIGNATURE (AND TITLE IF APPLICABLE) DATE

SIGNATURE (IF HELD JOINTLY) DATE

TO VOTE, MARK ONE CIRCLE IN BLUE OR BLACK INK. Example: l

PROPOSAL	FOR	WITHHOLD
A. Election of Directors The Board of Directors urges you to vote FOR the election of the Nominees.		
1. Nominees:		
(01) Craig A. Dawson	¡	¡
(02) Deborah A. DeCotis	¡	¡
(03) Alan Rappaport	¡	¡

2. To vote and otherwise represent the undersigned on any other business that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof, in the discretion of the proxy holder(s).

B. Non-Voting Items

Change of Address **Please print new address below.**

Comments **Please print your comments below.**

You can vote on the internet, by telephone or by mail. Please see the reverse side for instructions.

PLEASE VOTE ALL YOUR BALLOTS IF YOU RECEIVED MORE THAN ONE BALLOT DUE TO MULTIPLE INVESTMENTS IN THE FUND. REMEMBER TO SIGN AND DATE ABOVE BEFORE MAILING IN YOUR VOTE. THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

THANK YOU FOR VOTING

[PROXY ID NUMBER HERE] [BAR CODE HERE] [CUSIP HERE]

PIMCO GLOBAL STOCKSPLUS & INCOME FUND

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. THE MATTERS WE ARE SUBMITTING FOR YOUR CONSIDERATION ARE SIGNIFICANT TO THE FUND AND TO YOU AS A FUND SHAREHOLDER. **PLEASE TAKE THE TIME TO READ THE PROXY STATEMENT AND CAST YOUR PROXY VOTE TODAY!**

PROXY IN CONNECTION WITH THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

The undersigned holder of common shares of PIMCO Global StocksPLUS & Income Fund, a Massachusetts business trust (the Fund), hereby appoint(s) Peter G. Strelow, William Galipeau and Joshua D. Ratner, or any of them, each with full power of substitution, as the proxy or proxies for the undersigned to: (i) attend the Annual Meeting of shareholders of the Fund (the Annual Meeting) to be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 30, 2015 beginning at 9:30 A.M. Eastern Time, and any adjournment(s) or postponement(s) thereof; and (ii) cast on behalf of the undersigned all votes that the undersigned is entitled to cast at the Annual Meeting and otherwise to represent the undersigned with all powers possessed by the undersigned as if personally present at such Annual Meeting. The undersigned acknowledges receipt of the Notice of the Annual Meeting and the accompanying Proxy Statement dated May 28, 2015. The undersigned hereby revokes any prior proxy given with respect to the Annual Meeting, and ratifies and confirms all that the proxies, or any one of them, may lawfully do.

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[PROXY ID NUMBER HERE]	[BAR CODE HERE]	[CUSIP HERE]

PIMCO GLOBAL STOCKSPLUS & INCOME FUND COMMON SHARES

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SIGNATURE (AND TITLE IF APPLICABLE) DATE

SIGNATURE (IF HELD JOINTLY) DATE

TO VOTE, MARK ONE CIRCLE IN BLUE OR BLACK INK. Example: l

	FOR	WITHHOLD
PROPOSAL		
A. Election of Trustees The Board of Trustees urges you to vote FOR the election of the Nominees.		
1. Nominees:		
(01) Craig A. Dawson	¡	¡
(02) William B. Ogden, IV	¡	¡
(03) Hans W. Kertess	¡	¡

2. To vote and otherwise represent the undersigned on any other business that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof, in the discretion of the proxy holder(s).

B. Non-Voting Items

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PIMCO HIGH INCOME FUND

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PROXY IN CONNECTION WITH THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

The undersigned holder of common shares of PIMCO High Income Fund, a Massachusetts business trust (the Fund), hereby appoint(s) Peter G. Strelow, William Galipeau and Joshua D. Ratner, or any of them, each with full power of substitution, as the proxy or proxies for the undersigned to: (i) attend the Annual Meeting of shareholders of the Fund (the Annual Meeting) to be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 30, 2015 beginning at 9:30 A.M. Eastern Time, and any adjournment(s) or postponement(s) thereof; and (ii) cast on behalf of the undersigned all votes that the undersigned is entitled to cast at the Annual Meeting and otherwise to represent the undersigned with all powers possessed by the undersigned as if personally present at such Annual Meeting. The undersigned acknowledges receipt of the Notice of the Annual Meeting and the accompanying Proxy Statement dated May 28, 2015. The undersigned hereby revokes any prior proxy given with respect to the Annual Meeting, and ratifies and confirms all that the proxies, or any one of them, may lawfully do.

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[PROXY ID NUMBER HERE] [BAR CODE HERE] [CUSIP HERE]

PIMCO HIGH INCOME FUND COMMON SHARES

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SIGNATURE (IF HELD JOINTLY) DATE

TO VOTE, MARK ONE CIRCLE IN BLUE OR BLACK INK. Example: l

	FOR	WITHHOLD
PROPOSAL		
A. Election of Trustees The Board of Trustees urges you to vote FOR the election of the Nominees.		
1. Nominees:		
(01) Deborah A. DeCotis	¡	¡
(02) John C. Maney	¡	¡

2. To vote and otherwise represent the undersigned on any other business that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof, in the discretion of the proxy holder(s).

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PIMCO HIGH INCOME FUND

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PROXY IN CONNECTION WITH THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

The undersigned holder of preferred shares of PIMCO High Income Fund, a Massachusetts business trust (the Fund), hereby appoint(s) Peter G. Strelow, William Galipeau and Joshua D. Ratner, or any of them, each with full power of substitution, as the proxy or proxies for the undersigned to: (i) attend the Annual Meeting of shareholders of the Fund (the Annual Meeting) to be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 30, 2015 beginning at 9:30 A.M. Eastern Time, and any adjournment(s) or postponement(s) thereof; and (ii) cast on behalf of the undersigned all votes that the undersigned is entitled to cast at the Annual Meeting and otherwise to represent the undersigned with all powers possessed by the undersigned as if personally present at such Annual Meeting. The undersigned acknowledges receipt of the Notice of the Annual Meeting and the accompanying Proxy Statement dated May 28, 2015. The undersigned hereby revokes any prior proxy given with respect to the Annual Meeting, and ratifies and confirms all that the proxies, or any one of them, may lawfully do.

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[PROXY ID NUMBER HERE]	[BAR CODE HERE]	[CUSIP HERE]

PIMCO HIGH INCOME FUND PREFERRED SHARES

YOUR SIGNATURE IS REQUIRED FOR YOUR VOTE

TO BE COUNTED.

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SIGNATURE (AND TITLE IF APPLICABLE) DATE

SIGNATURE (IF HELD JOINTLY) DATE

TO VOTE, MARK ONE CIRCLE IN BLUE OR BLACK INK. Example: l

PROPOSAL	FOR	WITHHOLD
A. Election of Trustees The Board of Trustees urges you to vote FOR the election of the Nominees.		
1. Nominees:		
(01) Deborah A. DeCotis	¡	¡
(02) John C. Maney	¡	¡

2. To vote and otherwise represent the undersigned on any other business that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof, in the discretion of the proxy holder(s).

B. Non-Voting Items

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THANK YOU FOR VOTING

[PROXY ID NUMBER HERE]	[BAR CODE HERE]	[CUSIP HERE]

PIMCO DYNAMIC INCOME FUND

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PROXY IN CONNECTION WITH THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

The undersigned holder of common shares of PIMCO Dynamic Income Fund, a Massachusetts business trust (the Fund), hereby appoint(s) Peter G. Strelow, William Galipeau and Joshua D. Ratner, or any of them, each with full power of substitution, as the proxy or proxies for the undersigned to: (i) attend the Annual Meeting of shareholders of the Fund (the Annual Meeting) to be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 30, 2015 beginning at 9:30 A.M. Eastern Time, and any adjournment(s) or postponement(s) thereof; and (ii) cast on behalf of the undersigned all votes that the undersigned is entitled to cast at the Annual Meeting and otherwise to represent the undersigned with all powers possessed by the undersigned as if personally present at such Annual Meeting. The undersigned acknowledges receipt of the Notice of the Annual Meeting and the accompanying Proxy Statement dated May 28, 2015. The undersigned hereby revokes any prior proxy given with respect to the Annual Meeting, and ratifies and confirms all that the proxies, or any one of them, may lawfully do.

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[PROXY ID NUMBER HERE]	[BAR CODE HERE]	[CUSIP HERE]

PIMCO DYNAMIC INCOME FUND   COMMON SHARES

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TO BE COUNTED.

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SIGNATURE (AND TITLE IF APPLICABLE) DATE

SIGNATURE (IF HELD JOINTLY) DATE

TO VOTE, MARK ONE CIRCLE IN BLUE OR BLACK INK. Example: l

	FOR	WITHHOLD
PROPOSAL		
A. Election of Trustees The Board of Trustees urges you to vote FOR the election of the Nominees.		
1. Nominees:		
(01) Deborah A. DeCotis	¡	¡
(02) John C. Maney	¡	¡

2. To vote and otherwise represent the undersigned on any other business that may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof, in the discretion of the proxy holder(s).

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PIMCO INCOME STRATEGY FUND

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PROXY IN CONNECTION WITH THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 30, 2015

The undersigned holder of common shares of PIMCO Income Strategy Fund, a Massachusetts business trust (the Fund), hereby appoint(s) Peter G. Strelow, William Galipeau and Joshua D. Ratner, or any of them, each with full power of substitution, as the proxy or proxies for the undersigned to: (i) attend the Annual Meeting of shareholders of the Fund (the Annual Meeting) to be held at the offices of Pacific Investment Management Company LLC (PIMCO or the Manager), at 1633 Broadway, between West 50th and West 51st Streets, 42nd Floor, New York, New York 10019, on June 30, 2015 beginning at 9:30 A.M. Eastern Time, and any adjournment(s) or postponement(s) thereof; and (ii) cast on behalf of the undersigned all votes that the undersigned is entitled to cast at the Annual Meeting and otherwise to represent the undersigned with all powers possessed by the undersigned as if personally present at such Annual Meeting. The undersigned acknowledges receipt of the Notice of the Annual Meeting and the accompanying Proxy Statement dated May 28, 2015. The undersigned hereby revokes any prior proxy given with respect to the Annual Meeting, and ratifies and confirms all that the proxies, or any one of them, may lawfully do.

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PIMCO INCOME STRATEGY FUND   COMMON SHARES

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TO VOTE, MARK ONE CIRCLE IN BLUE OR BLACK INK. Example: l

	FOR	WITHHOLD
PROPOSAL		
A. Election of Trustees The Board of Trustees urges you to vote FOR the election of the Nominees.		
1. Nominees:		
(01) Craig A. Dawson	¡	¡
(02) Alan Rappaport	¡	

PlayStation®3	115.6	**147.9**	+32.3	+27.9
PSP® (PlayStation®Portable)	44.4	**46.6**	−2.2	+5.0
PlayStation®2	35.7	**16.4**	−19.3	−54.1

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

Unit sales of major products within the PC and Other Networked Businesses category

	Fiscal year ended March 31			
	2010	**2011**	**Unit change**	**Percent change**
	(Units in millions)			
PCs	6.8	**8.7**	+1.9	+27.9%
Flash memory digital audio players	8.0	**8.4**	+0.4	+5.0

Total for the CPD and NPS Segments

Inventory

Total inventory for the CPD and NPS segments, as of March 31, 2011, was 608.0 billion yen, which represents a 49.3 billion yen, or 8.8 percent increase compared with the level as of March 31, 2010.

Sales to Outside Customers by Geographic Area

Regarding sales to outside customers by geographic area for the CPD and NPS segments, combined sales decreased year-on-year by 8 percent in the U.S. and by 1 percent in Europe, and increased year-on-year by 8 percent in Japan, by 8 percent in non-Japan Asia-Pacific areas (Asia-Pacific), and by 13 percent in other geographic areas (Other Areas). Total combined sales in all areas increased year-on-year by 2 percent.

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

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

Manufacturing by Geographic Area

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

Approximately 50 percent of the annual in-house production took place in Japan, including the production of compact digital cameras, home-use video cameras, LCD televisions, PCs, semiconductors and components such as batteries and storage media. Approximately 60 percent of the annual in-house production in Japan was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 25 percent of the annual in-house production, with approximately 60 percent destined for Japan, the Americas, Europe and China. Production in China accounted for approximately 15 percent of the annual in-house production, approximately 50 percent of which was destined for other countries. Production in the Americas and Europe together accounted for approximately 10 percent of the annual in-house production, most of which was destined for local distribution and sale.

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Pictures

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

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

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

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

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

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

Music

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

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

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

Financial Services

The results of Sony Life Insurance Co., Ltd. (Sony Life) discussed below on the basis of U.S. GAAP differ from the results that SFH and Sony Life disclose separately on a Japanese statutory basis.

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

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

Information of Operations Separating Out the Financial Services Segment

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

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

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

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

Sony Ericsson

Sony Ericsson s operating results are accounted for under the equity method and are not consolidated in Sony s consolidated financial statements, as Sony Corporation s ownership percentage of Sony Ericsson is 50 percent. Sony Ericsson aggregates the results of its worldwide subsidiaries on a euro basis. However, Sony believes that the following disclosure provides additional useful analytical information to investors regarding Sony s operating performance. Pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended, Sony Ericsson s financial statements are included in this Annual Report on Form 20-F on pages A-1 to A-28.

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

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

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All Other

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

Operating income of 8.6 billion yen was recorded for the fiscal year ended March 31, 2011, compared to a loss of 5.0 billion yen in the previous fiscal year. This improvement was mainly due to the fact that there were charges related to the withdrawal from the property management operation of an entertainment complex in Japan and the termination payments of the property lease contract in the previous fiscal year. In addition, losses from an unprofitable measuring systems business that were incurred in the previous fiscal year were not incurred in the fiscal year ended March 31, 2011 due to the sale of that business, which also contributed to the segment results improvement. The sale was completed at the end of March 2010.

Restructuring

As the global economy experienced a sharp downturn following the autumn of 2008, Sony announced major restructuring initiatives in January 2009. Sony continued to implement its restructuring initiatives during the fiscal year ended March 31, 2011. These initiatives included a review of Sony group s investment plan, the realignment of its manufacturing sites, the reallocation of its workforce, and headcount reductions, in order to reform Sony s operational structure and achieve improvements in competitiveness and profitability.

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

Restructuring charges for the fiscal year ended March 31, 2011 were recorded mainly in the CPD segment. In the CPD segment, restructuring charges amounted to 41.6 billion yen, which include 3.6 billion yen of non-cash charges related to depreciation associated with restructured assets for the fiscal year ended March 31, 2011, compared to 75.9 billion yen of restructuring charges recorded in the previous fiscal year. Charges in the previous fiscal year included 7.3 billion yen of non-cash charges related to depreciation associated with restructured assets. In the fiscal year ended March 31, 2011, the CPD segment recorded 25.3 billion yen of restructuring charges related to personnel costs, comprising 66.2 percent of the total 38.3 billion yen personnel costs recorded on a consolidated basis. The CPD segment s restructuring charges included expenses of 11.6 billion yen related to the transfer to third parties of the Barcelona factory in Europe and the impairment of related assets (executed in January 2011). With respect to television operations, Sony ceased manufacturing operations during the previous fiscal year at its Sony EMCS Corporation s Ichinomiya TEC and at its Sony Baja California, S.A. de C.V. s Mexicali factory and completed the transfer to the Hon Hai Group of 90.0 percent of Sony s equity interest in Sony Baja California and certain manufacturing assets related to LCD televisions at Sony Baja California s Tijuana Factory in Mexico, which mainly manufactures LCD televisions for the Americas region. The Tijuana Factory remains a key manufacturing site of Sony LCD televisions for the Americas region. In the fiscal year ended March 31, 2011, Sony completed the transfer to the

Hon Hai Group of 90.1 percent of Sony s equity interest in the Nitra Factory in Slovakia and the transfer to Ficosa International, S.A. and COMSA EMTE SL of Sony Espana S.A. s Barcelona Technology Center. The Nitra plant remains a key manufacturing site of LCD televisions for the European region.

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

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

Foreign Exchange Fluctuations and Risk Hedging

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

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

Sony Global Treasury Services Plc (SGTS) in London provides integrated treasury services for Sony Corporation, its subsidiaries, and affiliated companies. Sony s policy is that Sony Corporation and all subsidiaries with foreign exchange exposures should enter into commitments with SGTS to hedge their exposures. Sony Corporation and most of its subsidiaries utilize SGTS for this purpose. The concentration of foreign exchange exposures at SGTS means that, in effect, SGTS hedges most of the net foreign exchange exposure of Sony Corporation, its subsidiaries and affiliated companies. SGTS in turn enters into foreign exchange transactions with creditworthy third party financial institutions. Most of these transactions are entered into against projected exposures before the actual export and import transactions take place. In general, SGTS hedges the projected exposures on average three months before the actual transactions take place. However, in certain cases SGTS partially hedges the projected exposures one month before the actual transactions take place when business requirements such as shorter production-sales cycles for certain products arise. Sony enters into foreign exchange transactions with financial institutions primarily for hedging purposes. Sony does not use these derivative financial instruments for trading or speculative purposes except for certain derivatives in the Financial Services segment. In the Financial Services segment, Sony uses derivatives primarily for Asset Liability Management (ALM).

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

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in accumulated other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. Foreign exchange forward contracts, foreign currency option contracts and other derivatives that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses. The notional amount and the net fair value of all the foreign exchange derivative contracts as of March 31, 2011 were 1,533.5 billion yen and a liability of 5.1 billion yen, respectively.

Operating Results for the Fiscal Year Ended March 31, 2010 compared with the Fiscal Year Ended March 31, 2009

Sony realigned its segments from the first quarter of the fiscal year ended March 31, 2011 to reflect the company s reorganization as of April 1, 2010. In connection with this realignment, both the sales and operating income (loss) of each segment in the fiscal year ended March 31, 2010 and in the fiscal year ended March 31, 2009 have been revised to conform to the presentation for the fiscal year ended March 31, 2011.

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Operating Performance

	Fiscal year ended March 31		
	2009	**2010**	**Percent change**
	(Yen in billions)		
Sales and operating revenue	7,730.0	**7,214.0**	−6.7%
Equity in net income (loss) of affiliated companies	(25.1)	**(30.2)**	
Operating income (loss)	(227.8)	**31.8**	
Income (loss) before income taxes	(175.0)	**26.9**	
Net income (loss) attributable to Sony Corporation s stockholders	(98.9)	**(40.8)**	

Sales

Sales for the fiscal year ended March 31, 2010 decreased 6.7 percent year-on-year, to 7,214.0 billion yen, primarily due to unfavorable foreign currency exchange rates and a decrease in sales in the CPD segment, partially offset by an increase in revenue in the Financial Services segment. A further breakdown of sales figures is presented under *Operating Performance by Business Segment* below.

During the fiscal year ended March 31, 2010, the average rates of the yen were 91.8 yen against the U.S. dollar and 129.7 yen against the euro, which were 8.4 percent and 9.5 percent higher, respectively, year-on-year.

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

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for the fiscal year ended March 31, 2010 decreased by 767.9 billion yen, or 13.6 percent year-on-year, to 4,892.6 billion yen, and improved from 78.5 percent to 76.7 percent as a percentage of sales.

Research and development costs (all research and development costs are included within cost of sales) decreased by 65.3 billion yen, or 13.1 percent year-on-year to 432.0 billion yen. The ratio of research and development costs to sales was 6.8 percent compared to 6.9 percent in the previous fiscal year.

SGA expenses decreased by 141.1 billion yen, or 8.4 percent year-on-year, to 1,544.9 billion yen, mainly due to the impact of the appreciation of the yen and a decrease in advertising and publicity expenses. The ratio of SGA expenses to sales increased year-on-year from 23.4 percent to 24.2 percent.

Loss on sale, disposal or impairment of assets and other (net) was 43.0 billion yen, compared with a loss of 38.3 billion yen in the previous fiscal year. This loss was primarily due to impairment charges including a 27.1 billion yen charge related to the impairment of LCD television assets*, a 7.8 billion yen charge related to the impairment of the small- and medium-sized amorphous TFT LCD fixed assets and other less significant losses on the sale, disposal or impairment of assets and other (net). These charges were partially offset by gains on the sales of assets including a 22.0 billion yen gain recognized from the sales of equity interests in HBO Latin America and HBO Central Europe.

The loss recorded in the previous fiscal year was primarily the result of impairment charges including long-lived asset impairments mainly due to the downsizing and withdrawal from certain businesses as well as goodwill impairment charges. Refer to Notes 19, 24 and 25 to the notes to the consolidated financial statements.

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

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restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, such as exiting a business or product category or implementing a headcount reduction program, which are designed to generate a positive impact on future profitability.

Equity in Net Income (Loss) of Affiliated Companies

Equity in net loss of affiliated companies, recorded within operating income, was 30.2 billion yen, an increased loss of 5.1 billion yen year-on-year. Sony recorded equity in net loss for Sony Ericsson of 34.5 billion yen compared to equity in net loss of 30.3 billion yen in the previous fiscal year. Equity in net income for S-LCD, a joint venture with Samsung, decreased by 6.5 billion yen year-on-year to 0.4 billion yen.

Operating Income (Loss)

Operating income for the fiscal year ended March 31, 2010 was 31.8 billion yen, an improvement of 259.6 billion yen year-on-year. Operating results improved significantly primarily due to an improvement in operating results in the Financial Services segment, as well as an improvement in the cost of sales ratio and a reduction in SGA expenses mainly in the CPD segment. For a further breakdown of operating income (loss) for each segment, please refer to *Operating Performance by Business Segment* below.

Other Income and Expenses

For the fiscal year ended March 31, 2010, other income decreased by 55.0 billion yen, or 55.6 percent, to 43.8 billion yen, while other expenses increased by 2.7 billion yen, or 5.9 percent year-on-year, to 48.7 billion yen. The net amount of other income and other expenses was an expense of 4.9 billion yen, a deterioration of 57.7 billion yen year-on-year, primarily due to a net foreign exchange loss of 10.9 billion yen that was recorded for the fiscal year ended March 31, 2010, as compared to a net foreign exchange gain of 48.6 billion yen that was recorded in the previous fiscal year. A net foreign exchange loss was recorded mainly due to losses related to the period end valuation on derivative contracts entered into by Sony for the purpose of effective global cash management.

Interest and dividends in other income of 13.2 billion yen was recorded in the fiscal year ended March 31, 2010, a decrease of 9.1 billion yen, or 40.9 percent year-on-year. This decrease was mainly due to a decrease in interest received resulting from a lower rate of return on investments in Japan and the U.S. For the fiscal year ended March 31, 2010, interest recorded in other expenses totaled 22.5 billion yen, a decrease of 1.9 billion yen, or 7.7 percent year-on-year.

Income (Loss) before Income Taxes

For the fiscal year ended March 31, 2010, income before income taxes of 26.9 billion yen was recorded, an improvement of 201.9 billion yen year-on-year, mainly as a result of the above-mentioned improvement in operating results.

Income Taxes

During the fiscal year ended March 31, 2010, Sony recorded 14.0 billion yen of income taxes resulting in an effective tax rate of 51.9 percent. This effective tax rate was higher than the Japanese statutory tax rate primarily due to the impact of equity investments reported net of income taxes, partially offset by lower effective tax rates on profits in the insurance business of the Financial Services segment.

In the previous fiscal year, Sony recorded 72.7 billion yen of income tax benefit resulting in an effective tax rate of 41.6 percent. This income tax benefit was mainly due to a loss before income taxes and the partial reversal of certain deferred tax liabilities for the undistributed earnings of foreign subsidiaries and affiliates, due to a change in the tax regulations in Japan to treat 95 percent of the dividends from overseas subsidiaries as non-taxable income, partially offset by the impact of equity in net loss reported net of income taxes, the reversal of certain deferred tax assets, and an increase in valuation allowance.

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Net Income (loss) attributable to Sony Corporation s stockholders

For the fiscal year ended March 31, 2010, net loss attributable to Sony Corporation s stockholders, which excludes net income attributable to noncontrolling interests, was 40.8 billion yen, a 58.1 billion yen improvement year-on-year.

Net income attributable to noncontrolling interest of 53.8 billion yen was recorded, as compared to net loss of 3.3 billion yen in the previous fiscal year. This was mainly due to the income recorded at SFH, for which there is a noncontrolling interest of 40 percent, primarily as a result of the improvement in net valuation gains from investments in convertible bonds in the general account at Sony Life due to the improved situation in the Japanese stock market.

Basic and diluted net losses per share attributable to Sony Corporation s stockholders were both 40.66 yen compared with net loss per share of 98.59 yen in the previous fiscal year. Refer to Note 22 to the notes to the consolidated financial statements.

Operating Performance by Business Segment

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

Business Segment Information

	Fiscal year ended March 31		
	2009	**2010**	**Percent change**
	(Yen in billions)		
Sales and operating revenue			
Consumer, Professional & Devices	4,357.7	**3,518.1**	−19.3%
Networked Products & Services	1,755.6	**1,572.6**	−10.4
Pictures	717.5	**705.2**	−1.7
Music	387.1	**522.6**	+35.0
Financial Services	538.2	**851.4**	+58.2
All Other	530.1	**460.8**	−13.1
Corporate and Elimination	(556.3)	**(416.8)**	
Consolidated	7,730.0	**7,214.0**	−6.7

	Fiscal year ended March 31		
	2009	**2010**	**Percent change**
	(Yen in billions)		
Operating income (loss)			
Consumer, Professional & Devices	(115.6)	**(53.2)**	%

Networked Products & Services	(87.4)	**(83.3)**	
Pictures	29.9	**42.8**	+43.1
Music	27.8	**36.5**	+31.1
Financial Services	(31.2)	**162.5**	
Equity in net loss of Sony Ericsson	(30.3)	**(34.5)**	
All Other	3.1	**(5.0)**	
Sub-Total	(203.5)	**65.9**	
Corporate and Elimination	(24.2)	**(34.1)**	
Consolidated	(227.8)	**31.8**	

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Consumer, Professional & Devices

Sales for the fiscal year ended March 31, 2010 decreased 19.3 percent year-on-year, to 3,518.1 billion yen. Sales to outside customers decreased 18.3 percent compared with the previous fiscal year. This decrease was primarily as a result of unfavorable foreign currency exchange rates, a decrease in sales of LCD televisions due to a decline in unit selling prices and a decrease in sales of home-use video cameras and compact digital cameras due to the contraction of these markets.

An operating loss of 53.2 billion yen was recorded, an improvement of 62.4 billion yen year-on-year. This was driven by a reduction in selling, general and administrative expenses, and an improvement in the cost of sales ratio, mainly of LCD televisions, partially offset by a decrease in gross profit due to lower sales and unfavorable foreign currency exchange rates. Restructuring charges were 75.9 billion yen for the fiscal year ended March 31, 2010, which includes 7.3 billion yen of non-cash charges related to depreciation associated with restructured assets, compared with 53.7 billion yen of restructuring charges recorded in the previous fiscal year. Depreciation associated with restructured assets refers to the increase in depreciation expense caused by shortening the useful life or updating the salvage value of depreciable fixed assets to coincide with the end of production under an approved restructuring plan. In the fiscal year ended March 31, 2010, a 27.1 billion yen non-cash charge related to the impairment of LCD television assets, which was not included in restructuring charges, was also recorded. (Refer to Note 19 to the notes to the consolidated financial statements.)

Products contributing to the improvement in operating results (excluding restructuring charges) include LCD televisions and compact digital cameras, reflecting the benefits of cost reduction activities that exceeded the impact of the decrease in sales, and images sensors, that saw an increase in sales. This was partially offset by lower operating results for the content creation systems which were affected by the deterioration in the business environment brought on by the slowing global economy and for system LSIs for the game business which were affected by lower sales resulting from price reductions driven by cost saving efforts.

No additional provision or reversal of expenses relating to voluntary notebook computer battery pack recalls and the subsequent global replacement program, and free repair expenses relating to Sony products and the products of other companies containing Sony-made charged coupled devices was recorded in the fiscal year ended March 31, 2010, and the remaining balance of the provision as of March 31, 2010 was not significant.

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

Sales to outside customers by product category

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

	Fiscal year ended March 31				
	2009		**2010**		**Percent change**
	(Yen in millions)				
Televisions	1,275,692	(32.5)	**1,005,773**	**(31.4)**	−21.2%
Digital Imaging	831,820	(21.2)	**664,502**	**(20.7)**	−20.1
Audio and Video	531,542	(13.5)	**449,882**	**(14.0)**	−15.4
Semiconductors	310,682	(7.9)	**299,715**	**(9.4)**	−3.5
Components	613,013	(15.6)	**476,097**	**(14.8)**	−22.3

Professional Solutions	346,326	(8.8)	**295,360**	**(9.2)**	−14.7
Other	17,311	(0.5)	**16,217**	**(0.5)**	−6.3
CPD Total	3,926,386	(100.0)	**3,207,546**	**(100.0)**	−18.3

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Unit sales of major product categories

	Fiscal year ended March 31 2009	2010	Unit change	Percent change
	(Units in millions)			
LCD televisions within *Televisions*	15.2	**15.6**	+0.4	+2.6%
Home-use video cameras within *Digital Imaging*	6.2	**5.3**	−0.9	−14.5
Compact digital cameras within *Digital Imaging*	22.0	**21.0**	−1.0	−4.5
Blu-ray Disc recorders within *Audio and Video*	0.5	**0.7**	+0.2	+40.0
Blu-ray Disc players within *Audio and Video*	2.2	**3.3**	+1.1	+50.0
DVD players within *Audio and Video*	9.7	**11.5**	+1.8	+18.6

Networked Products & Services

Sales for the fiscal year ended March 31, 2010 decreased 10.4 percent year-on-year, to 1,572.6 billion yen, primarily due to a decrease in sales in the game business and sales of PCs. Sales in the game business decreased year-on-year mainly due to unfavorable foreign currency exchange rates, decreases in unit sales of PSP®(PlayStation®Portable) (PSP) hardware and PlayStation®2 (PS2) software. These decreases were partially offset by increased unit sales of PS3 software, driven by the expanded PS3 platform as a result of the launch of a new model.

An operating loss of 83.3 billion yen was recorded, an improvement of 4.2 billion yen year-on-year. This was driven by an improvement in the cost of sales ratio, mainly of PS3 hardware, and a reduction in selling, general and administrative expenses, partially offset by unfavorable foreign currency exchange rates and a decrease in gross profit due to lower sales. Products contributing to the improvement in operating results (excluding restructuring charges) include flash memory digital audio players. On the other hand, operating results in the game business deteriorated mainly due to lower unit sales of PS2 software and of PSP hardware, partially offset by cost reductions in PS3 hardware and increased unit sales of PS3 software.

Below are the sales to outside customers by product category, unit sales of each platform within the Game category, and unit sales of major products within the PC and Other Networked Businesses category:

Sales to outside customers by product category

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

	Fiscal year ended March 31 2009		2010		Percent change
	(Yen in millions)				
Game	984,855	(58.5)	**840,711**	**(55.6)**	−14.6%
PC and Other Networked Businesses	699,903	(41.5)	**670,864**	**(44.4)**	−4.1
NPS Total	1,684,758	(100.0)	**1,511,575**	**(100.0)**	−10.3

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Unit sales of each platform within the Game category

	Fiscal year ended March 31			
	2009	**2010**	**Unit change**	**Percent change**
	(Units in millions)			
Hardware				
PlayStation®3	10.1	**13.0**	+2.9	+28.7%
PSP (PlayStation®Portable)	14.1	**9.9**	–4.2	–29.8
PlayStation®2	7.9	**7.3**	–0.6	–7.6
Software*				
PlayStation®3	103.7	**115.6**	+11.9	+11.5
PSP®(PlayStation®Portable)	50.3	**44.4**	–5.9	–11.7
PlayStation®2	83.5	**35.7**	–47.8	–57.2

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

Unit sales of major products within the PC and Other Networked Businesses category

	Fiscal year ended March 31			
	2009	**2010**	**Unit change**	**Percent change**
	(Units in millions)			
PCs	5.8	**6.8**	+1.0	+17.2%
Flash memory digital audio players	7.0	**8.0**	+1.0	+14.3

Total for the CPD and NPS Segments

Inventory

Total Inventory for the CPD and NPS segments, as of March 31, 2010, was 558.7 billion yen.

Sales to Outside Customers by Geographic Area

Regarding sales to outside customers by geographic area for the CPD and NPS segments, combined sales for the fiscal year ended March 31, 2010 decreased by 6 percent in Japan, 18 percent in the U.S., 25 percent in Europe, 8 percent in non-Japan Asia-Pacific*, and 15 percent in Other Areas. Total combined sales decreased year-on-year by 16 percent.

* Major areas in Asia-Pacific are China, Taiwan, India, South Korea and Oceania.

In Japan, sales of products such as LCD televisions and digital music players increased while sales in the game business and sales of products such as system LSI, storage media, chemical products*, broadcast- and professional-use products, and compact digital cameras decreased. In the U.S., sales of products such as digital book readers increased while sales of LCD televisions, sales in the game business and sales of products such as PCs, storage media, home-use video cameras, and compact digital cameras decreased. In Europe, sales of LCD televisions, sales in the game business and sales of products such as home-use video cameras, PCs, compact digital cameras, storage media, and broadcast- and professional-use products decreased. In Asia-Pacific, sales of products such as PCs increased while sales in the game business and sales of products such as LCD televisions, compact digital cameras, optical pickups, storage media, and home-use video cameras decreased. In Other Areas, sales of products such as LCD televisions, home audio, compact digital cameras, car audio, home-use video cameras, and storage media decreased.

* Chemical products include materials and components for electronic devices such as circuit boards and adhesives.

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Manufacturing by Geographic Area

Approximately 65 percent of the CPD and NPS segments combined total annual production during the fiscal year ended March 31, 2010 was in-house production and approximately 35 percent was outsourced production.

Approximately 50 percent of the annual in-house production took place in Japan, including the production of compact digital cameras, home-use video cameras, LCD televisions, PCs, semiconductors and components such as batteries and storage media. Approximately 60 percent of the annual in-house production in Japan was destined for other countries. Production in Asia, excluding Japan and China, accounted for approximately 15 percent of the annual in-house production, with approximately 55 percent destined for Japan, the Americas, Europe and China. Production in China accounted for approximately 15 percent of the annual in-house production, approximately 55 percent of which was destined for other countries. Production in the Americas and Europe together accounted for approximately 20 percent of the annual in-house production, most of which was destined for local distribution and sale.

Pictures

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

Sales for the fiscal year ended March 31, 2010 decreased 1.7 percent year-on-year, to 705.2 billion yen primarily due to the appreciation of the yen against the U.S. dollar. On a U.S. dollar basis, sales for the fiscal year ended March 31, 2010 increased by approximately 7 percent. Motion picture revenues, also on a U.S. dollar basis, increased by approximately 5 percent year-on-year, primarily due to higher worldwide theatrical and home entertainment revenues from the current fiscal year s film slate which included strong performances from *2012*, *Angels & Demons* and *Michael Jackson s This Is It*. This increase was partially offset by a decrease in home entertainment revenues from the previous fiscal year s films. Television revenues, on a U.S. dollar basis, increased by approximately 9 percent year-on-year, primarily due to higher advertising revenues from several international channels, including a significant increase in India from the broadcasting of the Indian Premier League cricket competition.

Operating income increased by 12.9 billion yen year-on-year, to 42.8 billion yen. Operating income increased by approximately 53 percent on a U.S. dollar basis. This increase was primarily from the sale of a portion of SPE s equity interest in a Latin American premium pay television business (HBO Latin America) and a U.S. cable network (Game Show Network), as well as the sale of all of its equity interest in a Central European premium pay television business (HBO Central Europe). The total gain recognized from these sales was 30.3 billion yen. The benefit from these gains was partially offset by the decrease in home entertainment revenues noted above and the write-off of certain development costs.

As of March 31, 2010, unrecognized license fee revenue at SPE was approximately 1.3 billion U.S. dollars. SPE expects to record this amount in the future, having entered into contracts with television broadcasters to provide those broadcasters with completed motion picture and television products. The license fee revenue will be recognized in the fiscal year in which the product is made available for broadcast.

Music

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

Sales for the fiscal year ended March 31, 2010 increased 35.0 percent year-on-year, to 522.6 billion yen. The increase was mainly due to the fact that results for the fiscal year ended March 31, 2010 included the full year results of SME, which was consolidated as a wholly owned subsidiary beginning October 1, 2008 upon Sony s acquisition of Bertelsmann AG s 50 percent interest. On a pro forma basis, had SME been fully consolidated for the previous

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fiscal year, sales in the Music segment for the previous fiscal year would have been 549.1 billion yen. Compared with these pro forma sales, Music segment sales decreased 5 percent year-on-year, primarily due to the appreciation of the yen against the U.S. dollar.

On a U.S. dollar basis, when comparing the full year results for SME to the full year results for the previous fiscal year on a pro forma basis, sales for SME increased by 2 percent. The increase in sales primarily reflects the favorable impact of new releases and strong sales of Michael Jackson catalog product, partially offset by the continued decline of the physical music market. In addition to Michael Jackson s catalog albums, best-selling new releases during the fiscal year included Susan Boyle s *I Dreamed a Dream*, the *Michael Jackson s This Is It* soundtrack, Alicia Keys *The Element of Freedom* and *Glee the Music Vol.1 & 2,* music collections from the hit U.S. television show, *Glee*.

Sales at SMEJ included contributions from Michael Jackson s catalog albums and ikimono-gakari s *HAJIMARI NO UTA*.

Operating income increased by 8.7 billion yen year-on-year, to 36.5 billion yen. Operating income for the previous fiscal year included equity in net loss of 6.0 billion yen for SONY BMG MUSIC ENTERTAINMENT (SONY BMG) through October 1, 2008. On a pro forma basis, had SME been fully consolidated for the previous fiscal year, operating income for the Music segment would have been 21.3 billion yen. Compared to this pro forma operating income, Music segment operating income increased 72 percent year-on-year. The increase in the pro-forma segment results is primarily due to improved results from SME and SMEJ.

On a U.S. dollar basis, when comparing the full year results for SME to the full year results for the previous fiscal year on a pro forma basis, operating income for SME increased by 487 percent, primarily due to the contribution from hit releases, Michael Jackson catalog product sales, growth in new music related businesses as well as a year-on-year decrease in overhead and restructuring costs.

SMEJ s contribution to operating income increased mainly due to the contribution from hit releases as well as year-on-year decreases in advertisement expenses and restructuring charges.

Financial Services

The results of Sony Life discussed below on the basis of U.S. GAAP differ from the results that SFH and Sony Life disclose separately on a Japanese statutory basis.

Financial services revenue for the fiscal year ended March 31, 2010 increased 58.2 percent year-on-year to 851.4 billion yen mainly due to an increase in revenue at Sony Life. Revenue at Sony Life was 740.4 billion yen, a 309.9 billion yen or 72.0 percent increase year-on-year. Revenue increased significantly year-on-year mainly due to an improvement in net gains from investments in the separate account, an improvement in net valuation gains from investments in convertible bonds in the general account and a significant decrease in impairment losses on equity securities in the general account, all as a result of the significant rise in the Japanese stock market in the fiscal year ended March 31, 2010, as compared with a significant decline following the global financial crisis in the previous fiscal year. Revenue from insurance premiums at Sony Life increased, reflecting a steady increase in policy amount in force.

Operating income of 162.5 billion yen was recorded, compared to an operating loss of 31.2 billion yen in the previous fiscal year mainly as a result of a significant improvement in operating results at Sony Life. Operating income in the fiscal year ended March 31, 2010 at Sony Life was 166.6 billion yen, as compared to an operating loss of 29.8 billion in the previous fiscal year, mainly due to the improvement in net valuation gains from investments in convertible bonds in the general account, a decrease in the provision of policy reserves because of the revision of the future investment yield of variable life insurance products in the separate account and the significant decrease in impairment losses on equity securities in the general account, all as a result of the improved situation in the Japanese stock market mentioned above.

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Information of Operations Separating Out the Financial Services Segment

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

	Fiscal year ended March 31	
Financial Services segment	2009	**2010**
	(Yen in millions)	
Financial services revenue	538,206	**851,396**
Financial services expenses	567,567	**687,559**
Equity in net loss of affiliated companies	(1,796)	**(1,345)**
Operating income (loss)	(31,157)	**162,492**
Other income (expenses), net	28	**(966)**
Income (loss) before income taxes	(31,129)	**161,526**
Income taxes and other	(6,922)	**54,721**
Net income (loss) of Financial Services	(24,207)	**106,805**

	Fiscal year ended March 31	
Sony without the Financial Services segment	2009	**2010**
	(Yen in millions)	
Net sales and operating revenue	7,212,492	**6,381,094**
Costs and expenses	7,387,236	**6,484,642**
Equity in net loss of affiliated companies	(23,313)	**(28,890)**
Operating loss	(198,057)	**(132,438)**
Other income (expenses), net	58,254	**1,836**
Loss before income taxes	(139,803)	**(130,602)**
Income taxes and other	(61,219)	**(34,081)**
Net loss of Sony without the Financial Services	(78,584)	**(96,521)**

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Consolidated	Fiscal year ended March 31 2009	2010
	(Yen in millions)	
Financial services revenue	523,307	**838,300**
Net sales and operating revenue	7,206,686	**6,375,698**
	7,729,993	**7,213,998**
Costs and expenses	7,932,667	**7,151,991**
Equity in net loss of affiliated companies	(25,109)	**(30,235)**
Operating income (loss)	(227,783)	**31,772**
Other income (expenses), net	52,828	**(4,860)**
Income (loss) before income taxes	(174,955)	**26,912**
Income taxes and other	(76,017)	**67,714**
Net loss attributable to Sony Corporation s Stockholders	(98,938)	**(40,802)**

Sony Ericsson

Sony Ericsson s operating results are accounted for under the equity method and are not consolidated in Sony s consolidated financial statements, as Sony Corporation s ownership percentage of Sony Ericsson is 50 percent. Sony Ericsson aggregates the results of its worldwide subsidiaries on a euro basis. However, Sony believes that the following disclosure provides additional useful analytical information to investors regarding Sony s operating performance. Pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended, Sony Ericsson s financial statements are included in this Annual Report on Form 20-F on pages A-1 to A-28 .

Sales for the year ended March 31, 2010 decreased 37.2 percent year-on-year, to 6,457 million euro, mainly driven by significantly lower unit shipments as a result of continued challenging market conditions in all regions. A total of 53.0 million units were shipped for the year ended March 31, 2010, compared to 88.8 million units for the previous fiscal year. Despite the significantly lower sales, the loss before taxes increased only slightly by 21 million euro year-on-year to 654 million euro, primarily due to a reduction in research and development expenses as well as selling and administrative expenses. As a result, Sony recorded equity in the net loss of Sony Ericsson of 34.5 billion yen for the fiscal year ended March 31, 2010, compared to a loss of 30.3 billion yen in the previous fiscal year.

All Other

Sales for the fiscal year ended March 31, 2010 decreased 13.1 percent year-on-year, to 460.8 billion yen. The decrease in sales was mainly due to a significant decrease in sales at a mobile phone OEM business in Japan and a decrease in sales at a measuring systems business. This decrease was partially offset by an increase in sales at So-net Entertainment Corporation (So-net).

An operating loss of 5.0 billion yen was recorded compared to an income of 3.1 billion yen for the fiscal year ended March 31, 2009. This deterioration was mainly due to charges related to the withdrawal from the property management operation of an entertainment complex in Japan and the termination payments of the property lease contract.

Restructuring

As the global economy experienced a sharp downturn following the autumn of 2008, the operating environment for Sony became severe, with decreased demand, intensified pressure on pricing, and fluctuations in foreign exchange rates. In an attempt to cope with this environment, for the fiscal year ended March 31, 2010, Sony continued to implement restructuring initiatives to reform its operational structure with a priority on profitability and speed.

In the fiscal year ended March 31, 2010, Sony recorded restructuring charges of 124.3 billion yen, which included 7.9 billion yen of non-cash charges related to depreciation associated with restructured assets, compared to 75.4 billion yen of restructuring charges recorded in the previous fiscal year. There were no non-cash charges related to depreciation associated with restructured assets in the previous fiscal year. Of the total 124.3 billion yen incurred in the fiscal year ended March 31, 2010, 65.1 billion yen were personnel related costs, included in SGA expenses in the consolidated statements of income. Additionally, Sony either consolidated or sold five manufacturing sites in Japan and five manufacturing sites outside of Japan during the fiscal year ended March 31, 2010.

Restructuring charges were recorded mainly in the CPD segment, and All Other and Corporate. In the CPD segment, restructuring charges amounted to 75.9 billion yen, which includes 7.3 billion yen of non-cash charges related to depreciation associated with restructured assets for the fiscal year ended March 31, 2010, compared to 53.7 billion yen of restructuring charges recorded in the previous fiscal year. In the fiscal year ended March 31, 2010, restructuring activities included headcount reduction programs, initiatives to advance the rationalization of manufacturing operations, shifting and consolidating manufacturing to lower-cost countries and utilizing the services of OEMs and third party ODMs. In the CPD segment, most of the 39.8 billion yen of restructuring charges incurred within SGA expenses were personnel related costs. With respect to television operations, Sony ceased manufacturing operations at its Sony EMCS Corporation Ichinomiya TEC in June 2009, and at Sony Baja California, S.A. de C.V. s Mexicali factory in September, 2009. In January 2010, Sony completed the sale to the Hon Hai Group of 90.0 percent of Sony s equity interest in Sony Baja California and certain manufacturing assets related to LCD televisions at Sony Baja California s Tijuana Factory in Mexico, which mainly manufactures LCD televisions for the Americas region. The Tijuana Factory remains a key manufacturing facility of Sony LCD televisions for the Americas region.

In all segments, excluding the CPD segment, and All Other and Corporate, restructuring charges were recorded mainly due to headcount reductions through early retirement programs.

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

Foreign Exchange Fluctuations and Risk Hedging

During the fiscal year ended March 31, 2010, the average rates of the yen were 91.8 yen against the U.S. dollar, and 129.7 yen against the euro, which were 8.4 percent and 9.5 percent higher, respectively, year-on-year.

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

SGTS in London provides integrated treasury services for Sony Corporation, its subsidiaries, and affiliated companies. Sony s policy is that Sony Corporation and all subsidiaries with foreign exchange exposures should enter into commitments with SGTS for hedging their exposures. Sony Corporation and most of its subsidiaries utilize SGTS for this purpose. The concentration of foreign exchange exposures at SGTS means that, in effect, SGTS hedges most of the net foreign exchange exposure of Sony Corporation, its subsidiaries and affiliated companies. SGTS in turn enters into foreign exchange transactions with creditworthy third party financial institutions. Most of these transactions are entered into against projected exposures before the actual export and import transactions take place. In general, SGTS hedges the projected exposures on average three months before the actual transactions take place. However, in certain cases SGTS partially hedges the projected exposures one month before the actual transactions take place when business requirements such as shorter production-sales cycles for certain products arise. Sony enters into foreign exchange transactions with financial institutions primarily for hedging purposes. Sony does not use these derivative financial instruments for trading or speculative purposes except for certain derivatives in the Financial Services segment. In the Financial Services segment, Sony uses derivatives for ALM and trading.

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

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in accumulated other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. Foreign exchange forward contracts, foreign currency option contracts and other derivatives that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses. The notional amount and the net fair value of all the foreign exchange derivative contracts as of March 31, 2010 were 2,026.4 billion yen and a liability of 13.2 billion yen, respectively.

Assets, Liabilities and Stockholders Equity

Assets

Total assets as of March 31, 2011 increased by 58.9 billion yen, or 0.5 percent year-on-year, to 12,925.0 billion yen. Total assets as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 457.6 billion yen, or 7.0 percent year-on-year, to 6,065.2 billion yen. Total assets as of March 31, 2011 in the Financial Services segment increased by 485.3 billion yen, or 7.4 percent year-on-year, to 7,062.4 billion yen.

Current Assets

Current assets as of March 31, 2011 decreased by 288.8 billion yen, or 7.0 percent year-on-year, to 3,844.0 billion yen. Current assets as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 212.2 billion yen, or 6.8 percent, year-on-year to 2,907.1 billion yen.

Cash and cash equivalents as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased 137.5 billion yen, or 14.0 percent year-on-year, to 847.4 billion yen. This was primarily due to lower net cash inflow in operating activities as a result of a decrease of notes and accounts payable, trade and an increase of inventories, and to net cash outflow in financing activities as a result of repayment of debts in the fiscal year ended March 31, 2011. Refer to Cash Flows below.

Notes and accounts receivable, trade (net of allowances for doubtful accounts and sales returns) as of March 31, 2011, excluding the Financial Services segment, decreased 145.4 billion yen, or 16.4 percent year-on-year, to 742.3 billion yen, mainly due to foreign exchange rates and sales of accounts receivables under a securitization program in the United States. Refer to Note 6 to the notes to the consolidated financial statements.

Other current assets as of March 31, 2011 in all segments, excluding the Financial Services segment, increased 71.1 billion yen, or 5.7 percent year-on-year, to 1,314.4 billion yen, mainly due to an increase in inventories.

Inventories as of March 31, 2011 increased by 58.6 billion yen, or 9.1 percent year-on-year, to 704.0 billion yen. This increase was primarily due to an increase in CPD segment inventory resulting from an expansion of the LCD television business. Sony considers the inventory level as of March 31, 2011 to have been slightly higher than appropriate.

The inventory to cost of sales turnover ratio (based on the average of inventories at the end of each fiscal year and the previous fiscal year) was 1.68 months compared to 1.79 months at the end of the previous fiscal year.

Current assets as of March 31, 2011 in the Financial Services segment decreased by 91.6 billion yen, or 8.7 percent year-on-year, to 956.7 billion yen primarily due to the decrease of credit card and credit receivables resulting from the sale of a portion of the credit card business at Sony Financial International Inc. (SFI).

Investments and Advances

Investments and advances as of March 31, 2011 increased by 593.3 billion yen, or 11.2 percent year-on-year, to 5,892.7 billion yen.

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Investments and advances as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 31.0 billion yen, or 8.2 percent year-on-year, to 345.7 billion yen primarily due to impairment and valuation losses from securities and investments, and the collection of advances.

Investments and advances as of March 31, 2011 in the Financial Services segment increased by 613.3 billion yen, or 12.3 percent year-on-year, to 5,580.4 billion yen. This increase was primarily due to business growth at both Sony Life and Sony Bank, resulting in increases in investments made by Sony Life mainly in Japanese fixed income securities, and increases in mortgage loans provided by Sony Bank. Refer to *Investments* below.

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

Property, plant and equipment as of March 31, 2011 decreased by 83.1 billion yen, or 8.2 percent year-on-year, to 924.9 billion yen.

Property, plant and equipment as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 78.4 billion yen, or 8.1 percent year-on-year, to 894.8 billion yen. Factors contributing to the decrease in property, plant and equipment included the sale or disposal of assets due to the sale of certain factories and impairment charges recorded for related assets. The disposal or impairment of fixed assets damaged by the Great East Japan Earthquake was 7.7 billion yen.

Capital expenditures (additions to property, plant and equipment) for the fiscal year ended March 31, 2011 increased by 12.1 billion yen, or 6.3 percent year-on-year, to 204.9 billion yen.

Property, plant and equipment as of March 31, 2011 in the Financial Services segment decreased by 4.7 billion yen, or 13.5 percent year-on-year, to 30.0 billion yen mainly due to the sale of the lease business at SFI.

Other Assets

Other assets as of March 31, 2011 decreased by 127.8 billion yen, or 6.0 percent year-on-year, to 1,988.0 billion yen primarily due to a decrease in deferred tax assets.

Liabilities

Total current and long-term liabilities as of March 31, 2011 increased by 388.5 billion yen, or 4.1 percent year-on-year, to 9,969.1 billion yen. Total current and long-term liabilities as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 79.4 billion yen, or 2.1 percent year-on-year, to 3,723.7 billion yen. Total current and long-term liabilities in the Financial Services segment as of March 31, 2011 increased by 438.7 billion yen, or 7.4 percent year-on-year, to 6,333.2 billion yen.

Current Liabilities

Current liabilities as of March 31, 2011 increased by 67.1 billion yen, or 1.7 percent year-on-year, to 4,127.0 billion yen.

Current liabilities as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 61.5 billion yen, or 2.6 percent year-on-year, to 2,265.0 billion yen.

Short-term borrowings and the current portion of long-term debt as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 78.0 billion yen, or 33.8 percent year-on-year, to 152.7 billion yen primarily due to the redemption of a 104.9 billion yen tranche of straight bonds. This decrease was partially offset by a transfer to current liabilities from long-term liabilities of the current portion of straight bonds that will mature during the fiscal year ending March 31, 2012.

Notes and accounts payable, trade as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 12.8 billion yen, or 1.6 percent year-on-year, to 791.6 billion yen primarily due to the impact of foreign exchange rates.

Current liabilities as of March 31, 2011 in the Financial Services segment increased by 108.0 billion yen, or 6.1 percent year-on-year, to 1,881.8 billion yen mainly due to an increase in deposits from customers at Sony Bank.

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Long-term Liabilities

Long-term liabilities as of March 31, 2011 increased by 321.5 billion yen, or 5.8 percent year-on-year, to 5,842.1 billion yen.

Long-term liabilities as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 17.9 billion yen, or 1.2 percent year-on-year, to 1,458.7 billion yen. Long-term debt as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 94.0 billion yen, or 10.5 percent year-on-year, to 799.4 billion yen. This was primarily due to the above-mentioned transfer of the current portion of straight bonds to current liabilities.

Long-term liabilities as of March 31, 2011 in the Financial Services segment increased by 330.7 billion yen, or 8.0 percent year-on-year, to 4,451.3 billion yen. This was primarily due to an increase in the policy amount in force at Sony Life.

Total Interest-bearing Debt

Total interest-bearing debt inclusive of long-term debt and short-term borrowings as of March 31, 2011 decreased by 233.2 billion yen, or 19.3 percent year-on-year, to 975.6 billion yen. Total interest-bearing debt as of March 31, 2011 in all segments, excluding the Financial Services segment, decreased by 172.0 billion yen, or 15.3 percent year-on-year, to 952.1 billion yen.

Redeemable Noncontrolling Interest

In March 2011, Sony acquired an additional 5 percent equity interest in GSN, resulting in Sony owning a 40 percent equity interest. As part of the acquisition, Sony obtained a controlling interest in GSN and as a result, consolidated GSN. Sony granted a put right to the other investor in GSN for an additional 18 percent interest in GSN. The put right is exercisable during three windows starting on April 1 of each of 2012, 2013 and 2014 and lasting for 60 business days. The exercise price of the put is calculated using a formula based on an agreed upon multiple of the earnings of GSN with a minimum price of 234 million U.S. dollars and a maximum price of 288 million U.S. dollars. The portion of the noncontrolling interest that can be put to Sony is accounted for as mandatorily redeemable securities because redemption is outside of Sony s control and is reported in the mezzanine equity section in the consolidated balance sheet at March 31, 2011. Refer to Notes 24 and 27 to the notes to the consolidated financial statements.

Sony Corporation s Stockholders Equity

Sony Corporation s stockholders equity as of March 31, 2011 decreased by 417.9 billion yen, or 14.1 percent year-on-year, to 2,548.0 billion yen. Retained earnings decreased by 284.7 billion yen, or 15.4 percent year-on-year, to 1,566.3 billion yen as a result of the recording of 259.6 billion yen in net loss attributable to Sony Corporation s stockholders. Accumulated other comprehensive income deteriorated by 135.1 billion yen, or 20.2 percent year-on-year, to a loss of 804.2 billion yen primarily due to the recording of 118.4 billion yen of foreign currency translation adjustments. The ratio of Sony Corporation s stockholders equity to total assets decreased 3.3 percentage points year-on-year, from 23.1 percent to 19.7 percent.

Information of Financial Position Separating Out the Financial Services Segment

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

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Financial Services segment

	March 31	
	2010	**2011**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	206,742	**167,009**
Marketable securities	576,129	**643,171**
Notes and accounts receivable, trade	10,099	**5,933**
Other	255,366	**140,633**
	1,048,336	**956,746**
Investments and advances	4,967,125	**5,580,418**
Property, plant and equipment	34,725	**30,034**
Other assets:		
Deferred insurance acquisition costs	418,525	**428,262**
Other	108,421	**66,944**
	526,946	**495,206**
	6,577,132	**7,062,404**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	86,102	**23,191**
Notes and accounts payable, trade	13,709	**1,705**
Deposits from customers in the banking business	1,509,488	**1,647,752**
Other	164,545	**209,168**
	1,773,844	**1,881,816**
Long-term liabilities:		
Long-term debt	42,536	**16,936**
Accrued pension and severance costs	12,144	**13,925**
Future insurance policy benefits and other	3,876,292	**4,225,373**
Other	189,681	**195,115**
	4,120,653	**4,451,349**
Stockholders equity of Financial Services	681,500	**727,955**
Noncontrolling interests	1,135	**1,284**
	6,577,132	**7,062,404**

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Sony without the Financial Services segment

	March 31	
	2010	**2011**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	984,866	**847,403**
Marketable securities	3,364	**3,000**
Notes and accounts receivable, trade	887,694	**742,297**
Other	1,243,345	**1,314,419**
	3,119,269	**2,907,119**
Film costs	310,065	**275,389**
Investments and advances	376,669	**345,660**
Investments in Financial Services, at cost	116,843	**115,806**
Property, plant and equipment	973,226	**894,834**
Other assets	1,626,764	**1,526,389**
	6,522,836	**6,065,197**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	230,631	**152,664**
Notes and accounts payable, trade	804,336	**791,570**
Other	1,291,481	**1,320,741**
	2,326,448	**2,264,975**
Long-term liabilities:		
Long-term debt	893,418	**799,389**
Accrued pension and severance costs	283,382	**257,395**
Other	299,808	**401,938**
	1,476,608	**1,458,722**
Redeemable noncontrolling interest		**19,323**
Stockholders equity of Sony without Financial Services	2,662,712	**2,217,106**
Noncontrolling interests	57,068	**105,071**
	6,522,836	**6,065,197**

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Consolidated

	March 31	
	2010	**2011**
	(Yen in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	1,191,608	**1,014,412**
Marketable securities	579,493	**646,171**
Notes and accounts receivable, trade	891,625	**743,690**
Other	1,470,146	**1,439,773**
	4,132,872	**3,844,046**
Film costs	310,065	**275,389**
Investments and advances	5,299,393	**5,892,655**
Property, plant and equipment	1,007,951	**924,868**
Other assets:		
Deferred insurance acquisition costs	418,525	**428,262**
Other	1,697,308	**1,559,768**
	2,115,833	**1,988,030**
	12,866,114	**12,924,988**
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings	284,607	**163,351**
Notes and accounts payable, trade	817,118	**793,275**
Deposits from customers in the banking business	1,509,488	**1,647,752**
Other	1,448,712	**1,522,601**
	4,059,925	**4,126,979**
Long-term liabilities:		
Long-term debt	924,207	**812,235**
Accrued pension and severance costs	295,526	**271,320**
Future insurance policy benefits and other	3,876,292	**4,225,373**
Other	424,609	**533,179**
	5,520,634	**5,842,107**
Redeemable noncontrolling interest		**19,323**
Sony Corporation s stockholders equity	2,965,905	**2,547,987**
Noncontrolling interests	319,650	**388,592**
	12,866,114	**12,924,988**

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Investments

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

	March 31, 2011			
	Cost	Unrealized gain	Unrealized loss	Fair market value
	(Yen in millions)			
Financial Services Business:				
Available-for-sale				
Debt securities				
Sony Life	886,303	23,017	(3,296)	906,024
Sony Bank	917,144	7,462	(13,604)	911,002
Other	10,896	36	(14)	10,918
Equity securities				
Sony Life	47,926	12,577	(2,152)	58,351
Sony Bank	7,848	706		8,554
Other	138	2,148		2,286
Held-to-maturity				
Debt securities				
Sony Life	2,918,524	21,668	(48,011)	2,892,181
Sony Bank	15,566	614		16,180
Other	66,842	528	(210)	67,160
Total Financial Services	4,871,187	68,756	(67,287)	4,872,656
Non-Financial Services:				
Available-for-sale securities	34,835	53,835	(1,341)	87,329
Held-to-maturity securities	1	(1)		
Total Non-Financial Services	34,836	53,834	(1,341)	87,329
Consolidated	4,906,023	122,590	(68,628)	4,959,985

At March 31, 2011, Sony Life had debt and equity securities which had gross unrealized losses of 51.3 billion yen and 2.2 billion yen, respectively. Of the unrealized loss, no security was in an unrealized loss position for a period greater than 12 months at March 31, 2011. Sony Life principally invests in debt securities in various industries. Almost all of the debt securities in which Sony Life invested were rated BBB or higher by Standard & Poor s Rating Services (S&P), Moody s Investors Service, Inc. (Moody s) or other rating agencies.

At March 31, 2011, Sony Bank had debt securities which had gross unrealized losses of 13.6 billion yen. Of the unrealized loss, approximately 43.5 percent related to securities in an unrealized loss position for periods greater than 12 months at March 31, 2011. Sony Bank principally invests in Japanese government bonds, Japanese corporate bonds and foreign bonds. Almost all of these securities were rated BBB or higher by S&P, Moody s or other rating agencies.

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

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For fixed maturity securities with unrecognized losses held by Sony Life as of March 31, 2011 (51.3 billion yen), maturity dates vary as follows:

Within 1 year:	
1 to 5 years:	0.1 percent
5 to 10 years:	0.1 percent
above 10 years:	99.8 percent

For fixed maturity securities with unrecognized losses held by Sony Bank as of March 31, 2011 (13.6 billion yen), maturity dates vary as follows:

Within 1 year:	41.2 percent
1 to 5 years:	43.8 percent
5 to 10 years:	14.7 percent
above 10 years:	0.3 percent

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, 2011 was 67.4 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, 2009, 2010 and 2011, total realized impairment losses were 45.6 billion yen, 5.5 billion yen and 9.8 billion yen, respectively, of which 41.2 billion yen, 2.6 billion yen and 2.1 billion yen, respectively, were recorded in financial services revenue by the subsidiaries in the Financial Services segment. Realized impairment losses recorded other than by subsidiaries in the Financial Services segment in each of the three fiscal years were reflected in non-operating expenses and primarily relate to certain strategic investments in non-financial services businesses. These investments primarily relate to certain strategic investments in Japan and the U.S. with which Sony has strategic relationships for the purposes of developing and marketing new technologies. Impairment losses were recorded for each of the three fiscal years as certain companies failed to successfully develop and market such technology, resulting in the operating performance of these companies being more unfavorable than previously expected. As a result the decline in the fair value of these companies was judged as other-than-temporary. None of these impairment losses were individually material to Sony.

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

Sony Life and Sony Bank s investments constitute the majority of the investments in the Financial Services segment. Sony Life and Sony Bank account for approximately 79 percent and 19 percent of the investments in the Financial

Services segment, respectively.

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Contractual obligations, commitments, and contingent liabilities

The following table summarizes Sony s contractual obligations and commitments as of March 31, 2011. The references to the notes below refer to the corresponding notes within the notes to 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)	**53,737**	53,737			
Long-term debt (Notes 8 and 11)					
Capital lease obligations	**24,673**	4,162	5,068	3,463	11,980
Other long-term debt	**897,176**	105,452	390,008	284,567	117,149
Interest on other long-term debt	**37,551**	10,685	15,127	7,261	4,478
Minimum rental payments required under operating leases (Note 8)	**177,990**	39,817	56,111	30,823	51,239
Purchase commitments (Note 27)					
Purchase commitments for property, plant and equipment	**103,465**	103,465			
Expected cost for the production or purchase of motion pictures and television programming or certain rights	**111,112**	36,747	35,880	28,372	10,113
Long-term contracts with recording artists and companies	**38,354**	14,145	15,204	6,801	2,204
Other purchase commitments	**97,084**	53,625	30,717	10,238	2,504
Future insurance policy benefits and other in the life insurance business* (Note 10)	**11,907,755**	319,151	692,062	735,917	10,160,625
Gross unrecognized tax benefits** (Note 21)	**225,120**	10			
Total	**13,674,017**	740,996	1,240,177	1,107,442	10,360,292

* Future insurance policy benefits and other in the life insurance business are the estimated future cash payments to be made to policy holders and others for future policy benefits, policyholders account balances, policyholders dividends, separate account liabilities and others. These cash payments are based upon assumptions including morbidity,

mortality, withdrawals and other factors. Amounts presented in the above table are undiscounted. The sum of the cash payments of 11,907.8 billion yen exceeds the corresponding liability amounts of 4,204.1 billion yen included in the consolidated financial statements principally due to the time value of money (Note 10).

** The total amounts represent the liability for gross unrecognized tax benefits in accordance with the accounting guidance for uncertain tax positions. Sony estimates 10 million yen of the liability is expected to be settled within one year. The settlement period for the remaining portion of the liability, which totaled 225.1 billion yen, cannot be reasonably estimated due to the uncertainty associated with the timing of the settlements with the various taxing authorities (Note 21).

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The following items are not included in either the above table or the total amount of commitments outstanding at March 31, 2011:

The total amount of expected future pension payments is not included as such amount is not currently determinable. Sony expects to contribute approximately 35 billion yen to Japanese pension plans and approximately 11 billion yen to foreign pension plans during the fiscal year ending March 31, 2012 (Note 15).

The total unused portion of the line of credit extended under loan agreements in the Financial Services segment is not included 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 18.4 billion yen as of March 31, 2011 (Note 27).

Purchases are 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 and are not included in the above table 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. Sony enters into arrangements with certain component manufacturers whereby Sony procures goods and services, including product components, for these component manufacturers and is reimbursed for the related purchases. Sony s supply chain management allows for 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. Further, in connection with the sale of its LCD television manufacturing operations in Mexico during the fiscal year ended March 31, 2010, and in the sale or transfer of LCD television manufacturing operations in Slovakia and Spain in the fiscal year ended March 31, 2011, Sony entered into agreements to purchase certain LCD televisions in the future from the contract manufacturers that acquired the operations. The initial terms of the agreements were one year in Mexico and Slovakia and two years in Spain, with renewal options for the same time periods. In these agreements, Sony agreed to purchase a specified share of the LCD televisions that Sony sells in certain markets, including the U.S. and European markets. However, there are no binding purchase obligations as the specified share and pricing terms only apply to Sony s actual sales.

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

The following table summarizes Sony s contingent liabilities and redeemable noncontrolling interest as of March 31, 2011.

	Total Amounts
Contingent liabilities: (Note 27)	(Yen in millions)
Loan guarantees to a creditor of the third party investor	25,194
Guarantees for a portion of Sony Ericsson s debt	26,516
Other	51,903

Total contingent liabilities	103,613

Redeemable noncontrolling interest: (Note 27)	(Yen in millions)
Redeemable noncontrolling interest	19,323

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Off-balance sheet arrangements

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

The below transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. In each case, losses from these transactions were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. In addition to the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, in the fiscal years ended March 31, 2009, 2010 and 2011 were insignificant.

Sony has established several accounts receivable sales programs in Japan whereby Sony can sell up to 47.2 billion yen of eligible trade accounts receivable in the aggregate at any one time. Through these programs, Sony can sell receivables to special purpose entities owned and operated by banks. Sony can sell receivables in which the agreed upon original due dates are no more than 190 days after the sales of receivables. Total trade accounts receivable sold during the fiscal years ended March 31, 2009, 2010 and 2011 were 130.8 billion yen, 109.3 billion yen and 136.2 billion yen, respectively.

A subsidiary of the Financial Services segment has established several receivables sales programs whereby the subsidiary can sell up to 24.0 billion yen of eligible receivables in the aggregate at any one time. Through these programs, the subsidiary can sell receivables to special purpose entities owned and operated by banks. The subsidiary can sell receivables in which the agreed upon original due dates are no more than 180 days after the sales of receivables. Total receivables sold during the fiscal years ended March 31, 2009, 2010 and 2011 were 166.1 billion yen, 183.8 billion yen and 166.0 billion yen, respectively.

During the fiscal year ended March 31, 2010, Sony established an accounts receivable sales program in the United States. Through this program, a bankruptcy-remote entity, which is consolidated by a U.S. subsidiary, can sell up to 450 million U.S. dollars of eligible trade accounts receivables in the aggregate at any one time to a commercial bank. Total trade accounts receivables sold during the fiscal year ended March 31, 2010 were 258.1 billion yen. Subsequent to its establishment, Sony amended this program. While the transactions continued to qualify as sales under the new accounting guidance for transfers of financial assets, the amended program requires that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. The portion of the sales proceeds held back and deferred is initially recorded at estimated fair value, is included in other current assets and is 32.8 billion yen at March 31, 2011. Sony includes collections on such receivables as cash flows within operating activities in the consolidated statements of cash flows since the receivables are the result of operating activities and the associated interest rate risk is insignificant due to its short-term nature. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal year ended March 31, 2011 were 414.1 billion yen, 185.6 billion yen and 153.6 billion yen, respectively.

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

Sony has, from time to time, entered into various arrangements with VIEs. These arrangements include facilities which provide for the leasing of certain property, several joint ventures in the recorded music business, the U.S. based music publishing business, the financing of film production and the outsourcing of manufacturing operations. In addition, Sony has entered into several accounts receivable sales programs that involve VIEs as described above. In several of the arrangements in which Sony holds significant variable interests, Sony is the primary beneficiary and therefore consolidates these VIEs. Arrangements in which Sony holds significant variable interests in VIEs but Sony is not the primary beneficiary and therefore does not consolidate are described as follows:

In connection with the September 2010 refinancing of the debt obligations of the third party investor in the U.S. based music publishing business, Sony has issued a guarantee to a creditor of the third party investor in which Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 303 million U.S. dollars to the creditor should the third party investor default on its obligation. The obligation of the third party investor is collateralized by its 50 percent interest in Sony s music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor s rights to the underlying collateral. The assets of the third party investor that are being used as collateral were placed in a separate trust which is also a VIE in which Sony has significant variable interests. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the trust. The assets held by the trust consist solely of the third party investor s 50 percent ownership interest in the music publishing subsidiary. At March 31, 2011, the fair value of the assets held by the trust exceeded 303 million U.S. dollars.

Sony s subsidiary in the Pictures segment entered into a joint venture agreement with a VIE to acquire the international distribution rights, as defined, to 12 pictures. The subsidiary is required to distribute these pictures internationally, for contractually defined fees determined as percentages of gross receipts, and is responsible for all distribution and marketing expenses, which are recouped from such distribution fees, each as defined. The VIE was capitalized with total financing of 406 million U.S. dollars. Of this amount, 11 million U.S. dollars was contributed by the subsidiary, 95 million U.S. dollars was provided by unrelated third party investors and the remaining funding was provided through a 300 million U.S. dollar bank credit facility. Under the agreement, the subsidiary s 11 million U.S. dollars equity investment is the last equity to be repaid. Based on the factors above, it was previously determined that the subsidiary was the primary beneficiary as it was projected to absorb the majority of the losses or residual returns. As of March 31, 2009, the bank credit facility had been terminated and the third party investors have been repaid their 95 million U.S. dollar investment. On May 11, 2009, the subsidiary repurchased from the VIE the international distribution rights to the 12 pictures and the VIE received a participation interest in these films on identical financial terms to those described above. As a result of repurchasing the international distribution rights from the VIE, Sony determined that the subsidiary was no longer the primary beneficiary as it was not projected to absorb the majority of the losses or residual returns of the VIE. No gain or loss was recognized by the subsidiary on the deconsolidation of the VIE. As of March 31, 2011, the subsidiary s balance sheet includes 67 million yen of film costs related to the international distribution rights acquired from the VIE and 1,098 million yen of participation liabilities recorded within accounts payable, other and accrued expenses as well as other noncurrent liabilities due to the VIE.

Sony s subsidiary in the Pictures segment entered into two separate production/co-financing agreements with VIEs to co-finance 19 films that were released over the 31 months ended July 31, 2008. The subsidiary received 565 million U.S. dollars over the term of the agreements to fund the production or acquisition cost of films (including fees and expenses). Additionally, on January 19, 2007, the subsidiary entered into a third production/co-financing agreement with another VIE to co-finance a majority of the films to be submitted through March 2012. The subsidiary has received a commitment from the third VIE that it will fund up to 525 million U.S. dollars on a revolving basis to fund the production or acquisition cost of films (including fees and expenses). At March 31, 2011, 18 films of the subsidiary have been released and approximately 554 million U.S. dollars collectively have been funded by the third VIE. Under all three agreements, the subsidiary is responsible for the marketing and distribution of the product through its global distribution channels. The VIEs share in the net profits, as defined, of the films after the subsidiary recoups a distribution fee, its marketing and distribution expenses, and third party participation and residual costs, each as defined. As the subsidiary did not have the power to direct the activities of these three VIEs that most significantly impact the VIEs economic performance nor issue any guarantees with respect to the VIEs, the subsidiary does not absorb the majority of the losses or residual returns, and therefore does not qualify as the primary beneficiary for any of the VIEs. At March 31, 2011, there were no amounts recorded on the subsidiary s balance sheet that related to any of the VIEs other than the investors earned but unpaid share of the films net profits, as defined.

In January 2010, Sony sold 90.0 percent of its interest in a Mexican subsidiary which primarily manufactured LCD televisions, as well as other assets including machinery and equipment of 4,520 million yen and inventories of

5,619 million yen, to a contract manufacturer. The continuing entity, which would perform this manufacturing going forward, is a VIE as it is thinly capitalized and dependent on funding from the parent entity. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities that most significantly impact the VIE s economic performance, nor does Sony have the obligation to absorb the losses of the VIE. In connection with the sale of Sony s controlling interest in the subsidiary, Sony received 11,189 million yen and recorded a loss of 1,664 million yen during the fiscal year ended March 31, 2010. Concurrent with the sale, Sony entered into an agreement with the VIE and its parent company in which Sony agreed to purchase a significant share of the LCD televisions that Sony sells in certain markets, including the U.S. market. As of March 31, 2011, the amounts recorded on Sony s consolidated balance sheets that relate to the VIE include receivables recorded within prepaid expenses and other current assets of 21,953 million yen and accounts payable, trade of 20,853 million yen. Sony s maximum exposure to losses is considered insignificant.

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

Refer to Note 23 to the notes to the consolidated financial statements for more information on VIEs.

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

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

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

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

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

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

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

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

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

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

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

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

	Fiscal year ended March 31	
	2010	**2011**
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	912.9	**616.2**
Net cash used in investing activities reported in the consolidated statements of cash flows	(746.0)	**(714.4)**
	166.9	**(98.2)**
Less: Net cash provided by operating activities within the Financial Services segment	348.0	**369.5**
Less: Net cash used in investing activities within the Financial Services segment	(475.7)	**(552.9)**
Eliminations**	27.7	**33.1**
Cash flow from operating and investing activities combined excluding the Financial Services segment s activities	322.3	**118.3**

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

Information of Cash Flows Separating Out the Financial Services Segment

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

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

Cash and cash equivalents at end of the fiscal year	206,742	**167,009**

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

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

Cash Flows
(The fiscal year ended March 31, 2010 compared with the fiscal year ended March 31, 2009)

Operating Activities: During the fiscal year ended March 31, 2010, there was a net cash inflow of 912.9 billion yen from operating activities, an increase of 505.8 billion yen, or 124.2 percent year-on-year.

For all segments excluding the Financial Services segment, there was a net cash inflow of 570.2 billion yen for the fiscal year ended March 31, 2010, an increase of 457.5 billion yen, or 406.0 percent year-on-year. The major cash inflow factors included a cash contribution from net income after taking into account depreciation and amortization (including amortization of film costs), an increase in notes and accounts payable, trade, and a decrease in inventories. This exceeded cash outflow, which included increases in film costs and in notes and accounts receivable, trade. Compared with the previous fiscal year, the net cash inflow increased mainly due to an increase in notes and accounts payable, trade in the fiscal year ended March 31, 2010 compared to a decrease in the previous fiscal year and lower tax payments. This increase was partially offset by an increase in notes and accounts receivable, trade in the fiscal year ended March 31, 2010 compared to a decrease in the previous fiscal year.

The Financial Services segment had a net cash inflow of 348.0 billion yen, an increase of 47.9 billion yen, or 16.0 percent year-on-year. For the fiscal year ended March 31, 2010, net cash inflow was generated primarily due to an increase in revenue from insurance premiums as a result of a steady increase in policy amount in force at Sony Life. Compared with the previous fiscal year, net cash inflow increased primarily reflecting the increase in revenue from insurance premiums at Sony Life.

Investing Activities: During the fiscal year ended March 31, 2010, Sony used 746.0 billion yen of net cash in investing activities, a decrease of 335.3 billion yen, or 31.0 percent year-on-year.

For all segments excluding the Financial Services segment, there was 247.9 billion yen of net cash used, a decrease of 239.5 billion yen, or 49.1 percent year-on-year. During the fiscal year ended March 31, 2010, net cash was used mainly for purchases of manufacturing equipment. The net cash used decreased year-on-year primarily as a result of lower investments in and purchases of manufacturing equipment, although the previous fiscal year benefited from proceeds generated mainly from the sale of semiconductor fabrication equipment.

The Financial Services segment used 475.7 billion yen of net cash, a decrease of 126.6 billion yen, or 21.0 percent year-on-year. Payments for investments and advances, carried out primarily at Sony Life and Sony Bank, where operations are expanding, exceeded proceeds from the maturities of marketable securities, sales of securities investments and collections of advances. The net cash used within the Financial Services segment decreased year-on-year primarily due to a decrease in investments at Sony Bank.

In all segments excluding the Financial Services segment, net cash generated by operating and investing activities combined* for the fiscal year ended March 31, 2010 was 322.3 billion yen, an improvement of 697.1 billion yen compared to net cash used in the previous fiscal year.

Financing Activities: During the fiscal year ended March 31, 2010, 365.0 billion yen of net cash was provided by financing activities, an increase of 97.6 billion yen, or 36.5 percent year-on-year. For all segments excluding the Financial Services segment, there was a 98.6 billion yen net cash inflow, an increase of 88.7 billion yen, or 891.7 percent year-on year. This was primarily due to issuances of long-term corporate bonds and borrowings from banks in the fiscal year ended March 31, 2010, which were partially offset by net repayments of short-term borrowings including commercial paper. In June 2009, Sony Corporation issued domestic straight bonds totaling 220 billion yen in Japan with maturities ranging from 3 to 10 years. In the Financial Services segment, financing activities generated 238.6 billion yen of net cash, a decrease of 21.7 billion yen, or 8.3 percent year-on-year, primarily due to a decrease in short-term borrowings, net for the fiscal year ended March 31, 2010 compared to an increase for the previous fiscal year.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in exchange rates, the total outstanding balance of cash and cash equivalents at March 31, 2010 was 1,191.6 billion yen, an increase of 530.8 billion yen, or 80.3 percent compared with the balance as of March 31, 2009. The outstanding balance of cash and cash equivalents of all segments excluding the Financial Services segment was 984.9 billion yen, an increase of 419.9 billion yen, or 74.3 percent, compared with the balance as of March 31, 2009. Sony believes it continues to maintain sufficient liquidity through access to a total, translated into yen, of 788.5 billion yen of unused committed lines of credit with financial institutions in addition to the cash and cash equivalents balance at March 31, 2010. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 206.7 billion yen, an increase of 110.9 billion yen, or 115.8 percent, compared with the balance as of March 31, 2009.

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

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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	
	2009	**2010**
	(Yen in billions)	
Net cash provided by operating activities reported in the consolidated statements of cash flows	407.2	**912.9**
Net cash used in investing activities reported in the consolidated statements of cash flows	(1,081.3)	**(746.0)**
	(674.1)	**166.9**
Less: Net cash provided by operating activities within the Financial Services segment	300.1	**348.0**
Less: Net cash used in investing activities within the Financial Services segment	(602.4)	**(475.7)**
Eliminations**	(3.0)	**27.7**
Cash flow from operating and investing activities combined excluding the Financial Services segment s activities	(374.8)	**322.3**

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

Information of Cash Flows Separating Out the Financial Services Segment

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

	Fiscal year ended March 31	
Financial Services segment	2009	**2010**
	(Yen in millions)	
Net cash provided by operating activities	300,096	**348,033**
Net cash used in investing activities	(602,368)	**(475,720)**
Net cash provided by financing activities	260,345	**238,635**
Net increase (decrease) in cash and cash equivalents	(41,927)	**110,948**
Cash and cash equivalents at beginning of the fiscal year	137,721	**95,794**

Cash and cash equivalents at end of the fiscal year	95,794	**206,742**

Sony without the Financial Services segment	Fiscal year ended March 31 2009	2010
	(Yen in millions)	
Net cash provided by operating activities	112,695	**570,222**
Net cash used in investing activities	(487,446)	**(247,897)**
Net cash provided by financing activities	9,947	**98,644**
Effect of exchange rate changes on cash and cash equivalents	(18,911)	**(1,098)**
Net increase (decrease) in cash and cash equivalents	(383,715)	**419,871**
Cash and cash equivalents at beginning of the fiscal year	948,710	**564,995**
Cash and cash equivalents at end of the fiscal year	564,995	**984,866**

Consolidated	Fiscal year ended March 31 2009	2010
	(Yen in millions)	
Net cash provided by operating activities	407,153	**912,907**
Net cash used in investing activities	(1,081,342)	**(746,004)**
Net cash provided by financing activities	267,458	**365,014**
Effect of exchange rate changes on cash and cash equivalents	(18,911)	**(1,098)**
Net increase (decrease) in cash and cash equivalents	(425,642)	**530,819**
Cash and cash equivalents at beginning of the fiscal year	1,086,431	**660,789**
Cash and cash equivalents at end of the fiscal year	660,789	**1,191,608**

LIQUIDITY AND CAPITAL RESOURCES

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

Liquidity Management and Market Access

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

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

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

In order to meet working capital requirements, Sony Corporation and SGTS maintain CP programs which have the ability to access the Japanese, the U.S. and European CP markets, subject to prevailing market conditions. Although the CP program limit amounts, translated into yen, were 1,082.1 billion yen in total for Sony Corporation

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and SGTS as of March 31, 2011, there were no amounts outstanding under the CP programs as of and during the fiscal year ended March 31, 2011.

Sony typically raises funds through straight bonds, CP programs and bank loans (including syndicated loans); however, in the unlikely event Sony could not access liquidity from these sources, Sony can also draw on committed lines of credit from various financial institutions. Sony has a total, translated into yen, of 755.2 billion yen in committed lines of credit, none of which had been used as of March 31, 2011. Details of those committed lines of credit are: a 475 billion yen committed line of credit contracted with a syndicate of Japanese banks, effective until November 2013, a 1.5 billion U.S. dollar multi-currency committed line of credit also with a syndicate of Japanese banks, effective until December 2013, and a 1.87 billion U.S. dollar of multi-currency committed line of credit contracted with a syndicate of global banks, effective until April 2012, in all of which Sony Corporation and SGTS are defined as the borrowers. These contracts are aimed at securing sufficient liquidity in a quick and stable manner even in the event of financial and capital markets turmoil similar to that which occurred in the fall of 2008.

In the event of a downgrade in Sony s credit ratings, even though the cost of some of those borrowings could increase, there are no financial covenants in any of Sony s material financial agreements that would cause an acceleration of the obligation or any impairment on the ability to drawdown 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.

In order to facilitate access to global capital markets, Sony obtains credit ratings from two rating agencies, Moody s Investors Service, Inc. (Moody s) and Standard & Poor s Rating Services (S&P). In addition, Sony maintains a rating from Rating and Investment Information, Inc. (R&I), a rating agency in Japan, for access to the Japanese capital markets.

Sony s current debt ratings from each agency as of June 24, 2011 are noted below:

	Moody s	S&P	R&I
Long-term debt	A3 (Outlook: stable)	A- (Outlook: negative)	AA- (Outlook: stable)
Short-term debt	P-2	A-2	a-1+

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.

Financial Services segment

The management of SFH, Sony Life, Sony Assurance and Sony Bank recognizes the importance of securing sufficient liquidity to cover the payment of obligations that these companies incur in the ordinary course of business. Sony Life, Sony Assurance and Sony Bank maintain a sufficient cash balance and secure sufficient means to meet their obligations while abiding by laws and regulations such as the Insurance Business Act or the Banking Act of Japan, and restrictions imposed by the Financial Services Agency (FSA) and other regulatory authorities as well as establishing and operating under company guidelines that comply with these regulations. Sony Life and Sony Assurance establish a sufficient level of liquidity for the smooth payment of insurance claims when they invest

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primarily in various securities cash inflows which are mainly from policyholders insurance premiums. Sony Bank establish 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 or foreign currencies, in order to offer mortgage loans to individuals or to make bond investments.

SFH currently has an AA- rating from R&I for issuer rating. Sony Life currently has ratings from four rating agencies: AA- from S&P for insurer financial strength rating, Aa3 from Moody s for insurance financial strength rating, AA from R&I for ability to pay insurance claims and AA from the Japan Credit Rating Agency Ltd. (JCR) for ability to pay insurance claims. Sony Bank obtained an A rating from S&P for its long-term counterparty credit rating, an A-1 rating from S&P for its short-term counterparty credit rating and an AA- rating from the JCR for long-term senior debt rating.

RESEARCH AND DEVELOPMENT

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

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

Research and development costs for the fiscal year ended March 31, 2011 decreased by 5.2 billion yen, or 1.2 percent year-on-year, to 426.8 billion yen. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) decreased from 6.8 percent to 6.7 percent. Expenses in the CPD segment decreased 0.5 billion yen, or 0.2 percent year-on-year, to 291.3 billion yen and expenses in the NPS segment decreased 2.7 billion yen, or 2.8 percent year-on-year, to 93.0 billion yen. In the CPD segment, approximately 72.5 percent of expenses were for the development of new product prototypes while the remaining 27.5 percent were for the development of mid- to long-term new technologies in such areas as next generation displays, semiconductors, new materials and software. Consolidated research and development costs for the fiscal year ending March 31, 2012 are expected to increase by 7.8 percent to 460 billion yen.

Research and development costs for the fiscal year ended March 31, 2010 decreased by 65.3 billion yen, or 13.1 percent year-on-year, to 432.0 billion yen. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) decreased from 6.9 percent to 6.8 percent. Expenses in the CPD segment decreased 59.4 billion yen, or 16.9 percent year-on-year, to 291.8 billion yen and expenses in the NPS segment increased 2.6 billion yen, or 2.7 percent year-on-year, to 95.7 billion yen. In the CPD segment, approximately 72.5 percent of expenses were for the development of new product prototypes while the remaining 27.5 percent were for the development of mid- to long-term new technologies in such areas as next generation displays, semiconductors, new materials and software.

Research and development costs for the fiscal year ended March 31, 2009 decreased by 23.3 billion yen, or 4.5 percent year-on-year, to 497.3 billion yen. The ratio of research and development costs to sales (which excludes Financial Services segment revenue) increased from 6.3 percent to 6.9 percent.

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 world economy in general appears to be continuing the gradual pace of recovery. While growth will likely remain low for developed countries due to fiscal restructuring, high unemployment rates and stagnant housing markets, the growth rate forecasts for emerging countries, with their growing demand, are higher than those

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forecasts for developed countries. A scenario in which emerging countries will lead world economic growth is becoming increasingly evident.

Faced with such circumstances, Sony has been actively working to achieve a strategic integration of hardware, content and network services over the past few years while establishing lateral platforms spanning production, logistics, procurement, customer services, global sales and marketing, R&D and common software design, achieving steady improvements in competitiveness and profitability. In addition, Sony has been working aggressively to increase its sales of products from high-end to entry class models in emerging markets where demand is increasing due to economic growth. These improvements have enabled Sony to achieve a significant increase in consolidated operating income, reaching 199.8 billion yen for the fiscal year ended March 31, 2011, nearly 6.3 times that of the previous fiscal year s amount, despite the substantial negative impact of foreign exchange rates.

Sony also reorganized its core businesses of electronics and network services into two new groups as of April 1, 2011: the Consumer Products & Services (CPS) Group, which includes all of Sony s consumer electronics products and the network services that link them; and the Professional, Device & Solutions (PDS) Group, which includes semiconductors, professional solutions businesses such as broadcasting and professional equipment, as well as the core device business, and new business fields.

In the CPS Group, Sony is aiming to step up the pace of next-generation, groundbreaking product development in both the home and mobile segments through the swift and flexible allocation of resources to the most important business areas of consumer electronics, games, and network services. In the PDS Group, Sony plans to contribute to vertically integrated product development based on cutting-edge Sony technologies as well as core devices and to provide customers with solutions incorporating these, while also breaking into new businesses in growth areas such as the energy business field.

Through these structural reforms, Sony plans to accelerate its evolution and growth by making maximum use of its technological strengths as a corporation that provides appealing entertainment experiences and innovative solutions to customers worldwide.

In November 2009, Sony announced its aim to achieve a medium-term target of a consolidated operating margin of 5 percent and a return on equity of 10 percent by the fiscal year ending March 31, 2013. Since then, Sony s business situation has become increasingly uncertain, reflecting volatile foreign exchange rates and intensified price competition in the consumer electronics markets. Going forward, the situation is anticipated to become more challenging due to the impact of the Great East Japan Earthquake that occurred in March 2011. Sony plans to respond to these challenging conditions, however, by pursuing the growth strategy mentioned above under the new management structure and based on the structural reforms accomplished up to this point.

Production at ten manufacturing sites was suspended due to damage caused by the Great East Japan Earthquake, though all of them had resumed or partially resumed production by May 30, 2011. The site with the largest damage, located in Tagajyo City, Miyagi Prefecture, resumed phased production of disc media, including Blu-ray Disc, and magnetic tapes on May 30, 2011. Manufacturing of other products and components previously carried out at that site is expected to be transferred to Sony s core manufacturing facilities for these products and components located in Miyagi, Fukushima and other prefectures, in order to quickly restore full production capacity. Certain domestic and overseas manufacturing sites not directly affected by the disaster have also temporarily reduced operating rates on some production lines to accommodate difficulties with the procurement of raw materials, parts and other supplies. Sony plans to continue to work for the rapid restoration of production of products for which production was affected, by reallocating inventory of raw materials and parts within the Sony group, using alternative materials or parts, and expanding sourcing for these, among other measures.

During the spring of 2011, Sony s network services for PlayStation®Network, Qriocity™ and Sony Online Entertainment and the websites of certain subsidiaries have been subject to cyber-attacks. With respect to PlayStation®Network, Qriocity™ and Sony Online Entertainment, Sony shut down the services once a possibility of illegal and unauthorized access and undefined data transfer had been confirmed, and conducted an investigation to determine the scope of the intrusion and any theft, and then made public its understanding of the scope of the data breach. Sony has implemented new and additional security control measures, the mainstays of which were improving the surveillance function for monitoring new attacks, enhancing the detection function for illegal and

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unauthorized access and suspicious activities and increasing levels of encryption and data protection, before restoring any services. Sony began the phased restoration of the services from May 15, 2011. In addition, Sony fully restored all PlayStation®Network services on June 2, 2011, in the Americas, Europe/PAL territories and Asia, excluding Japan, Hong Kong, and South Korea, as well as resumed its Music Unlimited powered by Qriocity™ for certain products.

The network strategy is one of Sony s most important strategies, and Sony will continue to contribute to the protection of personal information and the development of a secure and sound networked society, while further strengthening the information control structure for the entire Sony group.

A description of issues recognized by Sony management for its main businesses and its efforts to address these are as follows:

Sony strives to improve profitability in the television business with the various initiatives. To be specific, Sony plans to make further enhancements to business and operational structures achieved through reforms to the business structure and supply chain up to this point, and to steadily advance business strategies matched to the unique characteristics of respective geographical regions along with reducing costs even further. Sony aims to capture growth opportunities by expanding its line-up, from high-end models to the popularly priced range, to match the preferences of customers in emerging markets where product demand is more robust than mature markets. Sony simultaneously intends to pursue business with a focus on high value-added models in developed countries with sluggish market growth in the face of slow-growing economies, and to improve efficiency in sales operations including inventory management. With respect to LCD panel procurement, which could have a serious impact on the profitability of the television business, Sony aims to reduce the cost of panels at its joint ventures and also aims to ensure that Sony is able to procure panels more flexibly from non-joint venture sources in accordance with changes in market prices for panels in order to secure benefits from improvements in panel quality and lower panel costs achieved in the industry in general.

In the digital imaging product industry, the market growth in advanced countries is slowing down and further competition is anticipated, but Sony is differentiating performance with lenses, image sensors, image processing engines and other key devices, enhancing product appeal by improving network capable functions, and making ongoing improvements in cost competitiveness. Sony aims to secure stable profitability for the entire product category as a whole by improving the profitability of interchangeable single lens camera products through targeting further expansion of market share and by expanding the product line-up in compact digital cameras for popularly priced products intended for emerging markets.

In the game business, for the fiscal year ending March 31, 2012, Sony intends to achieve and maintain broader market penetration of hardware for PS3, which contributed to the overall profitability of the business for the fiscal year ended March 31, 2011, while further expanding its game software titles and line-up for non-game content to improve profitability of PS3. Sony will also work steadily to launch new businesses, beginning with a market launch of the next generation portable entertainment system (PlayStation®Vita), and PlayStation®Suite, which will offer PlayStation content, among other things, on Android OS-equipped mobile devices.

In the network-related business, Sony strives to achieve differentiation by providing new content and applications and by making these easier to use, and will work to establish competitive network services while also aiming for sales growth through further regional expansion of network services and the introduction of Sony Tablet and other products to work with these network services. During the spring of 2011, Sony s network services and the websites of certain subsidiaries have been subject to cyber-attacks. This is not expected to have a significant impact on the strategy of network services which Sony expects to continue to expand, based on the information currently available to Sony.

In the semiconductor business, Sony plans to develop new products in the categories of image sensors and display devices to achieve future growth, and will continue to make investments during fiscal year ending March 31, 2012 in increasing production capacity for complementary metal-oxide semiconductor (CMOS) image sensors, which were announced in the fiscal year ended March 31, 2011. Sony strives to improve profitability over the medium to long term by capturing image sensor demand for smartphones, interchangeable single lens cameras and other products for which future growth is projected by expanding production capacity of CMOS image sensors.

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Sony s goal in the professional solutions business is to expand sales by providing a broad range of products to the markets of emerging countries that are showing strong economic growth in addition to the markets in developed countries where signs of a rebound in demand can be seen. Sony strives to improve future profitability by strengthening the system solutions business and actively working to expand the line-up related to 3D and high resolution digital cinema, such as cameras and projectors.

In the pictures business, Sony faces intense competition, rising expenses, including production, advertising and promotion expenses, a mature home entertainment market with a continuing industry-wide decline in physical DVD sales worldwide, increasingly limited access to third party financing, and digital theft. To meet these challenges, Sony is working to produce and acquire a diversified portfolio of motion picture and television product with broad worldwide appeal for distribution in all media and emerging platforms, including digital distribution. Sony also plans to explore alternative avenues for financing its motion picture and television product, take action to combat the unauthorized digital distribution of its copyrighted content and explore opportunities for the expansion of its worldwide television networks.

The music business has been operating in a challenging market environment for several years, with the ongoing decline in physical sales not yet offset by the continued growth in the digital market. This trend is expected to continue in the medium term. The growing digital business holds significant potential with the launch of new initiatives and the introduction of innovative products in the digital marketplace. Against this market backdrop, Sony continues to invest in and develop new and existing artist talent, and is pursuing growing new business revenue streams such as live concerts, artist management, and sponsorships.

In the financial services businesses, Sony must rapidly and adequately realize its growth strategy in a fiercely competitive environment and address the needs of a low birthrate and an aging population in Japan as well as the diversifying needs of its customers. In such a business environment, Sony s financial services businesses, which are latecomers to the life insurance, non-life insurance and banking industries, will make use of distinctive, individual industry-specific business models and pursue higher levels of customer satisfaction. The financial services businesses also plan to achieve further growth by enhancing synergies among the businesses, reinforcing their own positions in the business domains recently entered into, such as individual variable annuity insurance and securities brokerage, and entering into new business domains.

Sony Life has been building an investment portfolio mainly comprised of ultralong-term bonds, in order to manage investment risks and ensure stable long-term returns. Based on this policy, Sony Life plans to continue its investment in ultralong-term bonds in the future. The balance of convertible bonds was eliminated by the end of the fiscal year ended March 31, 2011, as a result of efforts to reduce the balance of higher risk assets held such as stocks and convertible bonds in order to mitigate the impact of the risk of a decline in stock prices.

Global Environmental Plan Road to Zero

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

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

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

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

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

Investments

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

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

Sony adopted new accounting guidance for the recognition and presentation of other-than-temporary impairments for debt securities on April 1, 2009. Under this guidance, when an other-than-temporary impairment of a debt security has occurred, the amount of the other-than-temporary impairment recognized in income depends on whether Sony intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost. If the debt security meets either of these two criteria, the other-than-temporary impairment is recognized in income, measured as the entire difference between the security s amortized cost and its fair value at the impairment measurement date. For other-than-temporary impairments of debt securities that do not meet these two criteria, the net amount recognized in income is a credit loss equal to the difference between the amortized cost of the debt security and its net present value calculated by discounting Sony s best estimate of

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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. Before the adoption of this guidance, an other-than-temporary impairment recognized in income for debt securities was equal to the total difference between amortized cost and fair value at the impairment measurement date.

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

Valuation of inventory

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

Impairment of long-lived assets

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

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

The deterioration of the business climate and its continued financial impact on the CPD and NPS segments in the second half of calendar year 2008 and into early calendar year 2009 was considered a circumstance which indicated that the carrying amounts of the assets or asset groups in those segments may not have been recoverable. As such, Sony tested the long-lived assets of the CPD and NPS segments, which consisted primarily of property, plant and equipment, by comparing carrying values of assets or asset groups with estimated undiscounted future cash flows. Impairment charges as a result of the testing are included in the amounts described below.

During the fiscal year ended March 31, 2009, Sony recorded impairment charges for long-lived assets totaling 17,370 million yen which did not include any individually significant charges. These charges also partially related to restructuring activities, primarily in the CPD segment. The estimates of undiscounted future cash flows for the recoverability testing and discounted cash flows for determining fair value reflected Sony s revised business plans and the deteriorated business climate, particularly the timing and rate of the future business recovery, and required significant judgment.

During the fiscal year ended March 31, 2010, Sony recorded impairment charges for long-lived assets totaling 53,304 million yen. These charges also partially related to restructuring activities undertaken, primarily in the CPD segment. Of the total impairment charges for long-lived assets recorded by Sony during the fiscal year ended March 31, 2010, 27,100 million yen related to the LCD televisions assets group within the CPD segment. The impairment charge primarily reflects a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. During the fourth quarter of the fiscal year ended March 31, 2010, management updated its strategic plans, which resulted in decreases in the assets estimated service periods and corresponding estimated future cash flows leading to the impairment charge.

During the fiscal year ended March 31, 2011, Sony recorded impairment charges for long-lived assets totaling 23,735 million yen which did not include any individually significant charges. These charges included impairment losses of 7,668 million yen due to significant damage to certain fixed assets directly caused by the Great East Japan Earthquake. For further details, please refer to Note 18 to the notes to the consolidated financial statements. The charges also partially related to restructuring activities, primarily in the CPD and NPS segments.

Goodwill and other intangible assets

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

Goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. Reporting units are Sony s operating segments or one level below the operating segments. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. Intangible assets that are determined to have an indefinite life are tested for impairment by comparing the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of a reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test 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 other 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. Estimates of fair value are primarily 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 applied to determine terminal values, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant assumptions applied to estimated cash flows involved in the determination of fair value of the reporting units were the discount rates and the perpetual growth rates applied to determine terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing considered market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, were generally set after an initial three-year forecasted period, although certain reporting units, including the Pictures reporting unit described below, utilized longer forecasted periods, and were based on historical experience, market and industry data.

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

During the fiscal year ended March 31, 2009, Sony recorded an impairment loss of 7,655 million yen for a reporting unit in All Other, which was related to goodwill recorded for Sony s acquisition of Gracenote, Inc. (Gracenote), a company that provides technology and services for digital media identification, enrichment and recommendation. The impairment charge for Gracenote reflected the impact of weakened economic conditions, which resulted in lower growth forecasts for several key markets serviced by Gracenote, including the automotive and mobile communications markets. The valuation of Gracenote also decreased due to the use of a higher discount rate in calculating the present value of future cash flows to reflect higher perceived economic risk due to the economic downturn.

The carrying amounts of goodwill by segment as of March 31, 2011 are as follows:

	Yen in millions
Consumer, Professional & Devices	68,372
Networked Products & Services	123,285
Pictures	140,584
Music	102,688
Financial Services	2,314
All Other	31,762
Total	469,005

The above amounts by segment reflect the reorganization that was effective as of April 1, 2010. This reorganization did not result in any changes in the composition of reporting units and accordingly has no impact on the assignment of goodwill within any reporting unit.

Management believes that the estimates of future cash flows and fair value used in the goodwill impairment tests are reasonable; however, in the future, changes in estimates resulting in lower than currently anticipated cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations, which may result in Sony recognizing impairment charges for goodwill and other intangible assets in the future. In order to evaluate the sensitivity of the fair value calculations on the impairment analysis performed for the fiscal year ended March 31, 2011, Sony applied a hypothetical 10 percent decrease to the fair value of each reporting unit. A hypothetical 10 percent decrease to the estimated fair value of each reporting unit would not have resulted in a failure of step one of the goodwill impairment test. The significant assumptions utilized by management and related uncertainties with respect to a reporting unit within the Pictures segment, in which a hypothetical 10 percent decrease in fair value would have resulted in a failure of step one of the goodwill impairment test in the previous fiscal year, and the Game reporting unit, which achieved operating profit in the current fiscal year but which has experienced recent operating losses, are described below.

Pictures Reporting Unit

For the Production and Distribution reporting unit within the Pictures segment, as of March 31, 2011, a hypothetical 10 percent decrease to the estimated fair value of the reporting unit would not have resulted in that reporting unit failing the first step of the goodwill impairment test. As of March 31, 2011, this reporting unit had 80,074 million yen of goodwill and the fair value of the reporting unit exceeded the carrying value of the reporting unit by approximately 22 percent. Sony determined the fair value of the reporting unit using a discounted cash flow analysis. The discounted cash flow analysis included the projected cash flows from the most recent three year business plan plus an additional seven years of projected cash flows based off of the three year plan. A terminal value was included in this discounted cash flow analysis. The terminal value was based on an exit price in year ten using an earnings multiple and control premium applied to the projected year ten cash flows. The significant estimates and assumptions used included the discount rate reflecting the risk inherent in future cash flows, growth rates, timing and amount of future cash flows and the earnings multiple.

A discount rate of 9.5 percent was applied to reflect the risks inherent in the future cash flows of the reporting unit and was derived from the weighted average cost of capital of market participants in similar businesses. Changes in the financial markets, such as an increase in interest rates or an increase in the expected required return on equity for the entertainment industry, could increase the discount rate in the future, thus decreasing the fair value of the reporting unit. A hypothetical one percentage point increase in the discount rate, holding all other assumptions constant, would not have decreased the fair value of the reporting unit below that of its carrying value, thereby resulting in the reporting unit not failing step one of the goodwill impairment test.

The earnings multiple and control premium used to calculate the terminal value was obtained through research analyst estimates and values observed in private market transactions. A decrease in the expected cash flow growth rate or profitability in this industry could decrease the earnings multiple and thus decrease the fair value of the reporting unit.

A number of key assumptions were used in developing the most recent business plan, the future cash flows and the growth rate of the reporting unit including: (1) the current and expected economic climate and its projected impact on discretionary consumer spending and the advertising market, (2) the historical decline in DVD sales partially offset by an increase in DVD rental revenue, (3) the continued adoption of Blu-ray Disc and digital formats, (4) the continued development and production of event or tent-pole and animated motion picture properties and (5) changes in the cost structure of the reporting unit related to overhead, marketing and motion picture and television production costs. Growth rates assumed beyond the current business plan took into consideration management s outlook for the future and were compared to historical performance to assess reasonableness. The assumed growth rate beyond the current three year business plan was approximately 5 percent. A hypothetical one percentage point decrease in the growth rate, holding all other assumptions constant, would not have decreased the fair value of the reporting unit below that of its carrying value, thereby resulting in the reporting unit not failing step one of the goodwill impairment test.

The following uncertainties are associated with the key assumptions described above and could have a negative effect on the most recent business plan, the future cash flows and the growth rate of the reporting unit:

The cost of productions and marketing, labor costs, consumer acceptance, timing of releases or syndication sales and the availability of competing products and entertainment alternatives could vary from the amounts assumed in Sony s projections.

Incremental deterioration of major retailers, acceleration of the maturation of the DVD format and increasing competition for retailer shelf space could result in a more rapid decline in DVD sales worldwide beyond Sony s expectations.

The reporting unit is subject to digital theft and illegal downloading, which have become increasingly prevalent with the development of new technologies and the availability of broadband internet connections. The availability of unauthorized content contributes to a decrease in legitimate product sales and puts pressure on the price of legitimate product sales. This could negatively impact the sales and profitability assumptions included in the projections.

Foreign exchange rate fluctuations beyond the rates included in the cash flow estimates could affect financial results of the reporting unit because a large portion of the reporting unit s sales and assets are denominated in currencies other than the U.S. dollar, which is the reporting currency of the reporting unit.

A significant portion of the reporting unit s revenues are from the licensing of its image-based software, including its motion picture and television content, to U.S. and international television networks, which derive a majority of their revenues from the sale of advertising. The reporting unit, to a lesser extent, also directly sells advertising for its image-based software. If the advertising market is negatively impacted compared to the assumptions in the business plan, this could adversely impact the cash flows of the reporting unit.

Due to the inherent uncertainties involved in making the estimates and assumptions used in the fair value analysis summarized above, actual results may differ which could significantly alter the fair value of the reporting unit and possibly cause the reporting unit to fail step one of the goodwill impairment test.

Game Reporting Unit

Fair value for the Game reporting unit, which had 123,285 million yen of goodwill as of March 31, 2011, was estimated using a discounted cash flow analysis including projected cash flows from the most recent three year business plan as well as a terminal value. The estimated fair value for the Game reporting unit at its annual impairment testing date substantially exceeded its carrying value. Sony developed estimates and assumptions to determine the fair value of the reporting unit, taking into consideration the recent historical operating losses and the achievement of operating profit in the current fiscal year. The significant estimates and assumptions included the timing and amount of 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. These assumptions included (1) the projected growth rate of the game console installed base and the related assumptions regarding (2) projected software revenue, (3) projected peripherals revenue, (4) the continued expansion of the online network business and (5) the pricing of game consoles, particularly the PS3, relative to production cost.

The following uncertainties are associated with the key assumptions described above and could have a negative effect on the most recent business plan, the future cash flows and the perpetual growth rate of the reporting unit:

The levels of future game console sales, particularly the PS3, are uncertain and subject to competitive market forces, technological advances and timing of the introduction of new features and platforms by Sony and its competitors. PS3 hardware unit sales for the fiscal year ending March 31, 2012 are estimated to reach 15 million units, which is an increase of approximately 0.7 million units over the previous fiscal year. Future game console sales levels may vary from Sony s projections depending on future pricing, competitors actions and the introduction of new technologies by Sony and others into the marketplace.

The continued stable cash flows from software sales driven by the growth of the game console installed base, which is projected to offset declines in software revenue from older gaming platforms, could be negatively impacted by declines in future royalties received from third party software developers, lower game console sales or an inability to provide an attractive line-up of software to customers.

The growth of cash flows from new products introduced, such as PlayStation®Vita, could vary from Sony s projections.

The continued expansion of online network cash flows, building upon the networking or functionality of the PS3 and other Sony products, leading to user fees, software, music and video download revenue and ancillary revenue is uncertain and is based on limited historical experience coupled with industry projections. The future growth of the game console installed base, future royalty rates, overall online market growth and the ability to realize synergies from other Sony businesses as connectivity between non-gaming devices increases is projected to exceed revenue reductions resulting from lower sales of older models of game consoles and related software. Such future growth is uncertain and may vary from Sony s estimates. During the spring of 2011, the network services of PlayStation®Network, Qriocity™ and Sony Online

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Entertainment LLC came under cyber-attack. This is not expected to have a significant impact on the continued expansion of online network cash flows based on the information currently available to Sony.

The timing and level of research and development cash flows for future investments required to provide products that maintain competitiveness could vary from Sony s projections.

Due to the inherent uncertainties involved in making the estimates and assumptions used in the fair value analysis summarized above, actual results may differ which could significantly alter the fair value of the reporting unit.

The uncertainties described above were considered when selecting the perpetual growth rate, which was set after an initial three-year forecasted period, and the discount rate used in the fair value calculation as described above. The perpetual growth rate applied to determine fair value was 1.5 percent, which was based on historical experience as well as anticipated economic conditions, industry data and Sony s long term outlook for the business. These assumptions are inherently uncertain. The discount rate, applied to reflect the risks inherent in the future cash flows of the reporting unit, was 7.7 percent and considered the weighted-average cost of capital of market participants in similar businesses. Changes in the financial markets, such as an increase in interest rates or an increase in the expected required return on equity by market participants within the industry, could increase the discount rate, thus decreasing the fair value of the reporting unit. In order to evaluate the sensitivity of the fair value estimate as it relates to the discount and perpetual growth rates, Sony hypothetically assumed, while holding all other assumptions constant, a combination of a one percentage point increase in the discount rate and a one percentage point decrease in the perpetual growth rate used, both of which would result in lower estimates of fair value, and concluded that the estimated fair value of the reporting unit would continue to substantially exceed the carrying value.

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 consolidated pension plan assets and pension obligations.

To determine the benefit obligation of the Japanese pension plans, Sony used a discount rate of 2.1 percent for its Japanese pension plans as of March 31, 2011. The discount rate was determined by using information about rates of return on high-quality fixed-income investments 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 rates of returns is collected from published market information and credit rating agencies. The 2.1 percent discount rate represents a 20 basis point decrease from the 2.3 percent discount rate used for the fiscal year ended March 31, 2010 and reflects current Japanese market interest rate conditions.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as historical and expected long-term rates of return on various categories of pension plan assets. Sony s pension investment policy recognizes the expected growth and the variability risk associated with the long term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long term return consistent with the long term nature of the corresponding pension liabilities. For Japanese pension plans, the expected long-term rate of return on pension plan assets was 3.6 percent and 2.9 percent as of March 31, 2010 and 2011, respectively. The actual return on pension plan assets for the fiscal years ended March 31, 2010 and 2011 was a 12.4 percent gain and a 0.8 percent gain, respectively. 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, 2010 and 2011, Sony had, with respect to Japanese pension plans, net actuarial losses of 270.2 billion yen and 278.9 billion yen, respectively, including losses related to pension plan assets. For the fiscal year ended March 31, 2011, the net actuarial loss increased since the actual rate of return on pension plan assets was lower than the expected long-term rate of return on pension plan assets.

The following table illustrates the effect on the fiscal year ending March 31, 2012 of changes in the discount rate and the expected return on pension plan assets, while holding all other assumptions as of March 31, 2011 constant, for Japanese pension plans.

Change in assumption	Projected benefit obligations	Pension costs	Equity (Net of tax)
		(Yen in billions)	
25 basis point increase / decrease in discount rate	−/+27.7	−/+1.9	+/−1.1
25 basis point increase / decrease in expected long-term rate of return on pension plan assets		−/+1.3	+/−0.8

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. 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, Sony s experience with operating loss carryforwards not expiring unused, as well as prudent and feasible tax planning strategies which would be employed by Sony to prevent net operating loss and tax credit carryforwards from expiring unutilized.

As a result of losses incurred in recent years, Sony Corporation in Japan, Sony Computer Entertainment America Inc. (SCEA) in the U.S., and the U.K. entities Sony Computer Entertainment Europe Limited (SCEE) and Sony Europe Limited (SEU) are each in a three year cumulative pre-tax loss position. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset that is difficult to overcome in determining that a valuation allowance is not needed against deferred tax assets. Sony Americas Holding Inc. (SAHI), the consolidated group of which SCEA is a member, also has significant deferred tax assets in the form of net operating losses and tax credit carryforwards and has incurred pre-tax losses in recent years.

Sony has concluded that with respect to the U.S. and U.K. entities, there is sufficient positive evidence to overcome this negative evidence when considering future forecasted income, the relatively long carryforward periods in the U.S. and the U.K. and the use of tax planning strategies. The tax planning strategies include changes in tax depreciation and amortization methods, legal and operational restructuring in the U.K. and significant portions of Europe and the sales of certain assets that could realize the excess of appreciated value over the tax basis of those assets. Sony believes that the tax planning strategies coupled with future earnings forecasts of the historically profitable entities would produce sufficient taxable income in these entities to fully realize the deferred

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tax assets. Accordingly, no significant valuation allowance has been recorded for the U.S. or U.K. entities as of March 31, 2011. Notwithstanding the above, the amount of the deferred tax asset considered realizable could be significantly reduced in the future if estimates of future taxable income from the tax planning strategies and forecasted earnings during the tax loss carryforward period are significantly lower than currently estimated due to deterioration in economic conditions or Sony s failure to achieve its business objectives.

Sony Corporation and its national tax filing group in Japan are in a three year cumulative loss position in the fiscal year ended March 31, 2011. In Japan, Sony Corporation files a standalone tax filing for local tax purposes and a consolidated national tax filing with its wholly owned Japanese subsidiaries for national tax purposes. As the national tax filing group only includes wholly owned subsidiaries, certain Japanese subsidiaries are excluded, the most significant of which are Sony Financial Holdings Inc. and its subsidiaries. Due to the three consecutive years of losses, and because the net operating losses in Japan have a relatively short carryforward period of 7 years, a limited number of years of the carryforward period remain. The first year of expiration of the remaining net operating losses in Japan would be 2014 for local tax and 2016 for national tax. As described above, carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available positive and negative evidence, it is more likely than not that such assets will not be realized. While the three year cumulative loss position and the remaining limited years in the carryforward period are significant negative evidence, there is positive evidence in the form of a history of taxable income and a history of utilizing assets before expiration, as well as the availability of tax strategies regarding the utilization of the deferred tax assets. However, based on the near term forecast including the anticipated impact of the Great East Japan Earthquake and the lesser weight provided to longer range forecasts when an entity is in a three year cumulative loss, Sony does not believe that the objectively verifiable positive evidence is sufficient to overcome the significant negative evidence of the three year cumulative loss. As the weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objectively verifiable negative evidence of recent financial reporting losses. Accordingly, Sony, based on the weight of the available positive and negative evidence, established a valuation allowance of 362,316 million yen as of March 31, 2011.

The amount of the deferred tax assets as it relates to Sony Corporation, SAHI, SCEA, SCEE and SEU takes into account the uncertain tax positions related to the more likely than not adjustments for Sony s intercompany transfer pricing. Such transfer pricing is currently under review by the relevant governments as a result of a competent authority request and applications for Bilateral Advance Pricing Agreements (APAs) filed in the U.S., the U.K. and Japan. Sony is required to estimate the final outcome of those government to government negotiations in recording its tax positions, including the allocation and amount of deferred tax assets among the various legal entities as of the balance sheet date. During the fiscal year ended March 31, 2011, certain of the APAs were settled, and the impact of those agreements has been taken into account in the amount of deferred tax assets. It is possible that the remaining advance pricing agreement negotiations could result in a different allocation of profits and losses than those currently estimated by management, and that such allocation could have an adverse impact on the realizability of certain deferred tax assets. Sony may record adjustments to its provision for uncertain tax positions and, accordingly, to its valuation allowance assessments, as additional evidence becomes available.

The estimate for the valuation of deferred tax assets, which is based on currently enacted tax laws and rates as of the balance sheet date, reflects management s judgment and best estimate of the likely future tax consequences of events that have been recognized in Sony s financial statements and tax returns, the ability to implement various tax planning strategies and, in certain cases, future forecasts, business plans and other expectations about future outcomes. Changes in existing tax laws or rates in tax jurisdictions in which Sony operates could affect actual tax results, and market or economic deterioration or failure of management to achieve its restructuring objectives could affect future business results, either of which could affect the valuation of deferred tax assets over time. If future results are less than projected, if APAs negotiations result in a different allocation of profits and losses than currently anticipated, if tax planning alternatives are no longer viable, or if there is no excess appreciated asset value over the tax basis of the assets contemplated for sale, further valuation allowance may be required in the future to reduce the deferred tax assets to their net realizable value. 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 they are recorded.

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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 are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.4 percent to 4.6 percent and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary s own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses.

RECENTLY ADOPTED ACCOUNTING STANDARDS

Multiple element arrangements and software deliverables

In October 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance for arrangements with multiple deliverables. Specifically, the new standard requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. In the absence of vendor-specific objective evidence or third party evidence of the selling prices, consideration must be allocated to the deliverables based on management s best estimate of the selling prices. In addition, the guidance eliminates the use of the residual method of allocation. Also in October 2009, the FASB issued accounting guidance which changes revenue recognition for tangible products containing software and hardware elements. Specifically, tangible products containing software and hardware that function together to deliver the tangible products essential functionality are scoped out of the existing software revenue recognition guidance and are accounted for under the revenue recognition guidance for multiple element arrangements. Sony adopted the new guidance on April 1, 2010. The adoption of the new guidance did not have a material impact on Sony s results of operations and financial position.

Transfers of financial assets

In June 2009, the FASB issued new accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance by including: the elimination of the QSPE concept; a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale; and a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial

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interests are received by the transferor. Additionally, the guidance requires new disclosures regarding an entity s involvement in a transfer of financial assets. Finally, existing QSPEs must be evaluated for consolidation in accordance with the applicable consolidation guidance upon the elimination of this concept. This guidance was effective for Sony as of April 1, 2010. The adoption of this guidance did not have a material impact on Sony s results of operations and financial position.

Variable interest entities

In June 2009, the FASB issued new accounting guidance for determining whether to consolidate a VIE. This guidance changes the approach for determining the primary beneficiary of a VIE from a quantitative risk and reward model to a qualitative model based on control, and requires an ongoing reassessment of whether an entity is the primary beneficiary. This guidance was effective for Sony as of April 1, 2010. The adoption of this guidance did not have a material impact on Sony s results of operations and financial position.

Disclosures about the credit quality of financing receivables and the allowance for credit losses

In July 2010, the FASB issued new disclosure guidance regarding credit quality of financing receivables and the allowance for credit losses. This guidance expands disclosures for the allowance for credit losses and financing receivables. It also requires disclosure of credit quality indicators, past due information and modifications of financing receivables. The additional disclosures are required for Sony beginning in the fiscal year ended March 31, 2011, with prospective application. Since this guidance impacts disclosures only, its adoption has no impact on Sony s results of operations and financial position. The additional disclosures are included in Note 12 to the notes to the consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting for costs associated with acquiring or renewing insurance contracts

In October 2010, the FASB issued new accounting guidance for costs associated with acquiring or renewing insurance contracts. Under the new guidance acquisition costs are to include only those costs that are directly related to the acquisition or renewal of insurance contracts by applying a model similar to the accounting for loan origination costs. An entity may defer incremental direct costs of contract acquisition that are incurred in transactions with independent third parties or employees as well as the portion of employee compensation and other costs directly related to underwriting, policy issuance and processing, medical inspection, and contract selling for successfully negotiated contracts. Additionally, an entity may capitalize as a deferred acquisition cost only those advertising costs meeting the capitalization criteria for direct-response advertising. This change is effective for Sony as of April 1, 2012. Sony will apply this guidance prospectively from the date of adoption. Sony is currently evaluating the impact of adopting this guidance.

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

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

Disclosure of supplementary pro forma information for business combinations

In December 2010, the FASB issued new accounting guidance addressing when a business combination should be assumed to have occurred for the purpose of providing pro forma disclosure. The new guidance requires

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disclosure of revenue and income of the combined entity as though the business combination occurred as of the beginning of the comparable prior reporting period. The guidance also expands the supplemental pro forma disclosure to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The guidance is effective for Sony as of April 1, 2011. Sony will apply the guidance prospectively for any future acquisitions. Since this guidance impacts disclosures only, its adoption will not have a material impact on Sony s results of operations and financial position.

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

In May 2011, the FASB issued new guidance to substantially converge fair value measurement and disclosure requirements under U.S. GAAP and IFRS, including a consistent definition of fair value. The amendments will change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the new guidance to result in a change in the application of the existing guidance for fair value measurements. However, some of the amendments clarify the FASB s intent about the application of existing fair value measurement requirements and other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The new guidance is required to be applied prospectively and is effective for Sony in the fourth quarter of the fiscal year ending March 31, 2012. Sony is currently evaluating the impact of adopting this guidance.

Item 6. *Directors, Senior Management and Employees*

Directors and Senior Management

Set forth below are the current members of the Board of Directors and Corporate Executive Officers of Sony Corporation, their date of birth, the year in which they were first elected, their current position at Sony, prior positions, and other principal business activities outside Sony as of June 28, 2011.

Board of Directors

Sir Howard Stringer
Date of Birth: February 19, 1942
Director (Member of the Board) Since: 1999
Corporate Executive Officer Since: 2003

Current Positions within Sony:	Chairman, Chief Executive Officer and President, Representative Corporate Executive Officer Chairman and Chief Executive Officer, Sony Corporation of America Member of the Nominating Committee

Prior Positions:

2005	Chairman and Chief Executive Officer, Sony Corporation
2003	Vice Chairman, Chief Operating Officer in charge of Entertainment Business Group, Sony Corporation
1997	President, Sony Corporation of America
1995	Chairman and Chief Executive Officer, TELE-TV
1988	President, CBS Broadcast Group, CBS Inc.

1986	President, CBS News

Principal Business Activities Outside Sony: None

Ryoji Chubachi
Date of Birth: September 4, 1947
Director (Member of the Board) Since: 2005
Corporate Executive Officer Since: 2004
Current Positions within Sony: Vice Chairman, Representative Corporate Executive Officer
Member of the Nominating Committee
Officer in charge of Product Quality & Safety and Environmental Affairs

Prior Positions:

2005	President and Electronics Chief Executive Officer, Sony Corporation
2004	Executive Deputy President, Sony Corporation
2003	Executive Vice President, Executive Officer, Sony Corporation
2002	Corporate Senior Vice President, Sony Corporation
1999	Corporate Vice President, Sony Corporation
1977	Entered Sony Corporation

Principal Business Activities Outside Sony: None

Yotaro Kobayashi
Date of Birth: April 25, 1933
Outside Director (Member of the Board) Since: 2003
Current Positions within Sony: Chairman of the Board and Chair of the Nominating Committee

Principal Business Activities Outside Sony:
Director, Nippon Telegraph and Telephone Corporation
Director, Callaway Golf Company

Prior Positions:

2006	Chief Corporate Advisor, Fuji Xerox Co., Ltd.
1999	Chairman of the Board, Fuji Xerox Co., Ltd.
1992	Chairman and Chief Executive Officer, Fuji Xerox Co., Ltd.
1987	Director, Xerox Corporation
1978	President and Chief Executive Officer, Fuji Xerox Co., Ltd.

Yoshiaki Yamauchi
Date of Birth: June 30, 1937
Outside Director (Member of the Board) Since: 2003
Current Position within Sony: Chair of the Audit Committee

Principal Business Activities Outside Sony:
Statutory Corporate Auditor, Stanley Electric Co., Ltd.
Corporate Auditor, amana holdings inc.

Prior Positions:

2002	Director, Sumitomo Mitsui Financial Group, Inc.
2001	Director, Sumitomo Mitsui Banking Corporation, Director, amana Inc.
1999	Director, Sumitomo Banking Corporation
1993	Executive Director, Asahi & Co.
1991	President, Inoue Saito Eiwa Audit Corporation

1986	President, Eiwa Audit Corporation Country Managing Partner - Japan, Arthur Andersen & Co.

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Sir Peter Bonfield
Date of Birth: June 3, 1944
Outside Director (Member of the Board) Since: 2005
Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

	Chairman of the Board, NXP B.V.
	Director, Telefonaktiebolaget LM Ericsson, Sweden
	Director, Mentor Graphics Corporation
	Director, Taiwan Semiconductor Manufacturing Company Ltd.
	Director, Actis Capital LLP
Prior Positions:	
1996	Chief Executive Officer, British Telecom plc
1986	Chairman and Chief Executive Officer, ICL plc, U.K.
1984	Managing Director, ICL plc, U.K.

Fujio Cho
Date of Birth: February 2, 1937
Outside Director (Member of the Board) Since: 2006
Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

	Representative Director, Chairman of the Board, Toyota Motor Corporation
	Corporate Auditor, DENSO Corporation
	Director, Central Japan Railway Company
	Director, Toyota Industries Corporation
Prior Positions:	
2005	Vice Chairman, Toyota Motor Corporation
1999	President, Toyota Motor Corporation

Ryuji Yasuda
Date of Birth: April 28, 1946
Outside Director (Member of the Board) Since: 2007

Current Positions within Sony:	Chair of the Compensation Committee
	Director, Sony Financial Holdings Inc.

Principal Business Activities Outside Sony:

	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
	Director, Daiwa Securities Group Inc.
	Director, Fukuoka Financial Group, Inc.
	Director, Yakult Honsha Co., Ltd.
	Auditor, The Asahi Shimbun Company
Prior Positions:	
2006	Director, VANTEC CORPORATION
2005	Director, Fuji Fire and Marine Insurance Co., Ltd.
2003	Chairman, J-Will Partners Co., Ltd.

1996	Managing Director and Chairman, A.T. Kearney, Asia
1991	Director, McKinsey & Company
1986	Principal Partner, McKinsey & Company

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Yukako Uchinaga:
Date of Birth: July 5, 1946
Outside Director (Member of the Board) Since: 2008

Principal Business Activities Outside Sony:

Director and Executive Vice President, Benesse Holdings, Inc.
Chairman of the Board, Chief Executive Officer and President, Berlitz International, Inc.
Auditor, Sompo Japan Insurance Inc.
Chairman, Japan Women s Innovative Network

Prior Positions:

2008	Director and Vice Chairman, Benesse Corporation
2007	Technical Advisor, IBM Japan, Ltd.
2004	Senior Managing Director, IBM Japan, Ltd.

Mitsuaki Yahagi
Date of Birth: March 3, 1948
Outside Director (Member of the Board) Since: 2008
Current Position within Sony: Member of the Audit Committee

Principal Business Activities Outside Sony:

Representative Director and Chairman of the Board, The Japan Research Institute, Limited
Corporate Auditor, Toray Industries, Inc.
Corporate Auditor, Mitsui Engineering & Shipbuilding Co., Ltd.

Prior Positions:

2005	Deputy President , Sumitomo Mitsui Banking Corporation
2003	Director, Sumitomo Mitsui Financial Group, Inc.
1998	Director, The Sakura Bank, Ltd.

Tsun-Yan Hsieh
Date of Birth: December 29, 1952
Outside Director (Member of the Board) Since: 2008
Current Position within Sony: Member of the Compensation Committee

Principal Business Activities Outside Sony:

Founder & Chairman, LinHart Group
Director, Bharti Airtel Limited

Prior Positions:

2000	Managing Director, Southeast Asia, McKinsey & Company
1997	Managing Director, Canada, McKinsey & Company
1990	Senior Partner, McKinsey & Company

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Roland A. Hernandez
Date of Birth: September 29, 1957
Outside Director (Member of the Board) Since: 2008
Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:
Director, The Ryland Group, Inc.
Director, MGM Mirage, Inc.
Director, Vail Resorts, Inc.

Prior Positions:

1998	Chairman & Chief Executive Officer, Telemundo Group, Inc.
1995	President & Chief Executive Officer, Telemundo Group, Inc.
1986	Founder & President, Interspan Communications

Kanemitsu Anraku
Date of Birth: April 21, 1941
Outside Director (Member of the Board) Since: 2010
Current Position within Sony: Member of the Audit Committee

Principal Business Activities Outside Sony:
Director, Mizuho Financial Group, Inc.

Prior Positions:

2002	Representative Director and President, Nissan Real Estate Development Co., Ltd.
2000	Vice Chairman, Nissan Motor Co., Ltd.
1999	Representative Director and Executive Vice President, Nissan Motor Co., Ltd.

Yorihiko Kojima
Date of Birth: October 15, 1941
Outside Director (Member of the Board) Since: 2010
Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:
Chairman of the Board, Mitsubishi Corporation
Director, Mitsubishi Heavy Industries, Ltd.
Director, Takeda Pharmaceutical Company Limited,

Prior Positions:

2004	Member of the Board, President, Chief Executive Officer, Mitsubishi Corporation
2001	Member of the Board, Senior Executive Vice President, Group Chief Executive Officer, New Business Initiative Group, Mitsubishi Corporation
2000	Managing Director, Group Chief Executive Officer, New Business Initiative Group, Mitsubishi Corporation

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Osamu Nagayama
Date of Birth: April 21, 1947
Outside Director (Member of the Board) Since: 2010
Current Position within Sony: Member of the Compensation Committee

Principal Business Activities Outside Sony:

	Chairman of the Board, President and Chief Executive Officer, Chugai Pharmaceutical Co., Ltd.
Prior Positions:	
1989	Executive Deputy President, Chugai Pharmaceutical Co., Ltd.
1985	Deputy General Manager of the Development Planning Division, Director of the Business Planning Division, Member of the Board, Chugai Pharmaceutical Co., Ltd.

Yuichiro Anzai
Date of Birth: August 29, 1946
Outside Director (Member of the Board) Since: 2011
Current Position within Sony: Member of the Nominating Committee

Principal Business Activities Outside Sony:

	Professor, Department of Information and Computer Science, Faculty of Science and Technology, Keio University Professor, School of Open and Environmental Systems, Graduate School of Science and Technology, Keio University Executive Academic Advisor for Keio University Director, Daiichi Sankyo Company, Limited Auditor, Nippon Steel Corporation
Prior Positions:	
2001	President, Keio University
1993	Dean, Faculty of Science and Technology, Keio University Chairperson, Graduate School of Science and Technology, Keio University
1990	Visiting Professor, McGill University
1988	Professor, Department of Electrical Engineering, Faculty of Science and Technology, Keio University Professor, Department of Electronics and Electrical Engineering, Graduate School of Science and Technology, Keio University

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Corporate Executive Officers

In addition to Messrs. Stringer and Chubachi, the five individuals set forth below are the current Corporate Executive Officers of Sony Corporation as of June 28, 2011. Refer to Board Practices below.

Kazuo Hirai
Date of Birth: December 22, 1960
Corporate Executive Officer Since: 2009

Current Positions within Sony:	Executive Deputy President, Representative Corporate Executive Officer, Officer in charge of Consumer Products & Services businesses, Common Software Platform, Global Sales & Marketing Platform and Creative Center, Sony Corporation Representative Director, President and Group Chief Executive Officer, Sony Computer Entertainment Inc.

Prior Positions:

2006	Group Executive Officer, Sony Corporation
	President and Group Chief Operating Officer, Sony Computer Entertainment Inc.
2003	President and Chief Executive Officer, Sony Computer Entertainment America
1995	Joined Sony Computer Entertainment America
1984	Entered CBS/Sony Inc. (currently Sony Music Entertainment (Japan) Inc.)

Principal Business Activities Outside Sony: None

Hiroshi Yoshioka
Date of Birth: October 26, 1952
Corporate Executive Officer Since: 2009

Current Positions within Sony:	Executive Deputy President, Officer in charge of Professional, Device & Solutions businesses

Prior Positions:

2008	Executive Vice President, Sony Corporation
2005	Senior Vice President, Sony Corporation
2003	Corporate Vice President, Sony Ericsson Mobile Communications AB
2001	President, Sony Ericsson Mobile Communications Japan, Inc.
1979	Entered Sony Corporation

Principal Business Activities Outside Sony: None

Keiji Kimura
Date of Birth: April 4, 1952
Corporate Executive Officer Since: 2004

Current Positions within Sony:	Executive Vice President, Officer in charge of Intellectual Property, and the Disc Manufacturing business

Prior Positions:

2004	Senior Executive Vice President, Sony Corporation
2003	Senior Vice President, Executive Officer, Sony Corporation
2002	Corporate Senior Vice President, Sony Corporation

2000	Corporate Vice President, Sony Corporation
1977	Entered Sony Corporation

Principal Business Activities Outside Sony: None

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Nicole Seligman
Date of Birth: October 25, 1956
Corporate Executive Officer Since: 2003

Current Positions within Sony:	Executive Vice President and General Counsel, Executive Vice President and General Counsel, Sony Corporation of America

Prior Positions:

2003	Group Deputy General Counsel, Sony Corporation
2000	Entered Sony Corporation of America as Executive Vice President and General Counsel
1992	Partner, Williams & Connolly LLP
1985	Entered Williams & Connolly LLP
1978	Associate Editorial Page Editor for The Asian Wall Street Journal, Hong Kong

Principal Business Activities Outside Sony: None

Masaru Kato
Date of Birth: February 22, 1952
Corporate Executive Officer Since: 2010

Current Positions within Sony:	Executive Vice President, CFO Director, Sony Financial Holdings Inc.

Prior Positions:

2009	Senior Vice President, Corporate Executive, Deputy CFO, Sony Corporation
2005	Representative Director of the Board, Sony Computer Entertainment Inc.
2004	Deputy President and Group Chief Financial Officer, Sony Computer Entertainment Inc.
2000	Member of the Board, Sony Computer Entertainment Inc.
1994	Joined Sony Computer Entertainment Inc.
1977	Entered Sony Corporation

Principal Business Activities Outside Sony: None

Howard Stringer, Ryoji Chubachi, Kazuo Hirai, Hiroshi Yoshioka, Keiji Kimura, Nicole Seligman and Masaru Kato 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.

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Compensation

Under the Financial Instruments and Exchange Act of Japan and related regulations Sony is required to disclose the total remuneration paid by Sony Corporation to Directors and Corporate Executive Officers, as well as remuneration of any Director or Corporate Executive Officer who receives total aggregate annual remuneration exceeding 100 million yen from Sony Corporation and its consolidated subsidiaries in a fiscal year, on an individual basis. The following table and accompanying footnotes show the information on such matters that Sony Corporation has disclosed in its annual Securities Report for the fiscal year ended March 31, 2011 filed on June 28, 2011 with the Director General of the Kanto Bureau of the Ministry of Finance in Japan.

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

	Fixed Remuneration		Bonus linked to business Results		Retirement Allowances (including Phantom Restricted Stock Plan)	
	Number of persons	Amount (Yen in millions)	Number of persons	Amount (Yen in millions)	Number of persons	Amount (Yen in millions)
Directors	15 (*)(**)	183		(***)		
(Outside Directors)	(15)	(183)	( )	( )	( )	( )
Corporate Executive Officers	9 (**)	634	8	224 (****)	1	44 (*****)
Total******	24	817	8	224	1	44

* The number of persons does not include three Directors who concurrently served as Corporate Executive Officers in the fiscal year ended March 31, 2011, because Sony Corporation does not pay any additional remuneration for services as Director to Directors who concurrently serve as Corporate Executive Officers.

** The number of persons includes three Directors and a Corporate Executive Officer who resigned their offices on the day of the Ordinary General Meeting of Shareholders held on June 18, 2010.

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

**** The amount includes bonuses linked to business results for the fiscal year ended March 31, 2011 that were paid in June 2011, but excludes the amount paid in June 2010 as those amounts related to business results for the fiscal year ended March 31, 2010 (a total of 324 million yen for 8 Corporate Executive Officers).

***** The amount of Retirement Allowances (including the Phantom Restricted Stock Plan) includes the amount that will be paid to a Corporate Executive Officer who resigned his office in June 2011. Of the amount that Sony Corporation expects to pay as Retirement Allowances, the amount paid under the Phantom Restricted Stock Plan was calculated using the closing price of Sony Corporation s Common Stock on the TSE of the day before the date of resignation (June 28, 2011).

****** In addition to the above, during the fiscal year ended March 31, 2011 Sony Corporation issued Stock Acquisition Rights for the purpose of granting stock options to Directors and Corporate Executive Officers, and recorded 16 million yen in expenses for Directors (16 million yen for Outside Directors) and 606 million yen in expenses for Corporate Executive Officers, respectively.

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

Name	Position	Basic Remuneration (Yen in millions)	Bonus linked to business results (Yen in millions)	Retirement Allowances (including phantom restricted stock plan) (Yen in millions)	**Total (Yen in millions)**	Granted Number of Stock Acquisition Rights* (Thousand Shares)
Howard Stringer	Sony Corporation Director, Chairman, CEO & President, and Representative Corporate Executive Officer**	189 ***	32		**345**	500
	Sony Corporation of America Chairman & CEO	106	18			
Ryoji Chubachi	Sony Corporation Director, Vice Chairman and Representative Corporate Executive Officer**	83	40		**123**	80
Kazuo Hirai	Sony Corporation Executive Deputy President and Representative Corporate Executive Officer	34 ***	17		**101**	50
	Sony Computer Entertainment Inc. Representative Director, President and Group CEO	34	16			
Yutaka Nakagawa	Sony Corporation Former Executive Deputy President (until June 28,	62	37	44	**143**	30

	2011)				
Hiroshi Yoshioka	Sony Corporation Executive Deputy President	61	32	**93**	50
Nicole Seligman	Sony Corporation EVP & General Counsel	88 ***	21	**170**	30
	Sony Corporation of America EVP & General Counsel	49	12		

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* The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal year ended March 31, 2011 was 1,036 yen and was estimated using the Black-Scholes option-pricing model with several assumptions. Refer to Note 17 to the notes to the consolidated financial statements on page F-63 of this report for details. The weighted-average fair value per share does not indicate the actual value that would be realized by a Director or Corporate Executive Officer upon the exercise of the above-mentioned stock acquisition rights. The actual value, if any, that is realized by a Director or Corporate Executive Officer upon the exercise of any stock acquisition rights will depend on the extent to which the market value of Sony Corporation s Common Stock exceeds the exercise price of the stock acquisition rights on the date of exercise, and several other restrictions imposed on the exercise of the stock acquisition rights, including the period when a Director or 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 Director or 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, 2011 for accounting purposes and should not be regarded as any indication or prediction of Sony with respect to its future stock performance.

** Howard Stringer and Ryoji Chubachi concurrently serve as Directors of Sony Corporation; however, Sony Corporation does not pay any remuneration for services as Director to Directors who concurrently serve as Corporate Executive Officers.

*** Apart from the remuneration contained in the above table, Sony also provided certain of its Corporate Executive Officers with certain personal benefits and perquisites, including fringe benefits (and in some instances Sony paid the Corporate Executive s income taxes related to their perquisites), during the fiscal year ended March 31, 2011: for Howard Stringer Chairman, CEO & President, Sony Corporation 12 million yen / Sony Corporation of America 7 million yen; for Kazuo Hirai Executive Deputy President, Sony Corporation 3 million yen / Sony Computer Entertainment Inc. 3 million yen; and for Nicole Seligman EVP, Sony Corporation 9 million yen / Sony Corporation of America 5 million yen.

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

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

(a) Basic policy of Director remuneration

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

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

Ensuring the effectiveness of the supervisory function of the Directors.

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

Fixed remuneration; and

Phantom Restricted Stock Plan.

The schedule for the amount of each component and its percentage of total remuneration shall be 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. Director remuneration shall not be paid to those Directors who concurrently serve as Corporate Executive Officers.

Regarding the Phantom Restricted Stock Plan which was introduced in the fiscal year ended March 31, 2006, points fixed every year by the Compensation Committee shall be granted to Directors every year during his/her

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tenure, and at the time of resignation, the remuneration amount shall be calculated by multiplying Sony Corporation s Common Stock price by accumulated points. The resigning Director shall purchase Sony Corporation s Common Stock with this remuneration.

(b) Basic policy of Corporate Executive Officer remuneration

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

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

Providing effective incentives to improve business results on a short, medium and long term basis.

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

Fixed remuneration;

Bonus linked to business results;

Remuneration linked to share price; and

Phantom Restricted Stock Plan.

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

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

Regarding the Phantom Restricted Stock Plan which was introduced in the fiscal year ended March 31, 2006, points fixed every year by the Compensation Committee shall be granted to Corporate Executive Officers* every year during his/her tenure in office, and at the time of resignation, the remuneration amount shall be calculated by multiplying Sony Corporation s Common Stock price by accumulated points. The resigning Corporate Executive Officer shall purchase Sony Corporation s Common Stock with this remuneration.

* Corporate Executive Officers, other than Mr. Stringer, Chairman, CEO & President, Mr. Hirai, Executive Deputy President and Ms. Seligman, EVP, are entitled to participate in the Phantom Restricted Stock Plan. Mr. Stringer, Mr. Hirai and Ms. Seligman instead are covered under separate pension plans provided by Sony Corporation s subsidiaries in the United States.

Board Practices

Sony Corporation has adopted a Company with Committees corporate governance system under the Companies Act of Japan (*Kaishaho*) and related regulations (collectively the Companies Act). Under this system, Sony Corporation has three committees: the Nominating Committee, the Audit Committee and the Compensation Committee. Under the Companies Act, each committee is required to consist of not less than three Directors, the majority of whom must be outside Directors. In order to qualify as an outside Director under the Companies Act, a Director must be a person (i) who is not a director of Sony Corporation or any of its subsidiaries engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a corporate executive officer or general manager or other employee of Sony Corporation or any of its subsidiaries, and (ii) who

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has never been a director of Sony Corporation or any of its subsidiaries engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a corporate executive officer or general manager or other employee of Sony Corporation or any of its subsidiaries.

Under the committee system, Directors as such have no power to execute the business of Sony Corporation except for limited circumstances as permitted by law. The Board of Directors must elect Corporate Executive Officers (*Shikko-yaku*), who are responsible for the execution of the business of Sony Corporation. A summary of the governance system adopted by Sony Corporation is set forth below.

The Board of Directors determines fundamental management policy and other important matters related to the management of Sony and oversees the performance of the duties of Directors and Corporate Executive Officers. Furthermore, the Board of Directors has the power and authority to appoint and dismiss the members of Sony Corporation s three committees and Corporate Executive Officers. Under the Companies Act, all Directors must be elected at the General Meeting of Shareholders from the candidates determined by the Nominating Committee. Under the Companies Act, the term of office of Directors expires at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after their election. Directors may serve any number of consecutive terms although, under the Charter of the Board of Directors of Sony Corporation, outside Directors may not be reelected more than five times without the consent of all Directors nor more than eight times even if the consent of all Directors is obtained. Yotaro Kobayashi and Yoshiaki Yamauchi were each reelected for an eighth term and Sir Peter Bonfield was reelected for a sixth term as an outside Director at the Ordinary General Meeting of Shareholders held on June 28, 2011 upon nomination by the Nominating Committee with the consent of all Directors pursuant to the Charter of the Board of Directors.

The Nominating Committee, which pursuant to the Charter of the Board of Directors of Sony Corporation consists of five or more Directors, determines the content of proposals to be submitted for approval at the General Meeting of Shareholders regarding the appointment and dismissal of Directors. As stated above, under the Companies Act, a majority of the members of the Nominating Committee must be outside Directors. Under the Charter of the Board of Directors of Sony Corporation, at least two members of the Nominating Committee must concurrently be Corporate Executive Officers. The Nominating Committee is comprised of the following members as of June 28, 2011: Yotaro Kobayashi, who is the Chair of the Nominating Committee and an outside Director; Peter Bonfield, Fujio Cho, Roland A. Hernandez, Yorihiko Kojima and Yuichiro Anzai, who are each outside Directors; and Howard Stringer and Ryoji Chubachi, who are Corporate Executive Officers.

Under the Charter of the Board of Directors of Sony Corporation, the Audit Committee must consist of three or more Directors, a majority of whom, as stated above, must be outside Directors. In addition, under the Companies Act, a member of the Audit Committee may not concurrently be a director of Sony Corporation or any of its subsidiaries who is engaged in the business operations of Sony Corporation or such subsidiaries, as the case may be, or a corporate executive officer of Sony Corporation or any of its subsidiaries, or an accounting counselor, general manager or other employee of any of such subsidiaries. Further, under the Charter of the Board of Directors of Sony Corporation, members of the Audit Committee must meet the independence and other equivalent requirements of U.S. securities laws and regulations to the extent applicable to Sony Corporation. The Audit Committee s primary responsibility is to review the consolidated and non-consolidated financial statements and business reports to be submitted by the Board of Directors at the General Meeting of Shareholders; to monitor the performance of duties by Directors and Corporate Executive Officers (with respect to structures to ensure the adequacy of the financial reporting process, to enable management to ensure the effectiveness of internal control over financial reporting, to ensure timely and appropriate disclosure and to ensure compliance with any applicable law, Articles of Incorporation and internal policies and rules, and with respect to the status of any other items described in the Internal Control and Governance Framework determined or reaffirmed by the Board of Directors in accordance with Article 416, paragraph 1, item (1) of the Companies Act), in each case pursuant to the Companies Act; and to propose the appointment/dismissal or non-reappointment of, approve the compensation of, and oversee and evaluate the work of Sony s independent auditor and its independence and qualification. Under the Companies Act, the Audit Committee has a statutory duty to prepare and submit each year its audit report (*Kansa-hokoku*) to the Corporate Executive Officer designated by the Board of Directors. A member of the Audit Committee may note his or her opinion in the audit report if it is different from the opinion of the Audit Committee that is expressed in the audit report.

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The Audit Committee discusses with Sony Corporation s independent auditor, PricewaterhouseCoopers Aarata, the scope and results of audits by the independent auditor including their evaluation of Sony Corporation s internal controls, compatibility with Generally Accepted Accounting Principles in the U.S., and the overall quality of financial reporting. The Audit Committee makes an assessment of the independence of PricewaterhouseCoopers Aarata by overseeing their activities through regular communications and discussions with them, and by pre-approving audit and non-audit services to be provided. The Audit Committee is comprised of the following members as of June 28, 2011: Yoshiaki Yamauchi, who is the Chair of the Audit Committee and an outside Director, and Mitsuaki Yahagi and Kanemitsu Anraku, who are also outside Directors. Yoshiaki Yamauchi and Kanemitsu Anraku are each audit committee financial experts within the meaning of Item 16A of this report.

As required by the Companies Act, the Compensation Committee determines the policy and the content of compensation, bonus and any other benefits (including equity-related rights or options given for the purpose of stock incentive options) to be received by each Director and Corporate Executive Officer in consideration of the execution of their duties. In addition to such statutory duties, the Compensation Committee sets policy on the composition of individual compensation to be received by other senior management of Sony Group (Directors or other officers of Sony Group companies whose appointment is subject to approval by the Chief Executive Officer (CEO) of Sony Corporation), and also submits proposals to the Board of Directors regarding the issuance of stock acquisition rights for the purpose of granting stock options and other forms of stock price-based compensation utilizing shares etc. of Sony Group, as individual compensation to the aforementioned senior management. Under the Charter of the Board of Directors, the Compensation Committee shall consist of three or more Directors, and as a general rule, at least one member shall concurrently serve as Corporate Executive Officer; provided, however, that a Director who is the CEO or the Chief Operating Officer (COO) of Sony Group or in any equivalent position shall not be a member of the Compensation Committee. As stated above, a majority of the members of the Compensation Committee must be outside Directors. The Compensation Committee is comprised of the following members as of June 28, 2011: Ryuji Yasuda, who is the Chair of the Compensation Committee and an outside Director, and Tsun-yan Hsieh and Osamu Nagayama, who are also outside Directors.

During the fiscal year ended March 31, 2011, the Board of Directors convened ten times. The Nominating Committee met six times, the Audit Committee met ten times and the Compensation Committee met eight times. All 12 outside Directors participated in all meetings of the Board of Directors held during his/her tenure period of the fiscal year ended March 31, 2011 except for Yukako Uchinaga, Roland A. Hernandez and Osamu Nagayama. (Yukako Uchinaga and Roland A. Hernandez each participated in nine meetings out of ten; Osamu Nagayama participated in six meetings out of seven.) Also, all 11 outside Directors who are members of Committees participated in at least 75 percent of the aggregate number of meetings of each Committee held during the fiscal year ended March 31, 2011. All three outside Directors who are members of the Audit Committee participated in all meetings of the Audit Committee held during his/her tenure period of the fiscal year ended March 31, 2011.

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

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

The Board of Directors must appoint one or more Corporate Executive Officers who are authorized to determine matters delegated to them by the Board of Directors. The Corporate Executive Officers are responsible for conducting all the business operations of Sony within the scope of authority delegated by the Board of Directors. As of June 28, 2011, there are seven Corporate Executive Officers, some of whom are also Directors. Significant decision-making authority has been delegated to the CEO and also to each Corporate Executive Officer with respect to investments, strategic alliances and other actions related to the execution of business operations. Sony

Corporation believes that this significant delegation enables Sony to be managed in a dynamic and responsive manner. The terms of office of Corporate Executive Officers must expire at the conclusion of the first meeting of the Board of Directors held immediately after the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after their election. From among the Corporate Executive Officers who as a general rule are also Directors, the Board of Directors shall elect Representative Corporate Executive Officers. Each Representative Corporate Executive Officer has the statutory authority to represent Sony Corporation in the conduct of its affairs.

(Supplementary Information)

At a Board meeting held on April 26, 2006, the Board of Directors reaffirmed the internal control and governance framework in effect as of the date of determination and determined to continue to evaluate and improve such framework going forward, as appropriate. At a Board meeting held on May 13, 2009 the Board of Directors reaffirmed such internal control and governance framework, as slightly amended, in effect as of the date of determination and determined to continue to evaluate and improve such amended framework going forward, as appropriate. This determination was required by and met the requirements of the Companies Act. Details of the determination are posted on the following website: http://www.sony.net/SonyInfo/IR/library/control.html

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

Employees

As of March 31, 2011, Sony had approximately 168,200 employees, approximately the same number of employees as of March 31, 2010. During the fiscal year ended March 31, 2011, while the employee numbers in Europe and Japan decreased due to restructuring initiatives, the employee numbers at manufacturing sites in the Asia-Pacific area (excluding Japan) increased due to recovery and expansion of production. As of March 31, 2011, approximately 59,000 employees were located in Japan and approximately 109,200 employees were located outside Japan. Approximately 26 percent of the total number of employees were members of labor unions.

As of March 31, 2010, Sony had approximately 167,900 employees, a decrease of approximately 3,400 employees from March 31, 2009. During the fiscal year ended March 31, 2010, while the employee numbers increased due to the recovery in production at manufacturing sites in the Asia-Pacific area (excluding Japan), the total number of employees decreased due to restructuring initiatives implemented mainly in North America, Japan and Europe. As of March 31, 2010, approximately 60,200 employees were located in Japan and approximately 107,700 employees were located outside Japan. Approximately 23 percent of the total number of employees were members of labor unions.

As of March 31, 2009, Sony had approximately 171,300 employees, a decrease of approximately 9,200 employees from March 31, 2008. During the fiscal year ended March 31, 2009, while employees increased due to the consolidation of SONY BMG MUSIC ENTERTAINMENT (SONY BMG), the total number of employees decreased significantly due to restructuring and production adjustment implemented in the second half of the fiscal year, mainly at manufacturing sites in the Asia-Pacific area (excluding Japan). As of March 31, 2009, approximately 63,400 employees were located in Japan and approximately 107,900 employees were located outside Japan. Approximately 24 percent of the total number of employees were members of labor unions.

The following table shows the number of employees of Sony by segment as of March 31, 2009, 2010 and 2011.

Number of Employees by Segment

	March 31		
	2009	2010	**2011**
Consumer, Professional & Devices	116,300	113,800	**113,200**
Networked Products & Services	13,100	13,800	**13,100**
Pictures	7,000	6,400	**7,000**
Music	7,200	7,100	**6,800**
Financial Services	7,200	7,400	**7,500**
All Other	11,800	9,700	**9,800**
Unallocated Corporate employees	8,700	9,700	**10,800**
Total*	171,300	167,900	**168,200**

* Employees of Sony Ericsson were not included in the number of total employees, as it is an equity-method company.

As of March 31, 2011, the number of employees in the Consumer, Professional & Devices (CPD), the Networked Products & Services (NPS), and Music segments decreased compared to March 31, 2010, reflecting continuing restructuring initiatives. Corporate employees increased as a result of newly established horizontal platform organizations at the global headquarters. The number of employees in the Picture segment increased, recovering to the level as of March 31, 2009.

As of March 31, 2010, the number of employees in the CPD and Pictures segments, and All Other decreased compared to March 31, 2009, mainly due to restructuring activities. As a part of transformation efforts during the fiscal year ended March 31, 2010, Sony s headquarters established three functional platforms for manufacturing, logistics, procurement and customer services, R&D and common software development, and global sales and marketing. The number of Corporate employees increased as employees transferred from other segments, partially offset by restructuring activities at headquarters.

As of March 31, 2009, the number of employees in the NPS segment increased compared to March 31, 2008, primarily as a result of the transfer of Sony Online Entertainment Holdings, Inc. and its subsidiaries from the Pictures segment to the NPS segment. The number of employees in the Music segment as of March 31, 2009 increased compared to March 31, 2008, primarily due to the consolidation of SONY BMG as of October 1, 2008.

In addition, the average number of employees for the fiscal years ended March 31, 2009, 2010 and 2011 calculated by averaging the total number of employees at the end of each quarter, was 179,400, 170,200 and 169,900, respectively.

Sony generally considers its labor relations to be good.

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

Regarding labor relations in the CPD and NPS segments by area, in Asia, where Sony owns many manufacturing sites, a few of these sites have labor unions that have union contracts. In China, most employees are members of labor unions. Sony has maintained good relationships with these labor unions and there have been no industrial dispute during the fiscal year ended March 31, 2011. In the U.S., no manufacturing sites have labor unions. In Europe, Sony maintains good labor relations with the Work Councils in each country, and, while some employees belong to unions, they are not eligible for union contracts.

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, 2011, negotiations for new three-year agreements were successfully concluded with the Screen Actors Guild (Basic Agreement, Television Agreement, Basic Cable Agreement, Animation Agreement and Basic Cable Animation Agreement), the Directors Guild of America, the Writers Guild of America, West and Writers Guild of America, East, and the American

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Federation of Television and Radio Artists (Exhibit A and CW Supplement of the AFTRA Network Code). Negotiations for a new one-year agreement were also successfully concluded with the American Federation of Television and Radio Artists (AFTRA Network Code). Additionally, negotiations for new two-year agreements were successfully concluded with Local 399 of the International Brotherhood of Teamsters, Local 40 of the Plumbers and Pipe Fitters, Local 78 of the Studio Utility Employees, and Local 724 and Local 755 of the Operative Plasterers and Cement Masons International Association of the United States and Canada.

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

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

Share Ownership

The total number of shares of Sony Corporation s Common Stock beneficially owned by Directors and Corporate Executive Officers (11 people) listed in Directors and Senior Management above was approximately 0.01 percent of the total shares outstanding as of May 31, 2011. Refer to Board Practices above.

During the fiscal year ended March 31, 2011, Sony granted stock acquisition rights, which represent rights to subscribe for shares of Common Stock of Sony Corporation, to Directors, Corporate Executive Officers, Corporate Executives, Group Executives, and selected employees. The stock acquisition rights cannot be exercised for one year from the date of grant and generally vest ratably up to three years from the date of grant and are generally exercisable up to ten years from the date of grant. The following table shows the portion of those stock acquisition rights which were granted by Sony to Directors and Corporate Executive Officers as of May 31, 2011 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**
2011	580	35.48 U.S. dollars
2011	212	2,945 yen
2010	580	29.56 U.S. dollars
2010	206	2,595 yen
2009	560	30.24 U.S. dollars
2009	186	2,987 yen
2008	460	48.15 U.S. dollars
2008	173	5,514 yen
2007	454	40.05 U.S. dollars
2007	166	4,756 yen
2006	335	34.14 U.S. dollars
2006	143	4,060 yen
2005	230	40.34 U.S. dollars
2005	43	3,782 yen
2004	225	40.90 U.S. dollars

2004	20	4,101 yen
2003	215	36.57 U.S. dollars

Prior to the introduction of stock acquisition rights, in order to provide equity-based compensation to selected executives at Sony s U.S. subsidiaries, Sony Corporation has issued U.S. dollar-denominated Convertible Bonds (CBs) to a holding company in the U.S. and the holding company has sold the CBs to those executives. For the purpose of carrying out this plan, the holding company lent an amount equal to the principal amount of CBs to such executives for their purchase of the CBs until the date of conversion. The CBs generally vest ratably up to three

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years from the date of sale and are generally exercisable up to ten years from the date of sale. The following table shows the portion of those CBs which were held by current Directors and Corporate Executive Officers as of May 31, 2011 and which were outstanding as of the same date.

Year issued (Fiscal year ended March 31)	Total number of shares subject to CBs (in thousands)	Exercise price per share (U.S. dollars)
2003	115	52.29

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

Item 7. *Major Shareholders and Related Party Transactions*

Major Shareholders

Dodge & Cox, an institutional investor based in San Francisco, California, filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on April 5, 2011. According to this filing, Dodge & Cox owned 29,561,496 American Depositary Receipts (ADRs) and 11,185,500 shares of Common Stock of Sony Corporation as of March 31, 2011, representing 4.1 percent of the total. To the knowledge of Sony Corporation, there were no significant changes in the percentage ownership held by any major beneficial shareholders during the past three fiscal years. Major shareholders of Sony Corporation do not have different voting rights.

As of March 31, 2011, there were 1,004,636,664 shares of Common Stock outstanding, of which 82,475,633 shares were in the form of ADRs and 146,213,782 shares were held of record in the form of Common Stock by residents in the U.S. As of March 31, 2011, the number of registered ADR holders was 6,659 and the number of registered holders of Common Stock of Sony Corporation in the U.S. was 360.

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 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.

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, 2011, Sony entered into the following sales/purchase transactions with equity affiliates accounted for under the equity method: sales to Sony Ericsson Mobile Communications AB (Sony Ericsson), a joint venture focused on mobile phone handsets, totaling 83.0 billion yen; purchases from S-LCD Corporation (S-LCD), a joint venture with Samsung Electronics Co., Ltd. for the manufacture of amorphous thin film transistor (TFT) LCD panels, totaling 369.0 billion yen.

As of March 31, 2011, Sony held notes and accounts receivable, trade due from Sony Ericsson totaling 14.9 billion yen, in addition to notes and accounts payable, trade due to S-LCD totaling 42.7 billion yen. Because of the size of these transactions, Sony does not consider the amounts involved to be material to its business. Refer to Note 5 to the notes to the consolidated financial statements for additional information regarding Sony s investments in and transactions with equity affiliates.

Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation have performed and continue to perform commercial banking services for Sony. Yoshiaki Yamauchi, who has served as a Director of Sony Corporation since June 20, 2003, had been a Director of Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation until June 26, 2009.

Interests of Experts and Counsel

Not Applicable

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Item 8. *Financial Information*

Consolidated Statements and Other Financial Information

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

Legal Proceedings

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

Beginning earlier in 2011, the network services of PlayStation®Network, Qriocity™, Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of June 28, 2011, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from such cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including orders for reports issued by the Ministry of Economy, Trade and Industry of Japan as well as the Financial Services Agency of Japan, formal and/or informal requests for information from Attorneys General from a number of states in the United States and the U.S. Federal Trade Commission, various U.S. congressional inquiries and others. Additionally, Sony Corporation and/or certain of its subsidiaries have been named in a number of purported class actions in certain jurisdictions, including the United States. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of these matters.

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

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.

A fiscal year-end dividend of 12.5 yen per share of Common Stock of Sony Corporation was approved at the Board of Directors meeting held on May 26, 2011 and the payment of such dividend started on June 9, 2011. 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, 2011 is 25.0 yen.

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***

Offer and Listing Details

Not Applicable

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Plan of Distribution

Not Applicable

Markets

Trading Markets

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

Sony Corporation s Common Stock, with no par value per share, has been listed on the TSE since 1958, and is also listed on the London Stock Exchange in the United Kingdom and the Osaka Securities Exchange in Japan.

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

Trading on the TSE and the NYSE

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

	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
	(yen)		(U.S. dollars)	
Annual highs and lows*				
The fiscal year ended March 31, 2007	6,540	4,340	53.34	37.24
The fiscal year ended March 31, 2008	7,190	3,910	59.84	39.91
The fiscal year ended March 31, 2009	5,560	1,491	52.36	15.64
Quarterly highs and lows*				
The fiscal year ended March 31, 2010				
1st quarter	2,800	2,050	28.22	21.27
2nd quarter	2,810	2,145	30.15	23.60
3rd quarter	2,830	2,250	30.82	26.25
4th quarter	3,645	2,694	40.45	29.50
Quarterly highs and lows*				
The fiscal year ended March 31, 2011				
1st quarter	3,620	2,350	38.67	26.58
2nd quarter	2,803	2,258	32.19	25.85

3rd quarter	3,090	2,520	36.88	30.23
4th quarter	3,105	2,100	36.97	28.95
Monthly highs and lows*				
2010				
December	3,090	2,910	36.88	35.07
2011				
January	3,040	2,808	36.49	34.06
February	3,105	2,806	36.97	34.49
March	3,020	2,100	36.81	28.95
April	2,727	2,244	32.09	27.85
May	2,353	2,113	29.10	25.90
June (through June 24)	**2,155**	**1,911**	**26.86**	**24.21**

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

On June 24, 2011, the closing sales price per share of Sony Corporation s Common Stock on the TSE was 2,077 yen. On June 24, 2011, the closing sales price per share of Sony Corporation s ADS on the NYSE was 25.63 U.S. dollars.

Selling Shareholders

Not Applicable

Dilution

Not Applicable

Expenses of the Issue

Not Applicable

Item 10. ***Additional Information***

Share Capital

Not Applicable

Memorandum and Articles of Association

Organization

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

Objects and purposes

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

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

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

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

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

(v) publishing business and printing business;

(vi)

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

(vii) financial business;

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

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

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

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

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

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

Directors

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

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

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

Capital stock

(General)

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

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

Under the Companies Act and the Book-entry Transfer Act, in order to assert shareholders rights against Sony Corporation, a shareholder of shares must have its name and address registered in Sony Corporation s register of shareholders. Under the central book-entry transfer system operated by JASDEC, shareholders shall notify the relevant account management institutions of certain information prescribed under the Book-entry Transfer Act or

Sony Corporation s Share Handling Regulations, including their names and addresses, and the registration on Sony Corporation s register of shareholders is updated upon receipt by Sony Corporation of necessary information from JASDEC (as described in Record date). On the other hand, in order to assert, against Sony Corporation, shareholders rights to which shareholders are entitled regardless of record dates such as minority shareholders rights, including the right to propose a matter to be considered at a General Meeting of Shareholders, except for shareholders rights to request that Sony Corporation purchase or sell shares constituting less than a full unit (as

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described in Unit share system), JASDEC shall, upon the shareholder s request, issue a notice of certain information, including the name and address of such shareholder, to Sony Corporation. Thereafter, such shareholder is required to present Sony Corporation a receipt of the notice request in accordance with the Sony Corporation s Share Handling Regulations. Under the Book-entry Transfer Act, the shareholder shall exercise such shareholders right within four weeks after the notice above has been given to Sony Corporation.

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

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

(Authorized capital)

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

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

(Distribution of Surplus)

Distribution of Surplus General

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

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

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

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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.

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

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

(Capital and reserves)

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

(Stock splits)

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

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

(Consolidation of shares)

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

(General Meeting of Shareholders)

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

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

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

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

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

(Voting rights)

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

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

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

(2) consolidation of shares;

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

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

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

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

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

(8) the transfer of the whole or a material part of the business;

(9) the taking over of the whole of the business of any other corporation with certain exceptions; or

(10) share exchange or share transfer for the purpose of establishing 100 percent parent-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 at such times and upon such terms as the Board of Directors or the CEO determines, subject to the limitations as to the offering of new shares at a specially favorable price mentioned under (*Voting rights*) above. In the case of an issuance of shares (including a transfer of treasury shares) of Sony Corporation or its stock acquisition rights by way of an allotment to a third party which would dilute the outstanding voting shares by 25 percent or more or change the controlling shareholder, in addition to a resolution of the Board of Directors, the approval of the shareholders or an affirmative vote from a person independent of the management is generally required pursuant to the regulations of the Japanese stock exchanges on which shares of Sony Corporation are listed. The Board of Directors or the CEO may, however, determine that shareholders shall be given subscription rights regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all shareholders as of a record date of which not less than two weeks prior public notice is given. Each of the shareholders to whom such rights are given must also be given notice of the expiry thereof at least two weeks prior to the date on which such rights expire.

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

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

(Liquidation rights)

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

(Record date)

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

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

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

(Acquisition by Sony Corporation of its capital stock)

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

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

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

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

(Unit share system)

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

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

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

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

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

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

Reporting of substantial shareholdings

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

Except for the general limitation under Japanese anti-trust and anti-monopoly regulations against holding of shares of capital stock of a Japanese corporation which leads or may lead to a restraint of trade or monopoly, 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.

Material Contracts

None

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, unless the transfer was made through a bank, securities company or financial futures trader licensed under Japanese law.

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

Foreign Exchange Regulations, a prior notification of the acquisition must be filed with the Minister of Finance and any other competent Ministers, who may then modify or prohibit the proposed acquisition.

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

Taxation

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

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

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

(i) is a resident of the U.S. for purposes of the Treaty;

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

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

The following is a summary of the principal Japanese tax consequences (limited to national taxes) to non-residents of Japan or non-Japanese corporations without a permanent establishment in Japan (non-resident Holders) who are holders of shares of Common Stock of Sony Corporation or of ADRs evidencing ADSs representing shares of Common Stock of Sony Corporation. The information given below regarding Japanese taxation is based on the tax laws and tax treaties in force and their interpretations by the Japanese tax authorities as of June 24, 2011. Tax laws and tax treaties as well as their interpretations may change at any time, possibly with retroactive effect. Particularly, investors are advised to refer to any changes that are expected as a result of the 2011 Annual Tax Reform, which was passed by the Diet and is expected to be promulgated as law soon after the above date. 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 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 5 percent or more (or, if the 2011 Annual Tax Reform comes into force, 3 percent or more with respect to dividends due and payable on or after October 1, 2011) of the total shares issued by the relevant Japanese corporation, the aforementioned 20 percent withholding tax rate is reduced to (i) 7 percent for dividends due and payable on or before December 31, 2011 (or, if the 2011 Annual Tax Reform comes into force, December 31, 2013), and (ii) 15 percent for dividends due and payable on or after January 1, 2012 (or, if the 2011 Annual Tax Reform comes into force, January 1, 2014). As of the date of this document, Japan has income tax treaties, conventions or agreements in force, whereby the above-mentioned withholding tax rate is reduced, in most cases to 15 percent or 10 percent for portfolio investors (15 percent under the income tax treaties with, among other countries, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, and Switzerland, and 10 percent under the income tax treaties with Australia, France, the U.K. and the United States).

Under the Treaty, the maximum rate of Japanese withholding tax that may be imposed on dividends paid by a Japanese corporation to a U.S. holder that does not own directly or indirectly at least 10 percent of the voting stock of the Japanese corporation is generally reduced to 10 percent of the gross amount actually distributed, and dividends paid by a Japanese corporation to a U.S. holder that is a pension fund are exempt from Japanese income taxation by way of withholding or otherwise unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension fund.

If the maximum tax rate provided for in the income tax treaty applicable to dividends paid by Sony Corporation to any particular non-resident Holder is lower than the withholding tax rate otherwise applicable under Japanese tax law, or if any particular non-resident Holder is exempt from Japanese income tax with respect to such dividends under the income tax treaty applicable to such particular non-resident Holder, such non-resident Holder who is entitled to a reduced rate of or exemption from Japanese withholding tax on payment of dividends on shares of common stock by Sony Corporation is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax 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. 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 not 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 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 an individual prior to January 1, 2013 with respect to the ADSs or Common Stock will be subject to taxation at a maximum rate of 15 percent 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

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shareholder data, Sony Corporation believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2010 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 2011 taxable year. The U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or Common Stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to treat dividends as qualified for tax reporting purposes. Because such procedures have not yet been issued, it is not clear whether Sony Corporation will be able to comply with them. 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 of hedged positions and may not be allowed in respect of arrangements in which economic profit, after non-U.S. taxes, is insubstantial. Holders of ADSs and Common Stock should consult their own tax advisors regarding the implications of these rules in light of their particular circumstances.

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

In general, a U.S. holder will recognize capital gain or loss upon the sale or other disposition of ADSs or Common Stock of Sony Corporation equal to the difference between the amount realized on the sale or disposition and the U.S. holder s tax basis in the ADSs or Common Stock. Such capital gain or loss will be long-term capital gain or loss if the ADSs or Common Stock have been held for more than one year on the date of the sale or disposition. The net amount of long-term capital gain recognized by an individual holder before January 1, 2013 generally is subject to taxation at a maximum rate of 15 percent. The net long-term capital gain recognized by an individual holder after December 31, 2012 generally is subject to taxation at a maximum rate of 20 percent.

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 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.

Dividends and Paying Agent

Not Applicable

Statement by Experts

Not Applicable

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).

Subsidiary Information

Not Applicable

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

Sony s business is continuously exposed to market fluctuation, such as fluctuations in currency exchange rates, interest rates or stock prices. Sony utilizes several derivative instruments, such as foreign exchange forward contracts, foreign currency option contracts, interest rate swap agreements and currency swap agreements in order to hedge the potential downside risk on the cash flow from the normal course of business caused by market fluctuation. Sony uses foreign exchange forward contracts and foreign currency option contracts primarily to reduce the foreign exchange volatility risk that accounts receivable or accounts payable denominated in yen, U.S. dollars, euros or other currencies have through the normal course of Sony s worldwide business. Interest rate swap agreements and currency swap agreements are utilized to diversify funding conditions or to reduce funding costs, and in the Financial Services segment, these transactions are used for asset liability management. Sony uses these derivative financial instruments mainly for risk-hedging purposes as described above, and few 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, convertible bonds, and stocks in yen or other currencies in the Financial Services segment in order to obtain interest income or capital gain on the financial assets under management. 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, 2011 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 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 to some degree be mutually offsetting.

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

Consolidated

	June 30, 2010	September 30, 2010	December 30, 2010	**March 31, 2011**
		(Yen in billions)		

Net VaR	3.0	2.3	1.0	**1.9**
VaR of currency exchange rate risk	3.3	2.4	1.1	**2.1**
VaR of interest rate risk	0.4	0.5	0.6	**0.4**
VaR of stock price risk	0.0	0.0	0.0	**0.0**

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Financial Services

	June 30, 2010	September 30, 2010	December 30, 2010	**March 31, 2011**
		(Yen in billions)		
Net VaR	0.7	0.9	0.6	**1.2**
VaR of currency exchange rate risk	1.0	1.0	0.6	**1.4**
VaR of interest rate risk	0.4	0.5	0.5	**0.4**
VaR of stock price risk	0.0	0.0	0.0	**0.0**

Sony without the Financial Services segment

	June 30, 2010	September 30, 2010	December 30, 2010	**March 31, 2011**
		(Yen in billions)		
Net VaR	2.4	1.6	0.7	**0.9**
VaR of currency exchange rate risk	2.4	1.6	0.7	**0.9**
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***

Item 12(d). American Depositary Shares

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

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

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

Depositary service	Fee payable by ADS holders
Cash distribution of dividends	0.05 U.S. dollar or less per ADS

Transfers of ADRs	1.50 U.S. dollars per ADS

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

Depositary service	**Fee payable by ADS holders**
Issuance and delivery of ADRs, including in connection with share distributions, sales and stock splits	5.00 U.S. dollars for each 100 ADSs (or portion thereof)
Distribution or sale of securities other than ADRs	5.00 U.S. dollars for each 100 shares
Withdrawal, cancellation or reduction of shares underlying ADSs	5.00 U.S. dollars per 100 ADSs (or portion thereof)

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Direct and Indirect Payments by the Depositary to Sony

The Depositary reimburses Sony for certain expenses Sony incurs in connection with its ADR program, subject to a ceiling agreed upon by Sony and the Depositary from time to time. These reimbursable expenses currently include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADR holders. For the year ended March 31, 2011, such reimbursements totaled approximately 2.1 million U.S. dollars.

In addition, as part of its service to Sony, the Depositary waives fees for the standard costs associated with the administration of the ADR program, associated operating expenses, investor relations advice and access to an internet-based tool used in Sony s investor relations activities. For the year ended March 31, 2011, the amount of these indirect payments was estimated to total 0.2 million U.S. dollars.

Item 13. *Defaults, Dividend Arrearages and Delinquencies*

None

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

None

Item 15. *Controls and Procedures*

Item 15(a). Disclosure Controls and Procedures

Sony has carried out an evaluation under the supervision and with the participation of Sony s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of Sony s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of March 31, 2011. 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, 2011, 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.

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

Sony s management evaluated the effectiveness of Sony s internal control over financial reporting as of March 31, 2011 based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2011.

Sony s independent registered public accounting firm, PricewaterhouseCoopers Aarata, has issued an audit report on Sony s internal control over financial reporting as of March 31, 2011, presented on page (F-2).

Item 15(c). Attestation Report of the Registered Public Accounting Firm

Refer to the Report of Independent Registered Public Accounting Firm on page (F-2).

Item 15(d). Changes in Internal Control over Financial Reporting

There has been no change in Sony s internal control over financial reporting during the fiscal year ended March 31, 2011 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 Yoshiaki Yamauchi and Kanemitsu Anraku each qualifies as an audit committee financial expert as defined in Item 16A of Form 20-F under the Securities Exchange Act of 1934, as amended. In addition, both are determined to be independent as defined under the New York Stock Exchange (NYSE) Corporate Governance Standards.

Item 16B. ***Code of Ethics***

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

Item 16C. ***Principal Accountant Fees and Services***

Audit and Non-Audit Fees

The following table presents fees for audit and other services rendered by PricewaterhouseCoopers for the fiscal years ended March 31, 2010 and 2011.

	Fiscal year ended March 31	
	2010	**2011**
	Yen in millions	
Audit Fees(1)	4,175	**3,976**
Audit-Related Fees(2)	152	**268**
Tax Fees(3)	1	**2**
All Other Fees(4)	74	**62**
	4,402	**4,308**

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(1) Audit Fees consist of fees billed 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 primarily include advisory services relating to the implementation of the International Financial Reporting Standards, as well as audit services relating to benefit plans and audit services relating to business acquisitions and dispositions.

(3) Tax Fees primarily consist of fees for tax advice.

(4) All Other Fees comprise fees for all other services not included in any of the other categories noted above.

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, including overseeing any separate firm that audits the financial statements of any subsidiary if Sony s independent auditor expressly relies on the audit report of such firm. 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 shall periodically review 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 shall submit 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 shall provide 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 shall describe each service in detail and indicate precisely and unambiguously the nature and scope of each particular service. Any additional services not contemplated in the application form shall require the Audit Committee s separate pre-approval on an individual basis. The Audit Committee will approve, 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 on a request basis. The Audit Committee or its designee shall establish procedures to assure that the independent auditor is aware in a timely manner of the services that have been pre-approved.

Effective April 1, 2010, management shall review the individual services to confirm whether such individual services are within the scope of the comprehensive preapproval. Notwithstanding the comprehensive approval, significant individual services should be submitted to the Audit Committee for further individual approval. Management shall monitor the fees actually paid to the independent auditor and report on these individual services to the Audit Committee on a quarterly basis to assure on-going transparency.

During the fiscal year ended March 31, 2011, the Audit Committee continued, as a matter of Sony s policy, to generally exclude individual tax services and corporate tax services from the list of permissible services to enhance auditor independence. The Audit Committee carefully reviewed these services and only permitted exceptional instances, which were not prohibited under the U.S. Securities and Exchange Commission rules and regulations. These exceptions were only allowed in situations in which difficulties were encountered in finding an alternative service provider immediately, or when a transitional period was needed.

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

Not Applicable

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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, 2011.

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, 2010	2,739	3,449.83	N/A	N/A
May 1 31, 2010	1,186	3,054.44	N/A	N/A
June 1 30, 2010	1,497	2,617.39	N/A	N/A
July 1 31, 2010	1,572	2,406.92	N/A	N/A
August 1 31, 2010	1,886	2,618.30	N/A	N/A
September 1 30, 2010	1,757	2,554.72	N/A	N/A
October 1 31, 2010	2,469	2,611.10	N/A	N/A
November 1 30, 2010	2,551	2,773.05	N/A	N/A
December 1 31, 2010	10,072	2,986.94	N/A	N/A
January 1 31, 2011	3,417	2,965.76	N/A	N/A
February 1 28, 2011	2,241	2,915.50	N/A	N/A
March 1 31, 2011	2,596	2,808.96	N/A	N/A
Total	33,983	2,876.89	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 Memorandum and Articles of Association *Capital stock (Unit share system)* in Item 10. Additional Information). During the fiscal year ended March 31, 2011, Sony Corporation purchased 33,983 shares of Common Stock for a total purchase price of 97,765,317 yen upon such requests from holders of shares constituting less than one full unit.

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

Not Applicable

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

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

NYSE Standards	Sony s Corporate Governance Practices
Board Independence. A majority of board directors must be independent.	Sony has adopted the Company with Committees system under the Companies Act. Sony s Charter of the Board of Directors (attached as an exhibit 1.3 to this report) requires its board to consist of between 10 to 20 directors. The Companies Act does not require Sony to have a majority of independent (in the meaning given by the

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NYSE Standards	Sony s Corporate Governance Practices
	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). In addition, the Securities Listing Regulations of the Tokyo Stock Exchange require Sony 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. As of June 28, 2011, 13 of the 15 members of Sony s Board of Directors are qualified as outside directors. In addition, all 13 outside directors are also qualified and designated as Independent Directors under the Securities Listing Regulations of the Tokyo Stock Exchange.
Director Independence. A director is not independent if such director is (i) a person who the board determines has a material direct or indirect relationship with the company, its parent or a consolidated subsidiary; (ii) a person who, within the last three years, has been an employee of the company or has an immediate family member of an executive officer of the company, its parent or a consolidated subsidiary; (iii) a person who had received, or whose immediate family member had received, during any 12 month period within the last three years, more than 120,000 U.S dollars per year in direct compensation from the company, its parent or a consolidated subsidiary, other than director and committee fees or deferred compensation for prior services (provided such compensation is not contingent in any way on continued service); (iv) (A) a person who is, or whose immediate family member is, a current partner or employee of a firm that is	Outside director is defined in the Companies Act as: A director (i) who is not a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer or a general manager or other employee of the company or any of its subsidiaries, and (ii) who has never been a director of the company or any of its subsidiaries engaged in the business operations of the company or such subsidiary, as the case may be, or a corporate executive officer or a general manager or other employee of the company or any of its subsidiaries. Under the Companies Act, a director s status as an outside director is unaffected by the director s compensation, his or her affiliation with business partners, or the board s affirmative determination of independence. On the other hand, under the Companies Act, a director who has had a career as a management director, corporate executive officer, or other employee of the company or its subsidiaries is by definition not an outside director.

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

Sony s Charter of the Board of Directors includes a provision requiring that each outside director:

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

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NYSE Standards	Sony s Corporate Governance Practices
that time; (v) a person who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the listed company s present executive officers at the same time serves or served on that company s compensation committee; or (vi) an executive officer or employee of a company, or has an immediate family member of an executive officer of a company, that makes payments to, or receives payments from, the listed company, its parent or a consolidated subsidiary for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of 1 million U.S. dollars or 2 percent of such other company s consolidated gross revenues	compensation is not contingent in any way on continued service); (ii) Shall not be a director, a statutory auditor, a corporate executive officer, a general manager or other employees of any company whose aggregate amount of transactions with Sony Group, in any of the last three fiscal years, exceeds the greater of an amount equivalent to 1,000,000 U.S. dollars, or 2 percent of the annual consolidated sales of such company; and (iii) Shall not be, or shall not have been, a director engaged in the business operation, a corporate executive officer, an accounting counselor, a general manager or other employees of Sony or its subsidiaries*. (* This provision of the Charter is based on the definition of outside director under the Companies Act.) In addition, the Securities Listing Regulations of the Tokyo Stock Exchange requires Sony 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 officer who is unlikely to have conflicts of interest with shareholders. As of June 28, 2011, 13 of the 15 members of Sony s Board of Directors qualified as outside directors. In addition, all those 13 outside directors are qualified and designated as Independent Directors under the Securities Listing Regulations of the Tokyo Stock Exchange.
Executive Sessions. Non-management directors must meet in regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year.	An outside director, as defined under the Companies Act, is equivalent to a non-management director under the NYSE rules because an outside director does not engage in the execution of business operations of the company. Neither the Companies Act nor Sony s Charter of the Board of Directors requires non-management directors to meet regularly without management and nothing requires outside directors to meet alone in an executive session at least once a year.

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 five directors. Under the Companies Act, the Committee is responsible for determining the contents of proposals regarding the appointment and dismissal of directors to be submitted for approval to the shareholders meeting. Unlike listed U.S. companies under NYSE rules, it is not responsible for developing governance guidelines or overseeing the evaluation of the board and

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NYSE Standards	Sony s Corporate Governance Practices
	management. Under the Companies Act, a majority of its members must be outside directors, as defined under the Companies Act. Sony s Charter of the Board of Directors requires at least two of the directors on the Committee to be corporate executive officers.
Compensation Committee. A compensation committee of independent directors is required. The committee must have a charter that addresses the purpose, responsibilities and annual performance evaluation of the committee.	Sony s Compensation Committee consists of at least three directors. Under the Companies Act, a majority of its members must be outside directors, as defined under the Companies Act. Sony s Charter of the Board of Directors recommends that at least one of the directors on the Committee be a corporate executive officer. The Charter prohibits the CEO and/or the COO (or a person at any equivalent position) from serving on the Compensation Committee. Under the Companies Act, the Committee is responsible for, among others, determining the compensation of each director and corporate executive officer.
Audit Committee. An audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act. 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 are granted on specially favorable conditions, except where all of its shareholders are granted rights to subscribe for such stock acquisition

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NYSE Standards	Sony s Corporate Governance Practices
	rights or such stock acquisition rights are gratuitously allocated to all of its shareholders, each on a pro rata basis, then Sony must obtain shareholder approval by a special resolution of a general meeting of shareholders, where the quorum is one-third of the total number of voting rights of all of its shareholders and the approval by at least two-thirds of the number of voting rights of all the shareholders represented at the meeting is required under Sony s Articles of Incorporation.
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 and the Securities Listing Regulations of the Tokyo Stock Exchange; however, Sony does not have corporate governance guidelines that cover all the requirements described in the NYSE Corporate Governance Standards, as many of the provisions do not apply to Sony. Details of the status are posted on the following website: http://www.sony.net/SonyInfo/IR/library/control.html
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/SonyInfo/csr/management/ compliance/code_of_conduct.pdf The code s content covers principal items described in the NYSE Corporate Governance Standards.

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Item 17. ***Financial Statements***

Not Applicable

Item 18. ***Financial Statements***

Refer to the consolidated financial statements.

Item 19. ***Exhibits***

Documents filed as exhibits to this annual report:

1.1	Articles of Incorporation of Sony Corporation (English Translation), incorporated by reference to Exhibit 1.1 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2010 (Commission file number 001-06439) filed on June 28, 2010
1.2	Share Handling Regulations (English Translation), incorporated by reference to Exhibit 1.2 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2010 (Commission file number 001-06439) filed on June 28, 2010
1.3	Charter of the Board of Directors (English Translation), incorporated by reference to Exhibit 1.3 to Sony s annual report on Form 20-F for the fiscal year ended March 31, 2010 (Commission file number 001-06439) filed on June 28, 2010
8.1	Significant subsidiaries (as defined in §210.1-02(w) of Regulation S-X) of Sony Corporation, including additional subsidiaries that management has deemed to be significant, as of March 31, 2011: Incorporated by reference to Business Overview and Organizational Structure in Item 4. Information on the Company
12.1	302 Certification
12.2	302 Certification
13.1	906 Certification
15.1(a)	Consent of PricewaterhouseCoopers Aarata
15.1(b)	Consent of PricewaterhouseCoopers AB

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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/ MASARU KATO

(Signature)
Masaru Kato
Executive Vice President and Chief Financial Officer

Date: June 28, 2011

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.

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Consolidated Financial Statements of Sony Ericsson Mobile Communications AB are provided pursuant to Regulation S-X Rule 3-09.

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Sony Corporation and its subsidiaries (Sony) at March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, Sony maintained, in all material respects, effective internal control over financial reporting as of March 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sony s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting appearing under Item 15(b). Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on Sony s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers Aarata

Tokyo, Japan
June 7, 2011

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31

	Yen in millions	
	2010	**2011**
ASSETS		
Current assets:		
Cash and cash equivalents	1,191,608	1,014,412
Marketable securities	579,493	646,171
Notes and accounts receivable, trade	996,100	834,221
Allowance for doubtful accounts and sales returns	(104,475)	(90,531)
Inventories	645,455	704,043
Deferred income taxes	197,598	133,059
Prepaid expenses and other current assets	627,093	602,671
Total current assets	4,132,872	3,844,046
Film costs	310,065	275,389
Investments and advances:		
Affiliated companies	229,051	221,993
Securities investments and other	5,070,342	5,670,662
	5,299,393	5,892,655
Property, plant and equipment:		
Land	153,067	145,968
Buildings	897,054	868,615
Machinery and equipment	2,235,032	2,016,956
Construction in progress	71,242	53,219
	3,356,395	3,084,758
Less Accumulated depreciation	2,348,444	2,159,890
	1,007,951	924,868
Other assets:		
Intangibles, net	378,917	391,122
Goodwill	438,869	469,005
Deferred insurance acquisition costs	418,525	428,262
Deferred income taxes	403,537	239,587
Other	475,985	460,054
	2,115,833	1,988,030
Total assets	12,866,114	12,924,988

(Continued on following page.)

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2010	**2011**
LIABILITIES		
Current liabilities:		
Short-term borrowings	48,785	53,737
Current portion of long-term debt	235,822	109,614
Notes and accounts payable, trade	817,118	793,275
Accounts payable, other and accrued expenses	1,003,197	1,013,037
Accrued income and other taxes	69,175	79,076
Deposits from customers in the banking business	1,509,488	1,647,752
Other	376,340	430,488
Total current liabilities	4,059,925	4,126,979
Long-term debt	924,207	812,235
Accrued pension and severance costs	295,526	271,320
Deferred income taxes	236,521	306,227
Future insurance policy benefits and other	3,876,292	4,225,373
Other	188,088	226,952
Total liabilities	9,580,559	9,969,086
Redeemable noncontrolling interest		19,323
Commitments and contingent liabilities		
EQUITY		
Sony Corporation s stockholders equity:		
Common stock, no par value		
2010 Shares authorized: 3,600,000,000, shares issued: 1,004,571,464	630,822	
2011 Shares authorized: 3,600,000,000, shares issued: 1,004,636,664		630,921
Additional paid-in capital	1,157,812	1,159,666
Retained earnings	1,851,004	1,566,274
Accumulated other comprehensive income		
Unrealized gains on securities, net	62,337	50,336
Unrealized losses on derivative instruments, net	(36)	(1,589)
Pension liability adjustment	(148,989)	(152,165)
Foreign currency translation adjustments	(582,370)	(700,786)
	(669,058)	(804,204)
Treasury stock, at cost		
Common stock		
2010 1,039,656 shares	(4,675)	
2011 1,051,588 shares		(4,670)
	2,965,905	2,547,987
Noncontrolling interests	319,650	388,592
Total equity	3,285,555	2,936,579
Total liabilities and equity	12,866,114	12,924,988

The accompanying notes are an integral part of these statements.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

Fiscal year ended March 31

	Yen in millions		
	2009	**2010**	**2011**
Sales and operating revenue:			
Net sales	7,110,053	6,293,005	6,304,401
Financial services revenue	523,307	838,300	798,495
Other operating revenue	96,633	82,693	78,377
	7,729,993	7,213,998	7,181,273
Costs and expenses:			
Cost of sales	5,660,504	4,892,563	4,831,363
Selling, general and administrative	1,686,030	1,544,890	1,501,813
Financial services expenses	547,825	671,550	675,788
(Gain) loss on sale, disposal or impairment of assets and other, net	38,308	42,988	(13,450)
	7,932,667	7,151,991	6,995,514
Equity in net income (loss) of affiliated companies	(25,109)	(30,235)	14,062
Operating income (loss)	(227,783)	31,772	199,821
Other income:			
Interest and dividends	22,317	13,191	11,783
Gain on sale of securities investments, net	1,281	9,953	14,325
Foreign exchange gain, net	48,568		9,297
Other	26,659	20,690	9,561
	98,825	43,834	44,966
Other expenses:			
Interest	24,376	22,505	23,909
Loss on devaluation of securities investments	4,427	2,946	7,669
Foreign exchange loss, net		10,876	
Other	17,194	12,367	8,196
	45,997	48,694	39,774
Income (loss) before income taxes	(174,955)	26,912	205,013
Income taxes:			
Current	80,521	48,698	117,918
Deferred	(153,262)	(34,740)	307,421
	(72,741)	13,958	425,339
Net income (loss)	(102,214)	12,954	(220,326)
Less Net income (loss) attributable to noncontrolling interests	(3,276)	53,756	39,259
Net loss attributable to Sony Corporation s stockholders	(98,938)	(40,802)	(259,585)

(Continued on following page.)

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income (Continued)

	Yen		
	2009	**2010**	**2011**
Per share data:			
Common stock			
Net loss attributable to Sony Corporation s stockholders			
Basic	(98.59)	(40.66)	(258.66)
Diluted	(98.59)	(40.66)	(258.66)
Cash dividends	42.50	25.00	25.00

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

Fiscal year ended March 31

	Yen in millions		
	2009	2010	2011
Cash flows from operating activities:			
Net income (loss)	(102,214)	12,954	(220,326)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	405,443	371,004	325,366
Amortization of film costs	255,713	277,665	250,192
Stock-based compensation expense	3,446	2,202	1,952
Accrual for pension and severance costs, less payments	16,654	(9,763)	(15,229)
(Gain) loss on sale, disposal or impairment of assets and other, net	38,308	42,988	(13,450)
(Gain) loss on sale or devaluation of securities investments, net	3,146	(7,007)	(6,656)
(Gain) loss on revaluation of marketable securities held in the financial service business for trading purpose, net	77,952	(49,837)	10,958
(Gain) loss on revaluation or impairment of securities investments held in the financial service business, net	101,114	(53,984)	5,080
Deferred income taxes	(153,262)	(34,740)	307,421
Equity in net (income) losses of affiliated companies, net of dividends	65,470	36,183	(11,479)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	218,168	(53,306)	104,515
(Increase) decrease in inventories	160,432	148,584	(112,089)
Increase in film costs	(264,412)	(296,819)	(244,063)
Increase (decrease) in notes and accounts payable, trade	(375,842)	262,032	(18,119)
Increase (decrease) in accrued income and other taxes	(163,200)	63,619	(8,020)
Increase in future insurance policy benefits and other	174,549	284,972	278,897
Increase in deferred insurance acquisition costs	(68,666)	(71,999)	(69,196)
Increase in marketable securities held in the financial service business for trading purpose	(26,088)	(8,335)	(30,102)
(Increase) decrease in other current assets	134,175	(32,405)	(89,473)
Increase (decrease) in other current liabilities	(105,155)	5,321	56,076
Other	11,422	23,578	113,990
Net cash provided by operating activities	407,153	912,907	616,245

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Yen in millions		
	2009	2010	2011
Cash flows from investing activities:			
Payments for purchases of fixed assets	(496,125)	(338,050)	(253,688)
Proceeds from sales of fixed assets	153,439	15,671	18,743
Payments for investments and advances by financial service business	(2,496,783)	(1,581,841)	(1,458,912)
Payments for investments and advances (other than financial service business)	(178,335)	(41,838)	(15,316)
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	1,923,264	1,128,500	874,031
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	11,569	54,324	30,332
Proceeds from sales of businesses		22,084	99,335
Other	1,629	(4,854)	(8,964)
Net cash used in investing activities	(1,081,342)	(746,004)	(714,439)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	72,188	510,128	1,499
Payments of long-term debt	(264,467)	(144,105)	(216,212)
Increase (decrease) in short-term borrowings, net	244,584	(250,252)	6,120
Increase in deposits from customers in the financial service business, net	261,619	276,454	229,327
Dividends paid	(42,594)	(25,085)	(25,098)
Other	(3,872)	(2,126)	(5,748)
Net cash provided by (used in) financing activities	267,458	365,014	(10,112)
Effect of exchange rate changes on cash and cash equivalents	(18,911)	(1,098)	(68,890)
Net increase (decrease) in cash and cash equivalents	(425,642)	530,819	(177,196)
Cash and cash equivalents at beginning of the fiscal year	1,086,431	660,789	1,191,608
Cash and cash equivalents at end of the fiscal year	660,789	1,191,608	1,014,412
Supplemental data:			
Cash paid during the fiscal year for			
Income taxes	242,528	60,022	116,376
Interest	22,729	19,821	20,583
Non-cash investing and financing activities			
Obtaining assets by entering into capital lease	5,831	2,553	3,738
Collections of deferred proceeds from sales of receivables			153,550

The accompanying notes are an integral part of these statements.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders Equity

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation s stockholders equity	Noncontrolling interests	Total equ
ance at March 31, 2008	630,576	1,151,447	2,059,361	(371,527)	(4,768)	3,465,089	276,849	3,741,9
rcise of stock uisition rights	189	189				378	18	3
ck-based compensation		3,423				3,423		3,4
nprehensive income:								
loss			(98,938)			(98,938)	(3,276)	(102,2
er comprehensive ome, net of tax								
ealized losses on urities				(40,859)		(40,859)	(15,992)	(56,8
ealized gains on vative instruments				1,787		1,787		1,7
sion liability istment				(74,517)		(74,517)	(548)	(75,0
eign currency slation adjustments				(247,697)		(247,697)	797	(246,9
al comprehensive loss						(460,224)	(19,019)	(479,2
ck issue costs, net of tax			(4)			(4)		
idends declared			(42,648)			(42,648)	(6,056)	(48,7
chase of treasury stock					(302)	(302)		(3
ssuance of treasury k		(25)	(152)		416	239		2
nsactions with controlling interests reholders and other							157	1
ects of changing the sion plan measurement e			(668)	(630)		(1,298)		(1,2
ance at March 31, 2009	630,765	1,155,034	1,916,951	(733,443)	(4,654)	2,964,653	251,949	3,216,6

(Continued on following page.)

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders Equity (Continued)

	Yen in millions							
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive income**	**Treasury stock, at cost**	**Sony Corporation s stockholders equity**	**Noncontrolling interests**	**Total equ**
ance at March 31, 2009	630,765	1,155,034	1,916,951	(733,443)	(4,654)	2,964,653	251,949	3,216,60
rcise of stock uisition rights	57	57				114	6	12
ck-based compensation		2,174				2,174		2,17
nprehensive income:								
income (loss)			(40,802)			(40,802)	53,756	12,93
er comprehensive ome, net of tax								
ealized gains on urities				32,267		32,267	16,527	48,79
ealized gains on vative instruments				1,548		1,548	2	1,55
sion liability ustment				23,720		23,720	(27)	23,69
eign currency slation adjustments				6,850		6,850	(343)	6,50
al comprehensive ome						23,583	69,915	93,49
idends declared			(25,088)			(25,088)	(5,399)	(30,48
chase of treasury stock					(139)	(139)		(13
ssuance of treasury k			(57)		118	61		6
nsactions with controlling interests reholders and other		547				547	3,179	3,72
ance at March 31, 2010	630,822	1,157,812	1,851,004	(669,058)	(4,675)	2,965,905	319,650	3,285,55

(Continued on following page.)

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders Equity (Continued)

	Yen in millions							
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive income**	**Treasury stock, at cost**	**Sony Corporation s stockholders equity**	**Noncontrolling interests**	**Total equ**
ance at March 31, 2010	630,822	1,157,812	1,851,004	(669,058)	(4,675)	2,965,905	319,650	3,285,5
rcise of stock uisition rights	99	99				198	22	2
ck-based compensation		1,782				1,782		1,7
nprehensive income:								
income (loss)			(259,585)			(259,585)	39,259	(220,3
er comprehensive ome, net of tax								
ealized losses on urities				(12,001)		(12,001)	(3,516)	(15,5
ealized losses on vative instruments				(1,553)		(1,553)		(1,5
sion liability stment				(3,176)		(3,176)	(123)	(3,2
eign currency slation adjustments				(118,416)		(118,416)	(616)	(119,0
al comprehensive ome (loss)						(394,731)	35,004	(359,7
ck issue costs, net of tax			(8)			(8)		
idends declared			(25,089)			(25,089)	(6,599)	(31,6
chase of treasury stock					(111)	(111)		(1
ssuance of treasury k			(48)		116	68		6
nsactions with controlling interests reholders and other		(27)				(27)	40,515	40,4
ance at March 31, 2011	630,921	1,159,666	1,566,274	(804,204)	(4,670)	2,547,987	388,592	2,936,5

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Index to Notes to Consolidated Financial Statements

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Notes to Consolidated Financial Statements

Sony Corporation and Consolidated Subsidiaries

1. *Nature of operations*

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

2. *Summary of significant accounting policies*

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

(1) Significant accounting policies:

Basis of consolidation and accounting for investments in affiliated companies -

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

On occasion, a consolidated subsidiary or an affiliated company accounted for by the equity method may issue its shares to third parties in either a public or private offering or upon conversion of convertible debt to common stock at amounts per share in excess of or less than Sony s average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in earnings for the year the change in interest transaction occurs. However, prior to Sony s adoption of the new guidance on the accounting for noncontrolling interests and equity method investments on April 1, 2009, where the sale of such shares was part of a

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

broader corporate reorganization, the reacquisition of such shares was contemplated at the time of issuance or realization of such gain was not reasonably assured (i.e., the entity was newly formed, non-operating, a research and development or start-up/development stage entity, or where the entity s ability to continue in existence was in question), the transaction was accounted for as a capital transaction. In addition, subsequent to Sony s adoption of the new guidance on the accounting for noncontrolling interests on April 1, 2009, a change in interest of a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

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

Use of estimates -

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate fiscal year end current exchange rates and all income and expense accounts are translated at exchange rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income.

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

Cash and cash equivalents -

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

Marketable debt and equity securities -

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

Sony regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Sony in determining whether an other-than-temporary decline in value has occurred include: the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, operating results, business plans and estimated future cash flows of the issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuers, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Sony adopted new accounting guidance for the recognition and presentation of other-than-temporary impairments for debt securities on April 1, 2009. Under this new guidance, when an other-than-temporary impairment of a debt security has occurred, the amount of the other-than-temporary impairment recognized in income depends on whether Sony intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost. If the debt security meets either of these two criteria, the other-than-temporary impairment is recognized in income, measured as the entire difference between the security s amortized cost and its fair value at the impairment measurement date. For other-than-temporary impairments of debt securities that do not meet these two criteria, the net amount recognized in income is a credit loss equal to the difference between the amortized cost of the debt security and its net present value calculated by discounting Sony s best estimate of projected future cash flows at the effective interest rate implicit in the debt security prior to impairment. Any difference between the fair value and the net present value of the debt security at the impairment measurement date is recorded in accumulated other comprehensive income. Unrealized gains or losses on securities for which an other-than-temporary impairment has been recognized in income are presented as a separate component of accumulated other comprehensive income. Before the adoption of this guidance, an other-than-temporary impairment recognized in income for debt securities was equal to the total difference between amortized cost and fair value at the impairment measurement date.

Equity securities in non-public companies -

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

Allowance for doubtful accounts -

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

Inventories -

Inventories in the Consumer, Professional & Devices, Networked Products & Services and Music segments as well as non-film inventories for the Pictures segment are valued at cost, not in excess of market, cost being determined on the average cost basis except for the cost of finished products carried by certain subsidiary companies which is determined on the first-in, first-out basis. The market value of inventory is determined as the net realizable value i.e., estimated selling price in the ordinary course of business less predictable costs of completion and disposal. Sony does not consider a normal profit margin when calculating the net realizable value.

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Film costs -

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

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed on the declining-balance method for Sony Corporation and its Japanese subsidiaries, except for certain semiconductor manufacturing facilities and buildings whose depreciation is computed on the straight-line method over the estimated useful life of the assets. Depreciation of property, plant and equipment for foreign subsidiaries is also computed on the straight-line method. Useful lives for depreciation range from two to 50 years for buildings and from one to 17 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

Goodwill and other intangible assets -

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

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, software to be sold, leased or otherwise marketed, music catalogs, artist contracts and television carriage agreements (broadcasting agreements). Patent rights, know-how, license agreements and software to be sold,

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leased or otherwise marketed are generally amortized on a straight-line basis, generally, over three to eight years. Music catalogs, artist contracts and television carriage agreements (broadcasting agreements) are amortized on a straight-line basis, generally, over 10 to 40 years.

Software to be sold, leased, or marketed -

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

Deferred insurance acquisition costs -

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

Product warranty -

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

Certain subsidiaries in the Consumer, Professional & Devices and Networked Products & Services segments offer extended warranty programs. The consideration received for extended warranty service is deferred and recognized as revenue on a straight-line basis over the term of the extended warranty.

Future insurance policy benefits -

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

Impairment of long-lived assets -

Sony reviews the recoverability of the carrying value of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicate that the individual carrying amount of an asset or asset group may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the asset or asset group with their estimated undiscounted future cash flows. If the cash flows are determined to be less than the carrying value of the asset or asset group, an impairment loss has occurred and the loss would be recognized during the period for the difference between the carrying value of the asset or asset group and estimated fair value. Long-lived

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assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying value or fair value less cost to sell and are not depreciated. Fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

Fair value measurement -

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

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

Level 1 Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 One or more significant inputs are unobservable.

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

Derivative financial instruments -

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

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

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

Fair value hedges

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

Cash flow hedges

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

Derivatives not designated as hedges

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

Assessment of hedges

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

Stock-based compensation -

Sony accounts for stock-based compensation using the fair value based method, measured on the date of grant using the Black-Scholes option-pricing model. The expense is mainly included in selling, general and administrative expenses. Sony recognizes this compensation expense, net of an estimated forfeiture rate, only for the rights expected to vest ratably over the requisite service period of the stock acquisition rights, which is generally a period of three years. The estimated forfeiture rate is based on Sony s historical experience in the stock acquisition rights plans where the majority of the vesting terms have been satisfied.

Revenue recognition -

Revenues from sales in the Consumer, Professional & Devices, Networked Products & Services and Music segments are recognized when products are delivered or services are rendered. Delivery is considered to have occurred when the customer has taken title to the product and the risks and rewards of ownership have been substantively transferred. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapse. Revenues are recognized net of anticipated returns and sales incentives.

Revenue arrangements with customers may include multiple elements, including any combination of products, services and software. An example includes sales of electronics products with rights to receive promotional goods. For Sony s multiple element arrangements where at least one of the elements is not subject to existing software revenue recognition guidance, elements are separated into more than one unit of accounting when the delivered

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

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

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

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

Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, single payment endowment contracts, single payment juvenile contracts and other contracts without life contingencies are recognized as deposits to policyholder account balances and included in future insurance policy benefits and other. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial services revenue. Property and casualty insurance policies that the non-life insurance subsidiary underwrites are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

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

Consideration given to a customer or a reseller -

In accordance with the accounting guidance for consideration given by a vendor to a customer or reseller of the vendor s products, sales incentives or other cash consideration given to a customer or a reseller including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2009, 2010 and 2011, consideration given to a reseller, primarily for free promotional

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shipping and cooperative advertising programs included in selling, general and administrative expenses totaled 29,813 million yen, 23,591 million yen and 23,250 million yen, respectively.

Cost of sales -

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

Research and development costs -

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

Selling, general and administrative -

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

Financial services expenses -

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

Advertising costs -

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

Shipping and handling costs -

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

Prepaid expenses and other current assets -

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

Income taxes -

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income, and the tax liability attributed to undistributed earnings of subsidiaries and affiliated

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companies accounted for by the equity method expected to be remitted in the foreseeable future. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

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

Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to unrecognized tax benefits as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony s estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, Sony records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. If Sony does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, Sony s future results may include favorable or unfavorable adjustments to Sony s estimated tax liabilities due to closure of income tax examinations, the outcome of negotiations between taxing authorities in different jurisdictions, new regulatory or judicial pronouncements or other relevant events. As a result, the amount of unrecognized tax benefits, and the effective tax rate, may fluctuate significantly.

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

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

(2) Recently adopted accounting pronouncements:

Multiple element arrangements and software deliverables -

In October 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance for arrangements with multiple deliverables. Specifically, the new standard requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. In the absence of vendor-specific objective evidence or third-party evidence of the selling prices, consideration must be allocated to the deliverables based on management s best estimate of the selling prices. In addition, the guidance eliminates the use of the residual method of allocation. Also in October 2009, the FASB issued accounting guidance which changes revenue recognition for tangible products containing software and hardware elements. Specifically, tangible products containing software and hardware that function together to deliver the tangible products essential

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functionality are scoped out of the existing software revenue recognition guidance and are accounted for under the revenue recognition guidance for multiple element arrangements. Sony adopted the new guidance on April 1, 2010. The adoption of the new guidance did not have a material impact on Sony s results of operations and financial position.

Transfers of financial assets -

In June 2009, the FASB issued new accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance by including: the elimination of the qualifying special-purpose entity (QSPE) concept; a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale; and a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor. Additionally, the guidance requires new disclosures regarding an entity s involvement in a transfer of financial assets. Finally, existing QSPEs must be evaluated for consolidation in accordance with the applicable consolidation guidance upon the elimination of this concept. This guidance was effective for Sony as of April 1, 2010. The adoption of this guidance did not have a material impact on Sony s results of operations and financial position.

Variable interest entities -

In June 2009, the FASB issued new accounting guidance for determining whether to consolidate a variable interest entity (VIE). This guidance changes the approach for determining the primary beneficiary of a VIE from a quantitative risk and reward model to a qualitative model based on control, and requires an ongoing reassessment of whether an entity is the primary beneficiary. This guidance was effective for Sony as of April 1, 2010. The adoption of this guidance did not have a material impact on Sony s results of operations and financial position.

Disclosures about the credit quality of financing receivables and the allowance for credit losses -

In July 2010, the FASB issued new disclosure guidance regarding credit quality of financing receivables and the allowance for credit losses. This guidance expands disclosures for the allowance for credit losses and financing receivables. It also requires disclosure of credit quality indicators, past due information and modifications of financing receivables. The additional disclosures are required for Sony beginning in the fiscal year ended March 31, 2011, with prospective application. Since this guidance impacts disclosures only, its adoption has no impact on Sony s results of operations and financial position. The additional disclosures are included in Note 12.

(3) Recent accounting pronouncements not yet adopted:

Accounting for costs associated with acquiring or renewing insurance contracts -

In October 2010, the FASB issued new accounting guidance for costs associated with acquiring or renewing insurance contracts. Under the new guidance acquisition costs are to include only those costs that are directly related to the acquisition or renewal of insurance contracts by applying a model similar to the accounting for loan origination costs. An entity may defer incremental direct costs of contract acquisition that are incurred in transactions with independent third parties or employees as well as the portion of employee compensation and other costs directly related to underwriting, policy issuance and processing, medical inspection, and contract selling for successfully negotiated contracts. Additionally, an entity may capitalize as a deferred acquisition cost only those advertising costs meeting the capitalization criteria for direct-response advertising. This change is effective for Sony as of April 1, 2012. Sony will apply this guidance prospectively from the date of adoption. Sony is currently evaluating the impact of adopting this guidance.

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

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

Disclosure of supplementary pro forma information for business combinations -

In December 2010, the FASB issued new accounting guidance addressing when a business combination should be assumed to have occurred for the purpose of providing pro forma disclosure. The new guidance requires disclosure of revenue and income of the combined entity as though the business combination occurred as of the beginning of the comparable prior reporting period. The guidance also expands the supplemental pro forma disclosure to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The guidance is effective for Sony as of April 1, 2011. Sony will apply the guidance prospectively for any future acquisitions. Since this guidance impacts disclosures only, its adoption will not have a material impact on Sony s results of operations and financial position.

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

In May 2011, the FASB issued new guidance to substantially converge fair value measurement and disclosure requirements under U.S. GAAP and IFRS, including a consistent definition of fair value. The amendments will change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the new guidance to result in a change in the application of the existing guidance for fair value measurements. However, some of the amendments clarify the FASB s intent about the application of existing fair value measurement requirements and other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The new guidance is required to be applied prospectively and is effective for Sony in the fourth quarter of the fiscal year ending March 31, 2012. Sony is currently evaluating the impact of adopting this guidance.

(4) Reclassifications:

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2009 and 2010 have been made to conform to the presentation for the fiscal year ended March 31, 2011.

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3. ***Inventories***

Inventories are comprised of the following:

	Yen in millions March 31	
	2010	2011
Finished products	456,698	529,666
Work in process	69,757	70,969
Raw materials, purchased components and supplies	119,000	103,408
	645,455	704,043

4. ***Film costs***

Film costs are comprised of the following:

	Yen in millions March 31	
	2010	2011
Motion picture productions:		
Released	114,069	102,415
Completed not released	9,307	14,260
In production and development	135,654	107,811
Television productions:		
Released	40,518	40,581
In production and development	2,044	1,688
Broadcasting rights	23,927	24,544
Less: current portion of broadcasting rights included in inventories	(15,454)	(15,910)
Film costs	310,065	275,389

Sony estimates that approximately 89% of the unamortized costs of released films at March 31, 2011 will be amortized within the next three years. Approximately 79 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 96 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

5. ***Related party transactions***

Sony accounts for its investments in affiliated companies over which Sony has significant influence under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership). Significant investments at March 31, 2011 of this nature include, but are not limited to, Sony s interest in Sony Ericsson Mobile Communications AB (Sony Ericsson) (50%) and S-LCD Corporation (S-LCD) (50% minus 1 share).

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

Balance Sheets

	Yen in millions March 31, 2010			
	Sony Ericsson	S-LCD	Others	Total
Current assets	322,537	161,571	133,606	617,714
Noncurrent assets	98,375	300,206	127,237	525,818
Total assets	420,912	461,777	260,843	1,143,532
Current liabilities	341,087	102,538	100,829	544,454
Long-term liabilities and noncontrolling interests	23,837	22,443	54,306	100,586
Stockholders equity	55,988	336,796	105,708	498,492
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity investment and undistributed earnings of affiliated companies, before consolidating and reconciling adjustments	27,994	168,398		
Consolidation and reconciling adjustments:				
Other	(1,088)	61		
Investment in and advances to equity investees at cost plus equity in undistributed earnings since acquisition	26,906	168,459	33,686	229,051

	Yen in millions March 31, 2011			
	Sony Ericsson	S-LCD	Others	Total
Current assets	254,858	188,903	183,597	627,358
Noncurrent assets	92,925	233,988	137,720	464,633
Total assets	347,783	422,891	321,317	1,091,991
Current liabilities	282,857	71,572	166,056	520,485
	8,089	29,696	61,036	98,821

Long-term liabilities and noncontrolling interests				
Stockholders equity	56,837	321,623	94,225	472,685
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity investment and undistributed earnings of affiliated companies, before consolidating and reconciling adjustments	28,419	160,812		
Consolidation and reconciling adjustments:				
Other	(79)			
Investment in and advances to equity investees at cost plus equity in undistributed earnings since acquisition	28,340	160,812	32,841	221,993

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Statements of Income

	Yen in millions Fiscal year ended March 31, 2009			
	Sony Ericsson	S-LCD	Others	Total
Net revenues	1,459,259	670,311	550,691	2,680,261
Operating income (loss)	(92,762)	1,393	15,475	(75,894)
Other income (expense), net	12,599	11,191		
Income (loss) before income taxes	(80,163)	12,584		
Income tax (expense) benefit	23,888	(626)		
Net income (loss) attributable to noncontrolling interests	(3,434)			
Net income (loss) attributable to controlling interests	(59,709)	11,958	4,898	(42,853)
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	(29,855)	5,979		
Consolidation and reconciling adjustments:				
Other	(400)	916		
Equity in net income (loss) of affiliated companies	(30,255)	6,895	(1,749)	(25,109)

	Yen in millions Fiscal year ended March 31, 2010			
	Sony Ericsson	S-LCD	Others	Total
Net revenues	837,149	796,575	323,576	1,957,300
Operating income (loss)	(81,385)	3,825	29,686	(47,874)
Other income (expense), net	(4,676)	(4,055)		
Income (loss) before income taxes	(86,061)	(230)		
Income tax (expense) benefit	20,470	53		
	(3,318)			

Net income (loss) attributable to noncontrolling interests				
Net income (loss) attributable to controlling interests	(68,909)	(177)	17,064	(52,022)
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	(34,455)	(89)		
Consolidation and reconciling adjustments:				
Other	(59)	476		
Equity in net income (loss) of affiliated companies	(34,514)	387	3,892	(30,235)

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	Yen in millions Fiscal year ended March 31, 2011			
	Sony Ericsson	S-LCD	Others	Total
Net revenues	673,464	807,955	268,604	1,750,023
Operating income (loss)	16,453	12,527	17,630	46,610
Other income (expense), net	(1,572)	(4,119)		
Income (loss) before income taxes	14,881	8,408		
Income tax (expense) benefit	(6,065)	3,094		
Net income (loss) attributable to noncontrolling interests	(520)			
Net income (loss) attributable to controlling interests	8,296	11,502	8,895	28,693
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	4,148	5,751		
Consolidation and reconciling adjustments: Other	7	1,463		
Equity in net income (loss) of affiliated companies	4,155	7,214	2,693	14,062

Sony Ericsson, a 50/50 joint venture with Telefonaktiebolaget LM Ericsson focused on mobile phone handsets, was established in October 2001 and is included in affiliated companies accounted for under the equity method. Sony Ericsson purchases several key components such as camera modules, memory, batteries and liquid crystal display (LCD) panels from Sony. Sony received dividends of 23,363 million yen in September 2008 from Sony Ericsson.

S-LCD, a joint venture with Samsung Electronics Co., Ltd. focused on manufacturing amorphous TFT panels, was established in April 2004 with Sony s ownership interest of 50% minus 1 share. Sony invested 13,273 million yen in S-LCD during the fiscal year ended March 31, 2009. S-LCD is strategic to Sony s television business as it provides a source of high quality large screen LCD panels to differentiate Sony s Bravia LCD televisions.

On October 1, 2008, Sony acquired Bertelsmann AG s 50% equity interest in SONY BMG MUSIC ENTERTAINMENT (SONY BMG). As a result of this acquisition, SONY BMG became a wholly owned subsidiary of Sony and its results are consolidated from the acquisition date. The summarized financial information for SONY BMG for the six months ended September 30, 2008 is included in Others in the table above. SONY BMG was established as a 50/50 joint venture on August 1, 2004 when Sony combined its recorded music business, except for the operations of its recorded music business in Japan, with the recorded music business of Bertelsmann AG. As a result, the operations of SONY BMG were accounted for under the equity method from August 1, 2004 until Sony s acquisition of the remaining 50% equity interest.

There was no significant difference between Sony s proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2010 and 2011.

There were no affiliated companies accounted for under the equity method with a market quotation at March 31, 2010 and 2011.

The number of affiliated companies accounted for under the equity method at March 31, 2010 and 2011 were 73 and 82, respectively.

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

	Yen in millions March 31	
	2010	**2011**
Accounts receivable, trade	21,467	18,631
Accounts payable, trade	61,360	45,434

	Yen in millions Fiscal year ended March 31		
	2009	**2010**	**2011**
Sales	204,578	132,937	96,164
Purchases	332,286	309,550	383,922

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2009, 2010 and 2011 were 40,361 million yen, 5,948 million yen and 2,583 million yen, respectively.

6. ***Transfer of financial assets***

The below transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. In each case, losses from these transactions were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. In addition to the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, in the fiscal years ended March 31, 2009, 2010 and 2011 were insignificant.

Sony has established several accounts receivable sales programs in Japan whereby Sony can sell up to 47,200 million yen of eligible trade accounts receivable in the aggregate at any one time. Through these programs, Sony can sell receivables to special purpose entities owned and operated by banks. Sony can sell receivables in which the agreed upon original due dates are no more than 190 days after the sales of receivables. Total trade accounts receivable sold during the fiscal years ended March 31, 2009, 2010 and 2011 were 130,847 million yen, 109,271 million yen and 136,232 million yen, respectively.

A subsidiary of the Financial Services segment has established several receivables sales programs whereby the subsidiary can sell up to 24,000 million yen of eligible receivables in the aggregate at any one time. Through these programs, the subsidiary can sell receivables to special purpose entities owned and operated by banks. The subsidiary can sell receivables in which the agreed upon original due dates are no more than 180 days after the sales of receivables. Total receivables sold during the fiscal years ended March 31, 2009, 2010 and 2011 were 166,077 million yen, 183,805 million yen and 166,025 million yen, respectively.

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

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its short-term nature. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal year ended March 31, 2011 were 414,147 million yen, 185,647 million yen and 153,550 million yen, respectively.

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

7. *Marketable securities and securities investments*

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

	Yen in millions							
	March 31, 2010				March 31, 2011			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair val
ilable-for-sale:								
t securities:								
nese national ernment bonds	1,264,725	29,496	(3,397)	1,290,824	1,124,704	24,032	(4,971)	1,143,7
nese local government ds	27,750	1,097	(5)	28,842	22,845	184	(64)	22,9
nese corporate bonds	360,554	3,773	(106)	364,221	332,567	1,511	(440)	333,6
eign corporate bonds	281,003	4,818	(6,492)	279,329	332,616	4,872	(11,368)	326,1
er	11,141	83	(123)	11,101	7,941	109	(117)	7,9
	1,945,173	39,267	(10,123)	1,974,317	1,820,673	30,708	(16,960)	1,834,4
ity securities	99,753	74,430	(3,437)	170,746	84,417	69,073	(3,447)	150,0
d-to-maturity Securities:								
nese national ernment bonds	2,248,230	3,318	(30,740)	2,220,808	2,902,342	22,420	(48,149)	2,876,6
nese local government ds	23,617	346		23,963	18,912	218	(2)	19,1
nese corporate bonds	32,041	150	(321)	31,870	32,349	158	(67)	32,4
eign corporate bonds	50,831	18	(7)	50,842	47,330	13	(3)	47,3
	2,354,719	3,832	(31,068)	2,327,483	3,000,933	22,809	(48,221)	2,975,5

al	4,399,645	117,529	(44,628)	4,472,546	4,906,023	122,590	(68,628)	4,959,9

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

	Yen in millions March 31, 2011			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	260,669	253,678	17,251	17,328
Due after one year through five years	527,179	530,151	39,086	39,359
Due after five year through ten years	232,848	237,851	9,025	9,561
Due after ten years	799,977	812,741	2,935,571	2,909,273
Total	1,820,673	1,834,421	3,000,933	2,975,521

Proceeds from sales of available-for-sale securities were 1,165,451 million yen, 785,698 million yen and 532,619 million yen for the fiscal years ended March 31, 2009, 2010 and 2011, respectively. On these sales, gross realized gains were 41,860 million yen, 39,622 million yen and 38,654 million yen and gross realized losses were 30,554 million yen, 37,537 million yen and 2,014 million yen, respectively.

Marketable securities classified as trading securities at March 31, 2010 and 2011 were 353,353 million yen and 375,802 million yen, respectively, which consist of debt and equity securities.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies at March 31, 2010 and 2011, totaled 70,705 million yen and 67,376 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

With respect to trading securities, primarily in the Financial Services segment, Sony recorded net unrealized losses of 79,476 million yen for the fiscal year ended March 31, 2009, net unrealized gains of 50,992 million yen for the fiscal year ended March 31, 2010 and net realized losses of 10,768 million yen for the fiscal year ended March 31, 2011. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

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The following tables present the gross unrealized losses on, and fair value of, Sony s investment securities with unrealized losses, aggregated by investment category and the length of time that individual investment securities have been in a continuous unrealized loss position, at March 31, 2010 and 2011.

	Yen in millions March 31, 2010					
	Less than 12 months		12 months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Debt securities:						
Japanese national government bonds	139,613	(891)	53,704	(2,506)	193,317	(3,397)
Japanese local government bonds	1,887	(5)			1,887	(5)
Japanese corporate bonds	48,151	(84)	1,965	(22)	50,116	(106)
Foreign corporate bonds	46,764	(378)	88,258	(6,114)	135,022	(6,492)
Other	6,441	(123)			6,441	(123)
	242,856	(1,481)	143,927	(8,642)	386,783	(10,123)
Equity securities	10,069	(934)	11,486	(2,503)	21,555	(3,437)
Held-to-maturity Securities:						
Japanese national government bonds	1,496,584	(11,066)	465,416	(19,674)	1,962,000	(30,740)
Japanese local government bonds	100				100	
Japanese corporate bonds	19,828	(314)	95	(7)	19,923	(321)
Foreign corporate bonds	88	(4)	305	(3)	393	(7)
	1,516,600	(11,384)	465,816	(19,684)	1,982,416	(31,068)
Total	1,769,525	(13,799)	621,229	(30,829)	2,390,754	(44,628)

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	Yen in millions March 31, 2011					
	Less than 12 months		12 months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Debt securities:						
Japanese national government bonds	223,686	(3,230)	54,477	(1,741)	278,163	(4,971)
Japanese local government bonds	12,434	(64)			12,434	(64)
Japanese corporate bonds	130,318	(440)			130,318	(440)
Foreign corporate bonds	126,484	(7,184)	30,277	(4,184)	156,761	(11,368)
Other	2,882	(117)			2,882	(117)
	495,804	(11,035)	84,754	(5,925)	580,558	(16,960)
Equity securities	36,391	(3,353)	386	(94)	36,777	(3,447)
Held-to-maturity Securities:						
Japanese national government bonds	1,812,196	(48,149)			1,812,196	(48,149)
Japanese local government bonds	531	(2)			531	(2)
Japanese corporate bonds	20,788	(67)			20,788	(67)
Foreign corporate bonds	194	(3)			194	(3)
	1,833,709	(48,221)			1,833,709	(48,221)
Total	2,365,904	(62,609)	85,140	(6,019)	2,451,044	(68,628)

For the fiscal years ended March 31, 2009, 2010 and 2011, total realized impairment losses were 45,644 million yen, 5,508 million yen and 9,763 million yen, respectively.

At March 31, 2011, Sony determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

8. *Leased assets*

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

Leased assets under capital leases are comprised of the following:

	Yen in millions March 31	
Class of property	**2010**	**2011**
Land	62	
Buildings	1,005	
Machinery, equipment and others	11,807	9,288
Film costs	21,175	19,208
Accumulated amortization	(7,543)	(4,634)
	26,506	23,862

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The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2011:

Fiscal year ending March 31	Yen in millions
2012	4,761
2013	3,706
2014	3,275
2015	2,668
2016	2,330
Later years	14,583
Total minimum lease payments	31,323
Less Amount representing interest	6,650
Present value of net minimum lease payments	24,673
Less Current obligations	4,162
Long-term capital lease obligations	20,511

Rental expenses under operating leases for the fiscal years ended March 31, 2009, 2010 and 2011 were 87,360 million yen, 87,077 million yen and 78,538 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2009, 2010 and 2011 were 1,742 million yen, 1,675 million yen and 1,974 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2011 were 4,614 million yen.

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2011 are as follows:

Fiscal year ending March 31	Yen in millions
2012	39,817
2013	31,459
2014	24,652
2015	18,158
2016	12,665
Later years	51,239
Total minimum future rentals	177,990

9. *Goodwill and intangible assets*

Intangible assets acquired during the fiscal year ended March 31, 2011 totaled 92,249 million yen, of which 83,188 million yen is subject to amortization and are comprised of the following:

	Intangible assets acquired during the year Yen in millions	**Weighted-average amortization period Years**
Patent rights, know-how and license agreements	8,900	7
Software to be sold, leased or otherwise marketed	22,174	3
Music catalogs	730	8
Television carriage agreements (broadcasting agreements)	33,698	20
Other	17,686	2

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Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2010		March 31, 2011	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	146,932	(79,403)	122,444	(69,224)
Software to be sold, leased or otherwise marketed	71,300	(29,606)	76,112	(40,447)
Music catalogs	175,172	(37,591)	160,325	(40,455)
Artist contracts	28,958	(16,754)	27,727	(17,903)
Television carriage agreements (broadcasting agreements)	1,224	(116)	35,874	(228)
Other	87,950	(48,904)	90,508	(42,642)
Total	511,536	(212,374)	512,990	(210,899)

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2009, 2010 and 2011 was 47,101 million yen, 57,069 million yen and 52,763 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Fiscal year ending March 31	Yen in millions
2012	46,539
2013	37,485
2014	28,821
2015	22,571
2016	18,012

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

	Yen in millions	
	March 31	
	2010	2011
Trademarks	57,857	66,967
Distribution agreements	18,834	18,834
Other	3,064	3,230
Total	79,755	89,031

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The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2010 and 2011 are as follows:

	Yen in millions						
	Consumer, Professional & Devices	Networked Products & Services	Pictures	Music	Financial Services	All Other	Total
Balance, March 31, 2009:							
Goodwill gross	73,349	123,432	107,478	112,963	3,020	43,346	463,588
Accumulated impairments	(5,620)			(306)		(13,704)	(19,630)
Goodwill	67,729	123,432	107,478	112,657	3,020	29,642	443,958
Increase (decrease) due to:							
Acquisitions		724	6	7,848		4,847	13,425
Sales and dispositions		(27)				(202)	(229)
Impairments					(706)	(349)	(1,055)
Translation adjustments	(71)	(249)	(5,427)	(1,943)		(778)	(8,468)
Other*1*2	(470)	1	424	(8,676)		(41)	(8,762)
Balance, March 31, 2010:							
Goodwill gross	72,808	123,881	102,481	110,192	3,020	40,774	453,156
Accumulated impairments	(5,620)			(306)	(706)	(7,655)	(14,287)
Goodwill	67,188	123,881	102,481	109,886	2,314	33,119	438,869
Increase (decrease) due to:							
Acquisitions*3	1,085		46,504	203		55	47,847
Sales and dispositions		(257)					(257)
Impairments							
Translation adjustments	(133)	(510)	(8,401)	(6,956)		(1,335)	(17,335)
Other*1	232	171		(445)		(77)	(119)
Balance, March 31, 2011:							
Goodwill gross	73,992	123,285	140,584	102,994	3,020	39,417	483,292
Accumulated impairments	(5,620)			(306)	(706)	(7,655)	(14,287)
Goodwill	68,372	123,285	140,584	102,688	2,314	31,762	469,005

*1 Other primarily consists of purchase price adjustments for prior years.

*2

Substantially all of the adjustments in the Music segment relate to a decrease of goodwill recognized from the acquisition of Bertelsmann AG s 50% interest in the SONY BMG joint venture of 8,649 million yen, primarily to reflect an increase in the deferred tax assets recognized in connection with the acquisition and a decrease in the acquired liabilities as certain restructuring activities that were identified at the time of the acquisition will not be implemented. Refer to Note 19 and 24.

*3 Substantially all of the acquisition amounts in the Pictures segment relate to the Game Show Network acquisition. Refer to Note 24.

As described in Note 2, Sony performs an annual impairment test for goodwill. As a result of the impairment test, there were no impairments for the fiscal year ended March 31, 2011.

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10. *Insurance-related accounts*

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

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

The combined amounts of statutory net equity of the insurance subsidiaries, which is not measured in accordance with U.S. GAAP, as of March 31, 2010 and 2011 were 206,794 million yen and 232,160 million yen, respectively.

(1) Insurance policies:

Life insurance policies that a subsidiary in the Financial Services segment underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. The life insurance revenues for the fiscal years ended March 31, 2009, 2010 and 2011 were 526,303 million yen, 554,650 million yen and 600,291 million yen, respectively. Property and casualty insurance policies that a subsidiary in the Financial Services segment underwrites are primarily automotive insurance contracts, which are categorized as short-duration contracts. The non-life insurance revenues for the fiscal years ended March 31, 2009, 2010 and 2011 were 58,576 million yen, 64,987 million yen and 71,037 million yen, respectively.

(2) Deferred insurance acquisition costs:

Costs that vary with and are primarily related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure that the capitalized amounts do not exceed the present value of anticipated gross profits or premiums less benefits and maintenance expenses, as applicable. The deferred insurance acquisition costs for traditional life insurance contracts are amortized over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing policy reserves. The deferred insurance acquisition costs for non-traditional life insurance contracts are amortized over the expected life in proportion to the estimated gross profits. Amortization charged to income for the fiscal years ended March 31, 2009, 2010 and 2011 amounted to 64,599 million yen, 53,767 million yen and 59,249 million yen, respectively.

(3) Future insurance policy benefits:

Liabilities for future policy benefits are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.4% to 4.6% and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary s own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses. At March 31, 2010 and 2011, future insurance policy benefits amounted to 2,673,357 million yen and 2,918,960 million yen, respectively.

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

Short-term borrowings are comprised of the following:

	Yen in millions March 31	
	2010	**2011**
Unsecured loans:		
with a weighted-average interest rate of 3.08%	38,785	
with a weighted-average interest rate of 4.40%		43,737
Secured call money:		
with a weighted-average interest rate of 0.15%	10,000	
with a weighted-average interest rate of 0.11%		10,000
	48,785	53,737

At March 31, 2011, securities investments with a book value of 10,651 million yen were pledged as collateral for 10,000 million yen of call money, by subsidiaries in the Financial Services segment. In addition, marketable securities with a book value of 131,932 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2011.

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Long-term debt is comprised of the following:

	Yen in millions March 31	
	2010	**2011**
Unsecured loans, representing obligations principally to banks:		
Due 2010 to 2020, with interest rates ranging from 0.20% to 4.50% per annum	563,465	
Due 2011 to 2018, with interest rates ranging from 0.20% to 4.50% per annum		441,976
Unsecured 2.04% bonds, due 2010, net of unamortized discount	49,999	
Unsecured 0.80% bonds, due 2010, net of unamortized discount	49,999	
Unsecured 1.52% bonds, due 2011, net of unamortized discount	49,999	50,000
Unsecured 1.16% bonds, due 2012, net of unamortized discount	39,993	39,996
Unsecured 1.52% bonds, due 2013, net of unamortized discount	34,999	34,999
Unsecured 1.57% bonds, due 2015, net of unamortized discount	29,988	29,991
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,996	24,996
Unsecured 2.35% bonds, due 2010	4,900	
Unsecured 1.17% bonds, due 2011	10,500	10,500
Unsecured 0.95% bonds, due 2012	60,000	60,000
Unsecured 1.40% bonds, due 2013	10,700	10,700
Unsecured 1.30% bonds, due 2014	110,000	110,000
Unsecured 2.00% bonds, due 2018	16,300	16,300
Unsecured 2.07% bonds, due 2019	50,000	50,000
Capital lease obligations:		
Due 2010 to 2021 with interest rates ranging from 0.01% to 7.77% per annum	35,013	
Due 2011 to 2021 with interest rates ranging from 0.03% to 9.09% per annum		24,673
Guarantee deposits received	19,178	17,718
	1,160,029	921,849
Less Portion due within one year	235,822	109,614
	924,207	812,235

In June 2009, Sony entered into unsecured syndicated loans totaling 162,500 million yen having three, five and seven year maturity terms. The proceeds were used for the repayment of a previously entered into syndicated loan of 80,000 million yen which matured in June 2009 and for general business activities, including working capital requirements. In addition, Sony entered into a 1,000 million U.S. dollar unsecured long-term bank loan in July 2009 with a three year term.

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

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

Fiscal year ending March 31	Yen in millions
2012	109,614
2013	277,679
2014	117,397
2015	210,052
2016	77,978
Later years	129,129
Total	921,849

At March 31, 2011, Sony had unused committed lines of credit amounting to 782,616 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2011, Sony has commercial paper programs, the size of which was 1,082,050 million yen. Sony can issue commercial paper for a period generally not in excess of 270 days up to the size of the programs.

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

(1) Housing loans in the banking business:

As discussed in Note 2, Sony adopted new disclosure guidance regarding credit quality of financing receivables and the allowance for credit losses.

Sony acquires and holds certain financial receivables in the normal course of business. A majority of financing receivables held by Sony, which are subject to this guidance, consist of housing loans in the banking business and no other significant financial receivables exist.

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

The allowance for the credit losses is established based on the aforementioned classifications and the evaluation of collateral. The amount of housing loans in the banking business and the corresponding allowance for credit losses at March 31, 2010 were 555,105 million yen and 742 million yen, and at March 31, 2011 were 656,047 million yen and 925 million yen, respectively. During the fiscal year ended March 31, 2011, charge-offs on housing loans in the banking business and changes in the allowance for credit losses, which took into consideration the impact of the Great East Japan Earthquake discussed in Note 18, were not significant.

In addition, the balance of housing loans placed on nonaccrual status or past due status is not significant at March 31, 2011. A subsidiary in the banking business assesses the nonaccrual status based on the aforementioned classification, and may resume the accrual of the interest on the housing loan if the classification of the housing loan is changed.

(2) Deposits from customers in the banking business:

All deposits from customers in the banking business within the Financial Services segment are interest bearing deposits. At March 31, 2010 and 2011, the balances of time deposits issued in amounts of 10 million yen or more were 243,629 million yen and 247,799 million yen, respectively. These amounts have been classified as current liabilities due to the ability of the customers to make withdrawals prior to maturity.

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At March 31, 2011, aggregate amounts of annual maturities of time deposits with a remaining term of more than one year are as follows:

Fiscal year ending March 31	Yen in millions
2013	20,864
2014	13,149
2015	1,990
2016	8,788
2017	1,459
Later years	26,818
Total	73,068

13. ***Fair value measurements***

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

(1) Assets and liabilities that are measured at fair value on a recurring basis:

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

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

Where quoted prices are available in an active market, securities are classified in level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available for the specific security or the market is inactive, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and mainly classified in level 2 of the hierarchy. Level 2 securities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the fair value hierarchy. Level 3 securities do not have actively traded quotes at the balance sheet date and require the use of unobservable inputs, such as indicative quotes from dealers and qualitative input from investment advisors, to value these securities. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow techniques, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation of assumptions that market participants would use in pricing the asset. Level 3 securities primarily include certain private equity investments and certain hybrid financial instruments not classified within level 1 or 2.

Derivatives

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

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significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within level 2 of the fair value hierarchy.

In determining the fair value of Sony s interest rate swap derivatives, Sony uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony s approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. These derivatives are classified within level 2 since Sony primarily uses observable inputs in its valuation of its derivative assets and liabilities.

The fair value of Sony s assets and liabilities that are measured at fair value on a recurring basis at March 31, 2010 and 2011 are as follows:

	Yen in millions March 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Trading securities	180,414	172,939		353,353
Available-for-sale securities				
Debt securities				
Japanese national government bonds		1,290,824		1,290,824
Japanese local government bonds		28,842		28,842
Japanese corporate bonds	4,937	358,187	1,097	364,221
Foreign corporate bonds		261,896	17,433	279,329
Other	365	10,736		11,101
Equity securities	160,128	6,682	3,936	170,746
Other investments*1	5,377	38	69,672	75,087
Derivative assets*2		23,796		23,796
Total assets	351,221	2,153,940	92,138	2,597,299
Liabilities:				
Derivative liabilities*2		48,599		48,599
Total liabilities		48,599		48,599

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	Yen in millions March 31, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Trading securities	189,320	186,482		375,802
Available-for-sale securities				
Debt securities				
Japanese national government bonds		1,143,765		1,143,765
Japanese local government bonds		22,965		22,965
Japanese corporate bonds		329,057	4,581	333,638
Foreign corporate bonds		306,070	20,050	326,120
Other		7,933		7,933
Equity securities	141,408	4,667	3,968	150,043
Other investments*1	5,459	51	70,058	75,568
Derivative assets*2		15,110		15,110
Total assets	336,187	2,016,100	98,657	2,450,944
Liabilities:				
Derivative liabilities*2		33,759		33,759
Total liabilities		33,759		33,759

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

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

There were no significant transfers between levels 1 and 2 for the fiscal years ended March 31, 2010 and 2011.

The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2010 and 2011 are as follows:

	Yen in millions Fiscal year ended March 31, 2010 Assets					
		Available-for-sale securities				
		Debt securities				
	Trading securities	**Japanese corporate bonds**	**Foreign corporate bonds**	**Equity securities**	**Other investments**	**Derivative assets**
Beginning balance	3,003	7,630	51,798	3,562	59,781	

Total realized and unrealized gains (losses):						
Included in earnings*[1]	181	(260)	(404)	(2)	6,288	(69)
Included in other comprehensive income (loss)			1,818	374	2,781	
Purchases, issuances, sales and settlements	(562)	(5,660)	(4,247)	2	822	(186)
Transfers in and/or out of level 3*[2]*[3]	(2,622)	(613)	(31,532)			255
Ending balance		1,097	17,433	3,936	69,672	
Changes in unrealized gains (losses) relating to instruments still held at reporting date:						
Included in earnings*[1]			(40)		6,726	

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	Yen in millions			
	Fiscal year ended March 31, 2011			
	Assets			
	Available-for-sale securities			
	Debt securities			
	Japanese corporate bonds	Foreign corporate bonds	Equity securities	Other investments
Beginning balance	1,097	17,433	3,936	69,672
Total realized and unrealized gains (losses):				
Included in earnings*1	(13)	(224)		(3,332)
Included in other comprehensive income (loss)	(18)	(842)	32	2,606
Purchases, issuances, sales and settlements	3,515	8,251		1,112
Transfers in and/or out of level 3*2		(4,568)		
Ending balance	4,581	20,050	3,968	70,058
Changes in unrealized gains (losses) relating to instruments still held at reporting date:				
Included in earnings*1	(2)	10		(3,779)

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

*2 Transfers into or out of level 3 are reported as the value as of the beginning of the period in which the transfer occurs.

*3 Certain corporate bonds were transferred into level 2 because the ability to corroborate significant inputs with market observable data became possible due to a significant recovery in credit markets.

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

Sony also has assets and liabilities that are required to be recorded at fair value on a nonrecurring basis when certain circumstances occur. Disclosures for nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis, are required from April 1, 2009. During the fiscal years ended March 31, 2010 and 2011, such measurements of fair value related primarily to the impairments of long-lived assets and the remeasurement of the previously owned equity interest as part of the Game Show Network acquisition. Refer to Note 24.

Long-lived assets impairments

Long-lived assets are measured at the lesser of carrying value or fair value if such assets are held for sale or when there is a determination that the asset is impaired. During the fiscal years ended March 31, 2010 and 2011, Sony recorded impairment losses of 53,304 million yen and 23,735 million yen related to long-lived assets with carrying values prior to impairment of 58,598 million yen and 27,513 million yen; the fair value of the long-lived assets after impairments was 5,294 million yen and 3,778 million yen, respectively. Sony s determination of fair value was based on the comparable market values or estimated net cash flows which considered prices and other relevant information generated by market transactions involving comparable assets or cash flow projections based upon the most recent business plan. These measurements are classified as level 3 because significant unobservable inputs, such as the conditions of the assets or projections of future cash flows, were considered in the fair value measurements.

Remeasurement of previously owned equity interest

Regarding the remeasurement to fair value of the previously owned equity interest as part of the Game Show Network acquisition for the fiscal year ended March 31, 2011, which was classified as level 3 because of significant

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unobservable inputs, such as projections of future cash flows and market comparables of similar transactions and companies.

(3) Financial instruments:

The estimated fair values of Sony s financial instruments are summarized as follows. The following summary excludes cash and cash equivalents, call loans, time deposits, notes and accounts receivable, trade, call money, short-term borrowings, notes and accounts payable, trade and deposits from customers in the banking business because the carrying values of these financial instruments approximated their fair values due to their short-term nature. The summary also excludes debt and equity securities which are disclosed in Note 7.

	Yen in millions			
	March 31, 2010		March 31, 2011	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt including the current portion	1,160,029	1,168,354	921,849	928,820
Investment contracts included in policyholders account in the life insurance business	306,625	307,656	322,649	320,036
Housing loans in the banking business	555,105	612,830	656,047	714,985

The fair values of long-term debt including the current portion and investment contracts included in policyholders account in the life insurance business were estimated based on either the market value or the discounted future cash flows using Sony s current incremental borrowing rates for similar liabilities. The fair values of housing loans in the banking business, included in securities investments and other in the consolidated balance sheets, were estimated based on the discounted future cash flows using interest rates reflecting London InterBank Offered Rate base yield curve with a certain risk premium.

14. *Derivative instruments and hedging activities*

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

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

Fair value hedges

Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives designated as fair value hedges as well as offsetting changes in the carrying value of the underlying hedged items are recognized in income. For the fiscal years ended March 31, 2009, 2010 and 2011, these fair value hedges were fully effective. In addition, there were no amounts excluded from the assessment of hedge effectiveness of fair value hedges.

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Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in other comprehensive income (OCI) and reclassified into earnings when the hedged transaction affects earnings. For the fiscal years ended March 31, 2009, 2010 and 2011, the ineffective portion of the hedging relationship is not significant. In addition, there were no amounts excluded from the assessment of hedge effectiveness for cash flow hedges.

Derivatives not designated as hedges

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

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

Foreign exchange forward contracts and foreign currency option contracts

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

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

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

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

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

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

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

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

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

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Other agreements

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

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

	Yen in millions					
	Asset derivatives			Liability derivatives		
		Fair value March 31			Fair value March 31	
erivatives designated as hedging instruments	Balance sheet location	2010	2011	Balance sheet location	2010	2011
terest rate contracts	Prepaid expenses and other current assets	853	416	Current liabilities other	10,269	9,02
terest rate contracts				Liabilities other	1,884	1,66
oreign exchange contracts	Prepaid expenses and other current assets	52		Current liabilities other		6
		905	416		12,153	10,75

	Yen in millions					
	Asset derivatives			Liability derivatives		
		Fair value March 31			Fair valu March 3	
vatives not designated hedging instruments	Balance sheet location	2010	2011	Balance sheet location	2010	2
st rate contracts	Prepaid expenses and other current assets	434	314	Current liabilities other	664	3
st rate contracts				Liabilities other	170	
gn exchange contracts	Prepaid expenses and other current assets	22,334	14,353	Current liabilities other	35,585	19
gn exchange contracts	Assets other	30	9			
contracts	Prepaid expenses and other current assets	93	18	Current liabilities other	27	
		22,891	14,694		36,446	22
derivatives		23,796	15,110		48,599	33

Presented below are the effects of derivative instruments on the consolidated statements of income for the fiscal years ended March 31, 2009, 2010 and 2011 (yen in millions).

Derivatives under fair value hedging relationships	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative Fiscal year ended March 31 2009	2010	2011
Interest rate contracts	Financial services revenue	(2,499)	(3,475)	588
Foreign exchange contracts	Foreign exchange gain or (loss), net	(8)	97	(18)
Total		(2,507)	(3,378)	570

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Derivatives under cash flow hedging relationships	Yen in millions Fiscal year ended March 31, 2010				
	Amount of gain or (loss) recognized in OCI on derivative	Gain or (loss) reclassified from accumulated OCI into income (effective portion)		Gain or (loss) recognized in income on derivative (ineffective portion)	
	Amount	Location	Amount	Location	Amount
Interest rate contracts	(901)	Interest expense	418	Interest expense	
Foreign exchange contracts	1,814	Foreign exchange gain or (loss), net	(1,516)	Foreign exchange gain or (loss), net	26
Total	913	Total	(1,098)	Total	26

Derivatives under cash flow hedging relationships	Yen in millions Fiscal year ended March 31, 2011				
	Amount of gain or (loss) recognized in OCI on derivative	Gain or (loss) reclassified from accumulated OCI into income (effective portion)		Gain or (loss) recognized in income on derivative (ineffective portion)	
	Amount	Location	Amount	Location	Amount
Interest rate contracts	(108)	Interest expense	329	Interest expense	
Total	(108)	Total	329	Total	

At March 31, 2011, amounts related to derivatives qualifying as cash flow hedges amounted to a net reduction of equity of 1,589 million yen. Within the next twelve months, 603 million yen is expected to be reclassified from equity into earnings as a loss.

Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative (Yen in millions) Fiscal year ended March 31		
		2009	2010	2011
Interest rate contracts	Financial services revenue	(1,966)	(884)	(3,332)
Interest rate contracts	Financial services expenses	21	32	32
Foreign exchange contracts	Financial services revenue	11,424	1,468	(1,294)

Foreign exchange contracts	Foreign exchange gain or (loss), net	(39,542)	(8,779)	8,311
Equity contracts	Financial services revenue	8,795	83	
Bond contracts	Financial services revenue	78	68	44
Credit contracts	Financial services revenue	1,352	(518)	(101)
Total		(19,838)	(8,530)	3,660

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

	Yen in millions			
	March 31, 2010		March 31, 2011	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange contracts:				
Foreign exchange forward contracts	1,924,697	(16,049)	1,364,147	(8,825)
Currency option contracts purchased	3,819	19	5,822	19
Currency option contracts written	407	(11)	423	(9)
Currency swap agreements	50,979	2,022	117,028	2,015
Other currency contracts	46,499	850	46,201	1,734
Interest rate contracts:				
Interest rate swap agreements	456,213	(11,700)	448,353	(13,589)
Credit contracts:				
Credit default swap agreements	10,497	66	4,841	6

15. *Pension and severance plans*

Upon terminating employment, employees of Sony Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below. In July 2004, Sony Corporation and certain of its subsidiaries amended their pension plans and introduced a point-based plan under which a point is added every year reflecting the individual employee s performance over that year. Under the point-based plan, the amount of payment is determined based on sum of cumulative points from past services and interest points earned on the cumulative points regardless of whether or not the employee is voluntarily retiring.

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

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

In September 2006, the FASB issued new accounting guidance for defined benefit pension and other postretirement plans, which requires plan assets and benefit obligations be measured at fiscal year end date. Sony implemented the measurement date provisions of this guidance for the fiscal year ended March 31, 2009 and, accordingly, adjustments of beginning retained earnings totaling 668 million yen and accumulated other comprehensive income totaling 630 million yen were recorded, respectively.

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The components of net periodic benefit costs for the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

Japanese plans:

	Yen in millions Fiscal year ended March 31		
	2009	2010	2011
Service cost	28,652	30,980	29,589
Interest cost	15,208	15,402	16,067
Expected return on plan assets	(18,950)	(16,969)	(17,987)
Recognized actuarial loss	12,440	16,000	11,802
Amortization of prior service costs	(10,358)	(10,391)	(10,391)
Net periodic benefit costs	26,992	35,022	29,080

Foreign plans:

	Yen in millions Fiscal year ended March 31		
	2009	2010	2011
Service cost	10,557	3,645	4,160
Interest cost	11,869	12,083	11,165
Expected return on plan assets	(10,569)	(8,652)	(9,135)
Amortization of net transition asset	212	67	20
Recognized actuarial loss	507	857	2,911
Amortization of prior service costs	(262)	30	(32)
Losses (gains) on curtailments and settlements	1,569	1,766	(31)
Net periodic benefit costs	13,883	9,796	9,058

The estimated net actuarial loss, prior service cost and obligation (asset) existing at transition for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next fiscal year are 13,454 million yen, 10,761 million yen and 79 million yen, respectively.

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

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2010	2011	2010	2011
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	709,098	709,554	196,750	231,341
Service cost	30,980	29,589	3,645	4,160
Interest cost	15,402	16,067	12,083	11,165
Plan participants contributions			322	764
Amendments	(433)		3,950	(6,677)
Actuarial (gain) loss	(10,103)	6,424	36,311	(6,869)
Foreign currency exchange rate changes			(5,968)	(16,994)
Curtailments and settlements		(404)	(1,441)	(166)
Benefits paid	(35,390)	(25,377)	(14,311)	(10,227)
Benefit obligation at end of the fiscal year	709,554	735,853	231,341	206,497
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	443,977	515,701	98,739	134,226
Actual return on plan assets	59,654	4,327	31,775	10,930
Foreign currency exchange rate changes			(1,502)	(9,121)
Employer contribution	32,803	34,892	18,387	13,029
Plan participants contributions			322	764
Curtailments and settlements			(407)	(217)
Benefits paid	(20,733)	(18,272)	(13,088)	(9,224)
Fair value of plan assets at end of the fiscal year	515,701	536,648	134,226	140,387
Funded status at end of the fiscal year	(193,853)	(199,205)	(97,115)	(66,110)

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2010	2011	2010	2011
Noncurrent assets	1,116	1,454	2,760	3,894

Current liabilities			(2,778)	(2,716)
Noncurrent liabilities	(194,969)	(200,659)	(97,097)	(67,288)
Ending balance	(193,853)	(199,205)	(97,115)	(66,110)

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

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2010	2011	2010	2011
Prior service cost (credit)	(96,865)	(86,470)	2,966	(3,930)
Net actuarial loss	270,241	278,895	49,209	33,919
Obligation existing at transition			231	204
Ending balance	173,376	192,425	52,406	30,193

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

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2010	2011	2010	2011
Accumulated benefit obligations	705,537	731,666	192,260	183,954

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

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2010	2011	2010	2011
Projected benefit obligations	709,554	735,853	177,131	176,755
Accumulated benefit obligations	705,537	731,666	163,120	167,609
Fair value of plan assets	515,701	536,648	100,526	121,338

Weighted-average assumptions used to determine benefit obligations as of March 31, 2010 and 2011 were as follows:

	Japanese plans March 31		Foreign plans March 31	
	2010	2011	2010	2011
Discount rate	2.3%	2.1%	5.5%	5.2%

Rate of compensation increase	*	*	4.0	3.5

* As of March 31, 2010 and 2011, substantially all of Sony s Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

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Weighted-average assumptions used to determine the net periodic benefit costs for the fiscal years ended March 31, 2009, 2010 and 2011 were as follows:

	Japanese plans Fiscal year ended March 31			Foreign plans Fiscal year ended March 31		
	2009	2010	2011	2009	2010	2011
Discount rate	2.3%	2.2%	2.3%	6.0%	6.5%	5.5%
Expected return on plan assets	3.9	3.6	2.9	7.1	6.5	5.9
Rate of compensation increase	2.5	2.7	*	3.4	3.2	4.0

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

Sony reviews these assumptions for changes in circumstances.

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

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

The investment objectives of Sony s plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans participants. The obligations are estimated using actuarial assumptions, based on the current economic environment and other pertinent factors. Sony s investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing its dependence on contributions from Sony. To mitigate any potential concentration risk, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2011, are, as a result of Sony s asset liability management, 28% of equity securities, 58% of fixed income securities and 14% of other investments for the pension plans of Sony Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 54% of equity securities, 34% of fixed income securities and 12% of other investments for the pension plans of foreign subsidiaries.

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

		Japanese plans Yen in millions		
	Fair value at March 31,	Fair value measurements using inputs considered as		
Asset class	**2010**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	11,665	11,665		
Equity:				
Equity securities[a]	136,495	136,495		
Fixed income:				
Government bonds[b]	201,240		201,240	
Corporate bonds[c]	22,691		22,691	
Asset-backed securities[d]	4,779		4,779	
Commingled funds[e]	62,703		62,703	
Commodity funds[f]	1,638		1,638	
Private equity[g]	21,337			21,337
Hedge funds[h]	51,498			51,498
Real estate	1,655			1,655
Total	515,701	148,160	293,051	74,490

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

Total	536,648	150,843	320,696	65,109

(a) Includes approximately 62 percent and 64 percent of Japanese equity securities, and 38 percent and 36 percent of foreign equity securities for the fiscal years ended March 31, 2010 and 2011, respectively.

(b) Includes approximately 63 percent and 65 percent of debt securities issued by Japanese national and local governments, and 37 percent and 35 percent of debt securities issued by foreign national and local governments for the fiscal years ended March 31, 2010 and 2011, respectively.

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

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(d) Includes primarily mortgage-backed securities.

(e) Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 38 percent and 39 percent of investments in equity, 57 percent and 58 percent of investments in fixed income, and 5 percent and 3 percent of investments in other for the fiscal years ended March 31, 2010 and 2011, respectively.

(f) Represents commodity futures funds.

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

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

	Foreign plans Yen in millions			
Asset class	**Fair value at March 31, 2010**	**Fair value measurements using inputs considered as Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	1,775	1,775		
Equity:				
Equity securities[a]	39,885	33,657	6,228	
Fixed income:				
Government bonds[b]	20,553		20,553	
Corporate bonds[c]	12,584		8,013	4,571
Asset-backed securities	3,135		3,060	75
Insurance contracts[d]	6,166		6,166	
Commingled funds[e]	45,655		45,127	528
Real estate and other[f]	4,473	653	43	3,777
Total	134,226	36,085	89,190	8,951

	Foreign plans Yen in millions			
Asset class	**Fair value at March 31, 2011**	**Fair value measurements using inputs considered as Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	860	860		
Equity:				

Equity securities[(a)]	38,512	33,273	5,239	
Fixed income:				
Government bonds[(b)]	21,405		21,405	
Corporate bonds[(c)]	14,994		10,148	4,846
Asset-backed securities	2,053		2,053	
Insurance contracts[(d)]	6,718		6,718	
Commingled funds[(e)]	50,517		49,987	530
Real estate and other[(f)]	5,328	45	1,510	3,773
Total	140,387	34,178	97,060	9,149

(a) Includes primarily foreign equity securities.

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(b) Includes primarily foreign government debt securities.

(c) Includes primarily foreign corporate debt securities.

(d) Represents annuity contracts with or without profit sharing.

(e) Commingled funds represent pooled institutional investments including mutual funds, common trust funds, and collective investment funds. They are primarily comprised of foreign equities and fixed income investments.

(f) Includes primarily private real estate investment trusts.

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

The following is a description of the valuation techniques used to measure Japanese and foreign plan assets at fair value. There were no changes in valuation techniques during the fiscal years ended March 31, 2010 and 2011.

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

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

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

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

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

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

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The following table sets forth a summary of changes in the fair values of Japanese and foreign plans level 3 assets for the fiscal years ended March 31, 2010 and 2011:

	Japanese plans Yen in millions Fair value measurement using significant unobservable inputs (Level 3)			
	Private equity	**Hedge funds**	**Real estate**	**Total**
Beginning balance at April 1, 2009	23,028	40,443	2,606	66,077
Return on assets held at end of year	(1,691)	79	(951)	(2,563)
Return on assets sold during the year				
Purchases, sales, and settlements, net		10,976		10,976
Transfers, net				
Ending balance at March 31, 2010	21,337	51,498	1,655	74,490
Return on assets held at end of year	(1,449)	2,467	(122)	896
Return on assets sold during the year		(436)		(436)
Purchases, sales, and settlements, net		(9,841)		(9,841)
Transfers, net				
Ending balance at March 31, 2011	19,888	43,688	1,533	65,109

	Foreign plans Yen in millions Fair value measurement using significant unobservable inputs (Level 3)				
	Corporate bonds	**Asset-backed securities**	**Commingled funds**	**Real estate and other**	**Total**
Beginning balance at April 1, 2009		74	849	4,085	5,008
Return on assets held at end of year	302	14	5	23	344
Return on assets sold during the year				(89)	(89)
Purchases, sales, and settlements, net	4,269	(9)	(288)	(95)	3,877
Transfers, net					
Other*		(4)	(38)	(147)	(189)
Ending balance at March 31, 2010	4,571	75	528	3,777	8,951
Return on assets held at end of year	503		9	490	1,002
Return on assets sold during the year		5			5
Purchases, sales, and settlements, net	260	(72)		(159)	29

Transfers, net					
Other*	(488)	(8)	(7)	(335)	(838)
Ending balance at March 31, 2011	4,846		530	3,773	9,149

* Primarily consists of translation adjustments.

Sony makes contributions to its defined benefit pension plans as deemed appropriate by management after considering the fair value of plan assets, expected return on plan assets and the present value of benefit obligations. Sony expects to contribute approximately 35 billion yen to the Japanese plans and approximately 11 billion yen to the foreign plans during the fiscal year ending March 31, 2012.

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The expected future benefit payments are as follows:

Fiscal year ending March 31,	Japanese plans Yen in millions	Foreign plans Yen in millions
2012	24,690	10,620
2013	26,321	9,663
2014	28,653	10,597
2015	31,571	10,348
2016	34,355	10,759
2017 2021	199,824	62,305

16. *Stockholders equity*

(1) Common stock:

Changes in the number of shares of common stock issued and outstanding during the fiscal years ended March 31, 2009, 2010 and 2011 have resulted from the following:

	Number of shares
Balance at March 31, 2008	1,004,443,364
Exercise of stock acquisition rights	92,000
Balance at March 31, 2009	1,004,535,364
Exercise of stock acquisition rights	36,100
Balance at March 31, 2010	1,004,571,464
Exercise of stock acquisition rights	65,200
Balance at March 31, 2011	1,004,636,664

At March 31, 2011, 20,480,400 shares of common stock would be issued upon the conversion or exercise of all convertible bonds and stock acquisition rights outstanding.

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

Sony Corporation may purchase its own shares at any time by a resolution of the Board of Directors up to the retained earnings available for dividends to shareholders, in accordance with the Companies Act. No common stock had been acquired by the resolution of the Board of Directors during the fiscal years ended March 31, 2009, 2010 and 2011.

(2) Retained earnings:

The amount of statutory retained earnings of Sony Corporation available for dividends to shareholders as of March 31, 2011 was 502,815 million yen. The appropriation of retained earnings for the fiscal year ended March 31, 2011, including cash dividends for the six-month period ended March 31, 2011, has been incorporated in the accompanying consolidated financial statements. This appropriation of retained earnings was approved at the meeting of the Board of Directors of Sony Corporation held on May 26, 2011 and was then recorded in the statutory books of account, in accordance with the Companies Act.

Retained earnings include Sony s equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of 16,034 million yen and 30,809 million yen at March 31, 2010 and 2011, respectively.

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(3) Other comprehensive income:

Other comprehensive income for the fiscal years ended March 31, 2009, 2010 and 2011 were comprised of the following:

	Yen in millions		
	Pre-tax amount	Tax benefit/(expense)	Net-of-tax amount
For the fiscal year ended March 31, 2009:			
Unrealized gains (losses) on securities, net			
Unrealized holding losses arising during the period*	(105,145)	40,198	(48,207)
Less : Reclassification adjustment included in net income	11,306	(3,958)	7,348
Unrealized gains (losses) on derivative instruments, net			
Unrealized holding losses arising during the period	(2,988)	1,059	(1,929)
Less : Reclassification adjustment included in net income	5,335	(1,619)	3,716
Pension liability adjustment*	(127,222)	51,527	(74,517)
Foreign currency translation adjustments			
Translation adjustments arising during the period	(250,085)	1,854	(248,231)
Less : Reclassification adjustment included in net income	534		534
Other comprehensive income (loss)	(468,265)	89,061	(361,286)

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

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

* Amounts allocable to the noncontrolling interests in the equity of a subsidiary and other are deducted from the net-of-tax amount for unrealized holding gains (losses) and pension liability adjustment arising during the period.

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During the fiscal years ended March 31, 2009, 2010 and 2011, losses of 534 million yen, 2,289 million yen and gains of 832 million yen, respectively, of foreign currency translation adjustments were transferred from other comprehensive income to net income as a result of the liquidation or sale of certain foreign subsidiaries.

17. *Stock-based compensation plans*

The stock-based compensation expense for the fiscal years ended March 31, 2009, 2010 and 2011 was 3,446 million yen, 2,202 million yen and 1,952 million yen, respectively. The income tax benefit related to the stock-based compensation expense for the fiscal years ended March 31, 2009, 2010 and 2011 was 543 million yen, 271 million yen and 322 million yen, respectively. The total cash received from exercises under all of the stock-based compensation plans during the fiscal years ended March 31, 2009, 2010 and 2011 was 378 million yen, 114 million yen and 198 million yen, respectively. Sony issued new shares upon exercise of these rights. The actual income tax benefit realized for tax deductions from exercises under all the stock-based compensation plans for the fiscal years ended March 31, 2009, 2010 and 2011 was insignificant.

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

(1) Stock Acquisition Rights plan:

Sony has an equity-based compensation plan that issues common stock acquisition rights for the purpose of granting stock options to selected directors, corporate executive officers and employees of Sony, pursuant to the Companies Act. The stock acquisition rights generally vest ratably over a period of three years and are exercisable up to ten years from the date of grant.

The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2009, 2010 and 2011 was 398 yen, 813 yen and 1,036 yen, respectively. The fair value of stock acquisition rights granted on the date of grant and used to recognize compensation expense for the fiscal years ended March 31, 2009, 2010 and 2011 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31		
	2009	**2010**	**2011**
Weighted-average assumptions			
Risk-free interest rate	2.07%	2.08%	1.60%
Expected lives	6.23years	6.49years	6.64years
Expected volatility*	33.35%	33.70%	35.74%
Expected dividends	1.29%	0.99%	0.83%

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

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A summary of the activities regarding the stock acquisition rights plan during the fiscal year ended March 31, 2011 is as follows:

	Fiscal year ended March 31, 2011			
	Number of Shares	Weighted-average exercise price	Weighted-average remaining life	Total Intrinsic Value
		Yen	Years	Yen in millions
Outstanding at beginning of the fiscal year	15,214,400	3,743		
Granted	2,334,600	2,985		
Exercised	(65,200)	2,653		
Forfeited or expired	(472,400)	3,540		
Outstanding at end of the fiscal year	17,011,400	3,458	6.20	523
Exercisable at end of the fiscal year	12,184,000	3,739	5.10	211

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2009, 2010 and 2011 was 95 million yen, 20 million yen and 26 million yen, respectively.

As of March 31, 2011, there was 2,358 million yen of total unrecognized compensation expense related to nonvested stock acquisition rights. This expense is expected to be recognized over a weighted-average period of 1.99 years. The total fair value of stock acquisition rights vested during the fiscal years ended March 31, 2009, 2010 and 2011 was 3,333 million yen, 2,136 million yen and 1,921 million yen, respectively.

(2) Convertible Bonds plan:

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

A summary of the activities regarding the convertible bond plan during the fiscal year ended March 31, 2011 is as follows:

Fiscal year ended March 31, 2011

	Number of Shares	Weighted-average exercise price Yen	Weighted-average remaining life Years	Total Intrinsic Value Yen in millions
Outstanding at beginning of the fiscal year	1,621,500	9,099		
Expired	(1,073,000)	10,208		
Outstanding at end of the fiscal year	548,500	6,931	1.00	
Exercisable at end of the fiscal year	548,500	6,931	1.00	

There were no shares granted or exercised under the convertible bond plan during the fiscal years ended March 31, 2009, 2010 and 2011. All shares under the convertible bond plan were exercisable as of March 31, 2011.

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(3) Stock Appreciation Rights (SARs) plan:

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

There were no SARs granted during the fiscal years ended March 31, 2009, 2010 and 2011. As of March 31, 2011, there were 45,425 SARs outstanding and the weighted-average exercise price was 5,120 yen. All SARs were exercisable as of March 31, 2011.

The compensation expense for the SARs is measured as the excess of the quoted market price of Sony Corporation s common stock over the SARs strike price. SAR compensation expense for the fiscal years ended March 31, 2009, 2010, and 2011 was insignificant.

18. *Great East Japan Earthquake*

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

For the fiscal year ended March 31, 2011, Sony has incurred incremental losses and expenses including repair, removal and cleaning costs directly related to the damage caused by the disaster of 10,897 million yen, including the disposal or impairment of fixed assets of 7,668 million yen. These losses and expenses are primarily recorded within (gain) loss on sale, disposal or impairment of assets and other, net in the consolidated statements of income and are offset by insurance recoveries as described below. The restoration costs anticipated to occur on or after April 1, 2011 were not recorded in the period ended March 31, 2011 and will be recorded when the services are rendered and liabilities incurred. In addition, Sony also incurred other losses and expenses of 11,821 million yen, which included idle facility costs at manufacturing sites, and an additional provision for life insurance policy reserves. These losses and expenses were mainly recorded in cost of sales and financial services expenses in the consolidated statements of income.

Sony has insurance policies which cover certain damage directly caused by the Great East Japan Earthquake for Sony Corporation and certain of its subsidiaries including manufacturing sites. The insurance policies cover the damage and costs associated with fixed assets and inventories and provide business interruption coverage, including lost profits, of up to 13,000 million yen in total. For the fiscal year ended March 31, 2011, Sony recorded insurance receivables of 10,841 million yen, representing a portion of the insurance claims that were deemed probable of collection up to the extent of the amount of corresponding losses recognized in the same period. The insurance receivables recorded substantially all relate to damaged assets and inventories, and include no amounts for business interruption or lost profits. Sony concluded that the recoveries from insurance claims are probable based on the coverage under valid policies, communications with the insurance carriers, Sony s past claims history with the insurance carriers, and Sony s assessment that the insurance carriers have the financial ability to pay the claims. These receivables are primarily recorded within other noncurrent assets in the consolidated balance sheets.

19. *Restructuring charges and asset impairments*

As part of its effort to improve the performance of the various businesses, Sony has undertaken a number of restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, such as exiting a business or product category or implementing a headcount reduction program, which are designed to generate a positive impact on future profitability. For the fiscal years ended March 31, 2009, 2010 and 2011, Sony recorded total restructuring charges of 75,390 million yen, 116,472 million yen and 62,318 million yen, respectively.

Sony anticipates recording approximately 25 billion yen of restructuring charges for the fiscal year ending March 31, 2012.

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The changes in the accrued restructuring charges for the fiscal years ended March 31, 2009, 2010 and 2011 are as follows:

	Yen in millions			
	Employee termination benefits	Non-cash write-downs and disposals*	Other associated costs	Total
Balance at March 31, 2008	10,893		5,669	16,562
SME acquisition	8,980		2,637	11,617
Restructuring costs	56,385	10,182	8,823	75,390
Non-cash charges		(10,182)		(10,182)
Cash payments	(21,900)		(5,160)	(27,060)
Adjustments	(545)		(508)	(1,053)
Balance at March 31, 2009	53,813		11,461	65,274
Restructuring costs	65,133	31,928	19,411	116,472
Non-cash charges		(31,928)		(31,928)
Cash payments	(88,803)		(21,754)	(110,557)
Adjustments	(2,925)		(156)	(3,081)
Balance at March 31, 2010	27,218		8,962	36,180
Restructuring costs	38,264	8,294	15,760	62,318
Non-cash charges		(8,294)		(8,294)
Cash payments	(47,521)		(19,086)	(66,607)
Adjustments	(2,376)		(662)	(3,038)
Balance at March 31, 2011	15,585		4,974	20,559

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

At March 31, 2011, the accrual for other associated costs in the table above primarily relates to restructuring efforts in the Consumer, Professional & Devices segment.

The total amount of costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2009, 2010 and 2011 are as follows:

	Yen in millions Fiscal year ended March 31		
	2009	2010	2011
Consumer, Professional & Devices	53,732	68,640	38,018
Networked Products & Services	3,062	3,682	7,021

Pictures	4,908	5,605	2,722
Music	6,337	5,225	2,662
Financial Services	789	5,078	5,010
All Other and Corporate	6,562	28,242	6,885
Total net charges	75,390	116,472	62,318

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

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production under an approved restructuring plan. Any impairment of the asset is recognized immediately in the period.

Consumer, Professional & Devices segment

In an effort to improve the performance of the Consumer, Professional & Devices segment, Sony has undergone a number of restructuring efforts to reduce its operating costs. These efforts included headcount reduction programs, initiatives to advance rationalization of manufacturing operations, shifting and aggregating manufacturing to low-cost areas, and utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs). The restructuring charges of the Consumer, Professional & Devices segment in the tables above include non-cash inventory and long-lived asset write downs and disposals which represent a substantial majority of Sony s total such charges. Significant restructuring activities are as follows:

Retirement programs -

In an effort to improve the performance of the Consumer, Professional & Devices segment, Sony has undergone several headcount reduction programs to further reduce operating costs. Through measures including the realignment of its manufacturing sites, a review of its development and design structure, and the streamlining of its sales and administrative functions, Sony has implemented and will continue a company-wide (including headquarters) rationalization. Sony intends to reallocate and optimize its workforce through programs including work reassignments and outplacements. As a result of these measures, Sony recorded in the Consumer, Professional & Devices segment restructuring charges related mainly to employee termination benefits totaling 42,018 million yen, 39,821 million yen and 25,345 million yen for the fiscal years ended March 31, 2009, 2010 and 2011, respectively, in selling, general and administrative expenses in the consolidated statements of income. These staff reductions were achieved worldwide mostly through the implementation of early retirement programs. Sony will continue to implement programs to reduce headcount by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions.

Realignment of manufacturing operations in Japan -

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

As a result of this realignment of manufacturing operations in Japan, restructuring charges for the closure of production facilities totaling 13,219 million yen consisted mainly of personnel related costs and the disposal or impairment of assets. Of the total restructuring charges, 8,859 million yen for employee termination benefits was recorded in selling, general and administrative expenses and 3,716 million yen for the disposal or impairment of assets was recorded in (gain) loss on sale, disposal or impairment of assets and other, net in the consolidated statements of income. In addition to the restructuring charges, 5,622 million yen of non-cash charges related to depreciation associated with restructured assets were recorded in cost of sales in the consolidated statements of income as a result of this realignment of manufacturing operations in Japan. At March 31, 2011, there was no material remaining liability.

Sales and transfers of manufacturing operations outside of Japan -

During the fiscal year ended March 31, 2011, Sony sold and transferred certain manufacturing operations outside of Japan to third parties to reduce operating costs. The resulting restructuring charges included expenses of 11,583 million yen related to the transfer of a factory in Barcelona and the impairment of related assets. At March 31, 2011, there was no material remaining liability.

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

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Asset-impairment of TFT LCD related fixed assets -

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

Asset-impairment of OLED related equipment -

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

Networked Products & Services segment

In an effort to improve the performance of the Networked Products & Services segment, Sony has undergone a number of restructuring efforts to reduce operating costs.

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

Pictures segment

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

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

At March 31, 2011, the remaining liability balance was 2,562 million yen, the majority of which will be paid or settled over the next year.

Music segment

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

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

At March 31, 2011, the remaining liability balance was 4,641 million yen, the majority of which will be paid or settled over the next year.

Restructuring liabilities related to the SONY BMG acquisition -

As a result of the acquisition of Sony Music Entertainment (SME), Sony reflected in the consolidated balance sheets 8,884 million yen of restructuring liabilities which related to restructuring activities undertaken by SME prior to Sony s acquisition of Bertelsmann AG s 50% ownership interest, but which had not yet been paid or settled by SME. The restructuring liability relates to activities previously accrued by SONY BMG but which were unpaid as of the acquisition date representing severance costs of 6,517 million yen and lease, other contract termination and other exit costs of 2,367 million yen. In connection with the acquisition, Sony also recorded additional restructuring accruals of 2,733 million yen, primarily related to Sony s plans to consolidate certain SME operations with those of other Sony entities. These restructuring accruals included severance benefits of 2,463 million yen and lease, other contract termination and other exit costs of 270 million yen. During the fiscal year ended

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March 31, 2010, SME determined that certain of the restructuring activities identified at the time of the acquisition would not be implemented. As a result, 1,557 million yen of this restructuring liability, primarily for severance benefits, was reversed and recorded as a reduction to the goodwill that was recorded in connection with the acquisition of SME.

Financial Services segment

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

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

At March 31, 2011, the remaining liability balance was 1,745 million yen, the majority of which will be paid or settled over the next year.

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

All Other and Corporate

Realignment of manufacturing operations in Japan -

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

As a result of this realignment, restructuring charges for the closure of production facilities totaling 6,041 million yen were recorded, which consisted mainly of personnel related costs and the disposal or impairment of assets. Of the total restructuring charges, 4,900 million yen for employee termination benefits was recorded in selling, general and administrative expenses, and 862 million yen for the disposal or impairment of assets was recorded in (gain) loss on sale, disposal or impairment of assets and other, net in the consolidated statements of income. In addition to the restructuring charges, 553 million yen of non-cash charges related to depreciation associated with restructured assets were recorded in cost of sales in the consolidated statements of income. At March 31, 2011, there was no material remaining liability.

Withdrawal from property lease contract -

During the fiscal year ended March 31, 2010, Sony withdrew from the property management operation of an entertainment complex in Japan and terminated the property lease contract. Sony recorded 6,495 million yen of termination payments in cost of sales in the consolidated statements of income. At March 31, 2011, there was no remaining liability.

Corporate restructuring charges related to headquarters -

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

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in the consolidated statements of income for the fiscal year ended March 31, 2010. At March 31, 2011, there was no remaining liability.

Other asset impairment information

Sony recorded a 27,100 million yen impairment loss, included within the Consumer, Professional & Devices segment, related to the LCD TV assets group in the fiscal year ended March 31, 2010. The impairment loss primarily reflects a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. During the fourth quarter of the fiscal year ended March 31, 2010, management updated its strategic plans, which resulted in decreases in the assets estimated service periods and corresponding estimated future cash flows leading to the impairment loss. Sony excluded this loss on impairment from restructuring charges as it was not directly related to Sony s ongoing restructuring initiatives.

20. ***Research and development costs, advertising costs and shipping and handling costs***

(1) Research and development costs:

Research and development costs charged to cost of sales for the fiscal years ended March 31, 2009, 2010 and 2011 were 497,297 million yen, 432,001 million yen and 426,814 million yen, respectively.

(2) Advertising costs:

Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2009, 2010 and 2011 were 436,412 million yen, 383,540 million yen and 396,425 million yen, respectively.

(3) Shipping and handling costs:

Shipping and handling costs for finished goods included in selling, general and administrative expenses for the fiscal years ended March 31, 2009, 2010 and 2011 were 120,175 million yen, 83,622 million yen and 91,926 million yen, respectively, which included the internal transportation costs of finished goods.

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21. *Income taxes*

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

	Yen in millions		
	Fiscal year ended March 31		
	2009	**2010**	**2011**
Income (loss) before income taxes:			
Sony Corporation and all subsidiaries in Japan	(4,453)	45,290	143,917
Foreign subsidiaries	(170,502)	(18,378)	61,096
	(174,955)	26,912	205,013
Income taxes Current:			
Sony Corporation and all subsidiaries in Japan	34,631	42,723	60,514
Foreign subsidiaries	45,890	5,975	57,404
	80,521	48,698	117,918
Income taxes Deferred:			
Sony Corporation and all subsidiaries in Japan	(105,211)	(25,589)	365,665
Foreign subsidiaries	(48,051)	(9,151)	(58,244)
	(153,262)	(34,740)	307,421
Total income tax expense (benefit)	(72,741)	13,958	425,339

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

	Fiscal year ended March 31		
	2009	**2010**	**2011**
Statutory tax rate	(41.0)%	41.0%	41.0%
Non-deductible expenses	1.9	10.3	1.3
Income tax credits	11.4	(18.0)	(2.0)
Change in valuation allowances	12.9	4.7	174.5
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	(31.8)	5.8	1.5
Lower tax rate applied to life and non-life insurance business in Japan	0.8	(30.3)	(2.8)
Foreign income tax differential	0.5	(17.6)	(10.5)

Adjustments to tax accruals and reserves	(7.3)	16.2	4.5
Effect of equity in net income (loss) of affiliated companies	5.9	46.0	(2.8)
Other	5.1	(6.2)	2.8
Effective income tax rate	(41.6)%	51.9%	207.5%

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

	Yen in millions March 31	
	2010	2011
Deferred tax assets:		
Operating loss carryforwards for tax purposes	242,172	316,856
Accrued pension and severance costs	130,508	103,674
Film costs	22,683	16,405
Warranty reserves and accrued expenses	74,528	69,240
Future insurance policy benefits	21,810	26,177
Accrued bonus	22,764	24,825
Inventory	31,608	35,989
Depreciation	37,553	35,128
Tax credit carryforwards	70,737	74,284
Reserve for doubtful accounts	9,243	8,404
Impairment of investments	42,948	33,743
Deferred revenue in the Pictures segment	17,579	19,254
Other	136,363	140,745
Gross deferred tax assets	860,496	904,724
Less: Valuation allowance	(117,486)	(463,702)
Total deferred tax assets	743,010	441,022
Deferred tax liabilities:		
Insurance acquisition costs	(151,548)	(155,073)
Unbilled accounts receivable in the Pictures segment	(42,421)	(40,469)
Unrealized gains on securities	(38,792)	(33,101)
Intangible assets acquired through stock exchange offerings	(32,456)	(32,136)
Undistributed earnings of foreign subsidiaries and#@corporate joint ventures	(44,717)	(46,261)
Other	(96,674)	(109,903)
Gross deferred tax liabilities	(406,608)	(416,943)
Net deferred tax assets	336,402	24,079

The valuation allowance mainly relates to deferred tax assets of certain consolidated subsidiaries with operating loss carryforwards and tax credit carryforwards for tax purposes that are not more-likely-than-not to be realized. The net changes in the total valuation allowance were increases of 21,197 million yen, 282 million yen and 346,216 million yen for the fiscal years ended March 31, 2009, 2010 and 2011, respectively. The increases during the fiscal years ended March 31, 2009 and 2010 were due to the additional valuation allowances recorded on deferred tax assets for net operating loss carryforwards and tax credit carryforwards at certain subsidiaries. The increase during the fiscal year ended March 31, 2011 was primarily due to the additional valuation allowance recorded on deferred tax assets at Sony Corporation and its national tax filing group in Japan.

As a result of losses incurred in recent years, Sony Corporation in Japan, Sony Computer Entertainment America Inc. (SCEA) in the U.S., and the U.K. entities Sony Computer Entertainment Europe Limited and Sony Europe Limited are each in a three year cumulative pre-tax loss position. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset that is difficult to overcome in determining that a valuation allowance is not needed against deferred tax assets. Sony Americas Holding Inc., the

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consolidated group of which SCEA is a member, also has significant deferred tax assets in the form of net operating losses and tax credit carryforwards and has incurred pre-tax losses in recent years.

Sony has concluded that with respect to the U.S. and U.K. entities, there is sufficient positive evidence to overcome this negative evidence when considering future forecasted income, the relatively long carryforward periods in the U.S. and U.K. and the use of tax planning strategies. The tax planning strategies include changes in tax depreciation and amortization methods, legal and operational restructuring in the U.K. and significant portions of Europe and the sales of certain assets that could realize the excess of appreciated value over the tax basis of those assets. Sony believes that the tax planning strategies coupled with future earnings forecasts of the historically profitable entities would produce sufficient taxable income in these entities to fully realize the deferred tax assets. Accordingly, no significant valuation allowance has been recorded for the U.S. or U.K. entities as of March 31, 2011.

Sony Corporation and its national tax filing group in Japan are in a three year cumulative loss position in the fiscal year ended March 31, 2011. In Japan, Sony Corporation files a standalone tax filing for local tax purposes and a consolidated national tax filing with its wholly owned Japanese subsidiaries for national tax purposes. As the national tax filing group only includes wholly owned subsidiaries, certain Japanese subsidiaries are excluded, the most significant of which are Sony Financial Holdings Inc. and its subsidiaries. Due to the three consecutive years of losses, and because the net operating losses in Japan have a relatively short carryforward period of 7 years, a limited number of years of the carryforward period remain. The first year of expiration of the remaining net operating losses in Japan would be 2014 for local tax and 2016 for national tax. Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available positive and negative evidence, it is more likely than not that such assets will not be realized. While the three year cumulative loss position and the remaining limited years in the carryforward period are significant negative evidence, there is positive evidence in the form of a history of taxable income and a history of utilizing assets before expiration, as well as the availability of tax strategies regarding the utilization of the deferred tax assets. However, based on the near term forecast including the anticipated impact of the Great East Japan Earthquake and the lesser weight provided to longer range forecasts when an entity is in a three year cumulative loss, Sony does not believe that the objectively verifiable positive evidence is sufficient to overcome the significant negative evidence of the three year cumulative loss. As the weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objectively verifiable negative evidence of recent financial reporting losses. Accordingly, Sony, based on the weight of the available positive and negative evidence, established a valuation allowance of 362,316 million yen as of March 31, 2011.

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Yen in millions March 31	
	2010	2011
Current assets Deferred income taxes	197,598	133,059
Other assets Deferred income taxes	403,537	239,587
Current liabilities Other	(28,212)	(42,340)
Long-term liabilities Deferred income taxes	(236,521)	(306,227)

Net deferred tax assets	336,402	24,079

At March 31, 2011, deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries and corporate joint ventures not expected to be remitted in the foreseeable future totaling 1,056,601 million yen, and on the gain of 61,544 million yen on a subsidiary s sale of stock arising from the issuance of common stock of Sony Music Entertainment (Japan) Inc. (SMEJ) in a public offering to third parties in November 1991, as Sony does not anticipate any significant tax consequences on possible future disposition of its investment based on

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its tax planning strategies. The unrecognized deferred tax liabilities as of March 31, 2011 for such temporary differences can not be determined.

At March 31, 2011, Sony has operating loss carryforwards for tax purposes, the tax effect of which totaled 316,856 million yen, which will be available as an offset against future taxable income on tax returns to be filed in various tax jurisdictions. With the exception of 62,720 million yen with no expiration period, substantially all of the total operating loss carryforwards expire at various periods between the fiscal years ending March 31, 2012 and 2018 and the remaining amounts expire in periods up to 20 years depending on the jurisdiction.

Tax credit carryforwards for tax purposes at March 31, 2011 amounted to 74,284 million yen. With the exception of 12,736 million yen with no expiration period, total available tax credit carryforwards expire at various dates primarily up to 10 years.

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

	Yen in millions March 31		
	2009	**2010**	**2011**
Balance at beginning of the fiscal year	282,098	276,627	229,228
Reductions for tax positions of prior years	(23,585)	(38,450)	(39,005)
Additions for tax positions of prior years	11,164	4,816	19,947
Additions based on tax positions related to the current year	68,848	10,873	41,201
Settlements	(13,267)	(5,921)	(1,478)
Lapse in statute of limitations	(921)	(1,506)	(7,770)
Foreign currency translation adjustments	(47,710)	(17,211)	(17,003)
Balance at end of the fiscal year	276,627	229,228	225,120
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	72,008	76,125	87,497

The major changes in the total gross amount of unrecognized tax benefit balances relate to the Bilateral Advance Pricing Agreements (APAs) filed for certain subsidiaries in the Consumer, Professional & Devices, Networked Products & Services and All Other segments with respect to their intercompany cross-border transactions. These APAs include agreements between Sony and two taxing authorities under the authority of the mutual agreement procedure specified in income tax treaties. Because these are government to government negotiations, it is reasonably possible that the final outcomes of the agreements may differ from Sony s current assessment of the more-likely-than-not outcomes of such agreements.

During the fiscal year ended March 31, 2009, Sony reversed 1,956 million yen of interest expense and 389 million yen of penalties.

During the fiscal year ended March 31, 2010, Sony recorded 4,707 million yen of interest expense and 1,565 million yen of penalties. At March 31, 2010, Sony had recorded liabilities of 10,911 million yen and 4,668 million yen for the payments of interest and penalties, respectively.

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

Sony operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited by Japanese and foreign taxing authorities. As a result of audit settlements, the conclusion of current examinations, the expiration of the statute of limitations in several jurisdictions and other reevaluations of Sony s tax positions, it is expected that the amount of unrecognized tax benefits will change in the next twelve months; however, Sony does not expect that change to have a significant impact on Sony s financial position or results of operations.

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Sony remains subject to examinations by Japanese taxing authorities for tax years from 2004 through 2010, and by the U.S. and other foreign taxing authorities for tax years from 1998 through 2010.

22. Reconciliation of the differences between basic and diluted EPS

Reconciliation of the differences between basic and diluted EPS for the fiscal years ended March 31, 2009, 2010 and 2011 is as follows:

	Yen in millions Fiscal year ended March 31		
	2009	**2010**	**2011**
Net loss attributable to Sony Corporation s stockholders for basic and diluted EPS computation	(98,938)	(40,802)	(259,585)
		Thousands of shares	
Weighted-average shares outstanding	1,003,499	1,003,520	1,003,559
Effect of dilutive securities:			
Stock acquisition rights			
Convertible bonds			
Weighted-average shares for diluted EPS computation	1,003,499	1,003,520	1,003,559
		Yen	
Basic EPS	(98.59)	(40.66)	(258.66)
Diluted EPS	(98.59)	(40.66)	(258.66)

Potential shares of common stock upon the exercise of stock acquisition rights and convertible bonds, which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2009, 2010 and 2011 were 13,553 thousand shares, 17,600 thousand shares and 19,383 thousand shares, respectively. All potential shares were excluded as anti-dilutive for those fiscal years ended March 31, 2009, 2010 and 2011 due to Sony incurring a net loss attributable to its stockholders for those fiscal years.

23. *Variable interest entities*

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

Note 6. For the VIEs that are described below, it has been determined that Sony is the primary beneficiary and, accordingly, these VIEs are consolidated by Sony.

Sony leases the headquarters building of its U.S. subsidiary from a VIE. In December 2008, Sony renewed its option under the lease agreement and extended the term of the lease until December 2015. At the end of the lease term, Sony has agreed to either renew the lease, purchase the building or remarket it to a third party on behalf of the owner. Under the lease, Sony has provided a minimum guarantee to the VIE that if the sales price is less than 255 million U.S. dollars, Sony is obligated to make up the lesser of the shortfall or 214 million U.S. dollars. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIE s economic performance, as well as the obligation to absorb the losses of the VIE due to the minimum guarantee. As a result, it has been determined that Sony is the primary beneficiary. Sony has not provided any additional support to the VIE other than its contractually obligated lease payments. Sony has the option to purchase the building at any time during the lease term for 255 million U.S. dollars. The debt held by the VIE is unsecured and there is no recourse to the creditors outside of Sony. The assets of the VIE are not available to settle

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the obligations of Sony. At March 31, 2011, the VIE had property, plant and equipment of 14,837 million yen and long-term debt of 21,236 million yen which were included in Sony s consolidated balance sheets.

Sony s U.S. subsidiary that is engaged in the recorded music business has entered into several joint ventures with companies involved in the production and creation of recorded music. Sony has reviewed these joint ventures and determined that they are VIEs. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIEs economic performance, as well as the obligation to absorb the losses of theses VIEs as Sony is responsible for providing funding to these VIEs, and in most cases absorbs all losses until the VIEs become profitable. As a result, it has been determined that Sony is the primary beneficiary. The assets of these VIEs are not available to settle the obligations of Sony. On an aggregate basis, the total assets and liabilities for these VIEs at March 31, 2011 were 13,738 million yen and 8,719 million yen, respectively.

Sony s U.S. based music publishing subsidiary is a joint venture with a third party investor and has been determined to be a VIE. The subsidiary owns and acquires rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. Under the terms of the joint venture, Sony has the obligation to fund any working capital deficits as well as any acquisition of music publishing rights made by the joint venture. In addition, the third party investor receives a guaranteed annual dividend of up to 17.5 million U.S. dollars through December 31, 2013. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIE s economic performance, as well as the obligation to absorb the losses of the VIE due to its obligation to provide funding to the joint venture. As a result, it has been determined that Sony is the primary beneficiary. The assets of the music publishing subsidiary are not available to settle the obligations of Sony. At March 31, 2011, the assets and liabilities of the VIE that were included in Sony s consolidated balance sheets were as follows:

	Yen in millions
Assets:	
Cash and cash equivalents	4,862
Account receivables, net	227
Other current assets	20,603
Property, plant and equipment, net	863
Intangibles, net	57,895
Goodwill	12,689
Other noncurrent assets	7,574
Total assets	104,713
Liabilities:	
Accounts payable and accrued expenses	32,034
Other current liabilities	2,619
Other noncurrent liabilities	1,893
Total liabilities	36,546

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

In connection with the September 2010 refinancing of the debt obligations of the third party investor in the music publishing subsidiary described above, Sony has issued a guarantee to a creditor of the third party investor in which Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 303 million U.S. dollars to the creditor should the third party investor default on its obligation. The obligation of the third party investor is collateralized by its 50% interest in Sony s music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor s rights to the underlying collateral. The

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assets of the third party investor that are being used as collateral were placed in a separate trust which is also a VIE in which Sony has significant variable interests. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the trust. The assets held by the trust consist solely of the third party investor s 50% ownership interest in the music publishing subsidiary. At March 31, 2011, the fair value of the assets held by the trust exceeded 303 million U.S. dollars.

Sony s subsidiary in the Pictures segment entered into a joint venture agreement with a VIE to acquire the international distribution rights, as defined, to 12 pictures. The subsidiary is required to distribute these pictures internationally, for contractually defined fees determined as percentages of gross receipts and is responsible for all distribution and marketing expenses, which are recouped from such distribution fees, each as defined. The VIE was capitalized with total financing of 406 million U.S. dollars. Of this amount, 11 million U.S. dollars was contributed by the subsidiary, 95 million U.S. dollars was provided by unrelated third party investors and the remaining funding was provided through a 300 million U.S. dollar bank credit facility. Under the agreement, the subsidiary s 11 million U.S. dollars equity investment is the last equity to be repaid. Based on the factors above, it was previously determined that the subsidiary was the primary beneficiary as it was projected to absorb the majority of the losses or residual returns. As of March 31, 2009, the bank credit facility had been terminated and the third party investors have been repaid their 95 million U.S. dollar investment. On May 11, 2009, the subsidiary repurchased from the VIE the international distribution rights to the 12 pictures and the VIE received a participation interest in these films on identical financial terms to those described above. As a result of repurchasing the international distribution rights from the VIE, Sony determined that the subsidiary was no longer the primary beneficiary as it was not projected to absorb the majority of the losses or residual returns of the VIE. No gain or loss was recognized by the subsidiary on the deconsolidation of the VIE. As of March 31, 2011, the subsidiary s balance sheet includes 67 million yen of film costs related to the international distribution rights acquired from the VIE and 1,098 million yen of participation liabilities recorded within accounts payable, other and accrued expenses as well as other noncurrent liabilities due to the VIE.

Sony s subsidiary in the Pictures segment entered into two separate production/co-financing agreements with VIEs to co-finance 19 films that were released over the 31 months ended July 31, 2008. The subsidiary received 565 million U.S. dollars over the term of the agreements to fund the production or acquisition cost of films (including fees and expenses). Additionally, on January 19, 2007, the subsidiary entered into a third production/co-financing agreement with another VIE to co-finance a majority of the films to be submitted through March 2012. The subsidiary has received a commitment from the third VIE that it will fund up to 525 million U.S. dollars on a revolving basis to fund the production or acquisition cost of films (including fees and expenses). At March 31, 2011, 18 films of the subsidiary have been released and approximately 554 million U.S. dollars collectively have been funded by the third VIE. Under all three agreements, the subsidiary is responsible for the marketing and distribution of the product through its global distribution channels. The VIEs share in the net profits, as defined, of the films after the subsidiary recoups a distribution fee, its marketing and distribution expenses, and third party participation and residual costs, each as defined. As the subsidiary did not have the power to direct the activities of these three VIEs that most significantly impact the VIEs economic performance nor issue any guarantees with respect to the VIEs, the subsidiary does not absorb the majority of the losses or residual returns, and therefore does not qualify as the primary beneficiary for any of the VIEs. At March 31, 2011, there were no amounts recorded on the subsidiary s balance sheet that related to any of the VIEs other than the investors earned but unpaid share of the films net profits, as defined.

In January 2010, Sony sold 90.0% of its interest in a Mexican subsidiary which primarily manufactured LCD televisions, as well as other assets including machinery and equipment of 4,520 million yen and inventories of 5,619 million yen, to a contract manufacturer. The continuing entity, which would perform this manufacturing going forward, is a VIE as it is thinly capitalized and dependent on funding from the parent entity. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities that most significantly impact the VIE s economic performance nor does Sony have the obligation to absorb the losses of the VIE. In connection with the sale of Sony s controlling interest in the subsidiary, Sony received 11,189 million yen and recorded a loss of 1,664 million yen during the fiscal year ended March 31,

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2010. Concurrent with the sale, Sony entered into an agreement with the VIE and its parent company in which Sony agreed to purchase a significant share of the LCD televisions that Sony sells in certain markets, including the U.S. market. As of March 31, 2011, the amounts recorded on Sony s consolidated balance sheets that relate to the VIE include receivables recorded within prepaid expenses and other current assets of 21,953 million yen and accounts payable, trade of 20,853 million yen. Sony s maximum exposure to losses is considered insignificant.

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

24. *Acquisitions*

On April 1, 2009, Sony adopted new accounting guidance related to business combinations. The new guidance requires that the acquisition method of accounting be applied to a broader range of business combinations, amends the definition of a business combination, provides a definition of a business, requires an acquirer to recognize an acquired business at its fair value at the acquisition date, and requires the assets acquired and liabilities assumed in a business combination to be measured and recognized at their fair values as of the acquisition date, with limited exceptions.

(1) SONY BMG acquisition

On October 1, 2008, Sony completed the acquisition of Bertelsmann AG s 50% equity interest in SONY BMG, a global entertainment company engaged primarily in the development, production and distribution of recorded music, in all commercial formats and musical genres.

SONY BMG was a 50/50 joint venture between Sony and Bertelsmann AG originally created in August 2004. Prior to this acquisition, Sony s 50% equity interest was accounted for under the equity method of accounting through September 30, 2008. As a result of Sony s acquisition of Bertelsmann AG s 50% interest, SONY BMG, which has been renamed Sony Music Entertainment, became a wholly owned subsidiary of Sony and the results of SONY BMG were consolidated by Sony beginning October 1, 2008.

This acquisition allows Sony to achieve a deeper and more robust integration between the wide-ranging global assets of the recorded music company and Sony s products, operating companies and affiliates. Ultimately, this acquisition is expected to further Sony s goal of offering a total entertainment experience to consumers.

Bertelsmann AG s 50% interest in SONY BMG was acquired for 97,424 million yen, consisting of cash consideration of 95,410 million yen and transaction costs of 2,014 million yen. The acquisition was funded through a 63,606 million yen cash payment from Sony and a 31,803 million yen cash payment from SONY BMG, which represented Sony s share of SONY BMG s cash balance. Bertelsmann AG received an additional 31,803 million yen in cash from SONY BMG for its share of SONY BMG s cash balance, resulting in total cash receipts to Bertelsmann AG of 127,213 million yen.

As of October 1, 2008, Sony consolidated all of the assets and liabilities of SONY BMG. Sony s 50% share of the assets and liabilities of SONY BMG were recorded at their historical carryover basis while the 50% share of the assets and liabilities acquired from Bertelsmann AG were recorded at fair value.

During the finalization of the purchase price adjustments, certain adjustments were made to the allocation of the purchase price for the acquired assets and liabilities of SONY BMG to reflect the changes in the value of certain assets and liabilities. These changes resulted in a 8,649 million yen decrease in the goodwill recognized from the acquisition of Bertelsmann AG s 50% interest in SONY BMG. These adjustments were primarily reflected as an increase in deferred tax assets as a result of modifications to various pre-merger tax estimates as well as decreases in

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acquired liabilities as certain restructuring activities that were identified at the time of the acquisition will not be implemented.

The following table summarizes the preliminary values assigned to the assets and liabilities that were recorded for SONY BMG, including net assets at historical carryover basis, as well as the final adjustments described above:

	Yen in millions				
	Assets and liabilities recorded at the historical carryover basis	**Acquired assets and liabilities recorded at fair value**	**Total (as of October 1, 2008)**	**Adjustments**	**Total (after adjustments)**
Notes and accounts receivable, net	28,835	28,835	57,670		57,670
Capitalized artist advances short-term	11,979	11,979	23,958		23,958
Other current assets	33,711	25,443	59,154	(531)	58,623
Capitalized artist advances long-term	8,587	8,587	17,174		17,174
Intangibles, net	12,827	96,258	109,085		109,085
Goodwill	30,319	72,935	103,254	(8,649)	94,605
Other noncurrent assets	14,418	15,159	29,577	7,716	37,293
Total assets	140,676	259,196	399,872	(1,464)	398,408
Accrued royalties	66,151	66,044	132,195		132,195
Other current liabilities	60,744	64,879	125,623	(1,464)	124,159
Accrued pension and severance costs	11,661	11,767	23,428		23,428
Other noncurrent liabilities	8,057	19,082	27,139		27,139
Total liabilities	146,613	161,772	308,385	(1,464)	306,921
Net assets recorded for SONY BMG	(5,937)	97,424	91,487		91,487

No amounts were allocated to in-process research and development in this acquisition. Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the Music segment. Prior to the acquisition, both Sony and Bertelsmann AG had provided certain services to SONY BMG including manufacturing and distribution services, the leasing of office space and the licensing of the Sony and Bertelsmann AG brands. It was determined that the acquisition of Bertelsmann AG s interest did not result in a settlement gain or loss as a result of these pre-existing relationships.

The intangible assets are comprised of the following:

	Yen in millions			Years
	Intangibles recorded at the historical carryover basis	**Acquired intangibles recorded at fair value**	**Total**	**Weighted-average amortization period**
Intangibles subject to amortization, net				
Music catalogs	10,283	77,706	87,989	25
Artist contracts	2,014	15,160	17,174	10
Other	530	3,392	3,922	5
Total intangibles	12,827	96,258	109,085	22

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The results of operations for SONY BMG are included in the Music segment beginning October 1, 2008. The following unaudited supplemental pro forma financial information presents the combined results of operations of Sony and SONY BMG as though the acquisition had occurred as of the beginning of the fiscal year ended March 31, 2009:

	Yen in millions, except per share data Fiscal year ended March 31 2009 (Unaudited)
Net sales	7,266,265
Operating loss	(234,724)
Net loss attributable to Sony Corporation s stockholders	(104,614)
Basic EPS	(104.25)
Diluted EPS	(104.25)

The unaudited supplemental pro forma financial information is based on estimates and assumptions, which Sony believes are reasonable and is not intended to represent or be indicative of what Sony s consolidated net loss attributable to Sony Corporation s stockholders would have been had the acquisition been completed at the beginning of the period and should not be taken as indicative of Sony s future consolidated net income (loss) attributable to Sony Corporation s stockholders. The unaudited supplemental pro forma financial information includes incremental intangible asset amortization, interest costs and other charges as a result of the acquisition, net of the related tax effects.

(2) Game Show Network acquisition

In April 2009, Sony sold a portion of its 50% ownership interest in Game Show Network, LLC (GSN), which operates a U.S. cable network and online business, to the other investor in GSN, which resulted in cash proceeds of 8,831 million yen and a gain of 8,322 million yen for the fiscal year ended March 31, 2010. The gain was recorded in (gain) loss on sale, disposal or impairment of assets and other, net.

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

In addition to acquiring the additional 5% equity interest in GSN, Sony granted a put right to the Current Investor and received a call right from the Current Investor for an additional 18% equity interest in GSN. The put right is exercisable during three windows starting on April 1 of 2012, 2013 and 2014 and lasting for 60 business days. The exercise price of the put is calculated using a formula based on an agreed upon multiple of the earnings of GSN with a minimum price of 234 million U.S. dollars and a maximum price of 288 million U.S. dollars. Sony s call right is exercisable only if the put is not exercised, and may be exercised for 60 business days immediately after the last put window has expired. The exercise price of the call is calculated using the same formula as the put with a minimum price of 234 million U.S. dollars. A buy/sell provision also applies to the equity interests in GSN owned by Sony and the Current Investor and may be exercised annually for a 60 business day window beginning April 1, 2015.

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

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

The following table summarizes the preliminary fair value assigned to the assets and liabilities of GSN that were recorded in the Pictures segment. Due to the fact that the acquisition closed in March 2011, certain areas of purchase price allocation are not yet finalized including the fair value of certain tangible assets and liabilities acquired, the valuation of intangible assets acquired, income taxes and residual goodwill.

	Yen in millions Acquired assets and liabilities recorded at fair value
Cash and cash equivalents	4,039
Notes and accounts receivable, trade	3,089
Prepaid expenses and other current assets	395
Film costs	4,178
Property, plant and equipment	220
Intangibles	46,749
Goodwill	46,432
Other noncurrent assets	38
Total assets	105,140
Notes and accounts payable, trade	970
Accounts payable, other and accrued expenses	4,131
Other current liabilities	59
Other noncurrent liabilities	1,683
Total liabilities	6,843
Redeemable noncontrolling interest	18,779
Noncontrolling interest	40,728
Total	38,790

The portion of the noncontrolling interest that can be put to Sony is accounted for as mandatorily redeemable securities because redemption is outside of Sony s control. As such, the redeemable noncontrolling interest is reported in the mezzanine equity section in the consolidated balance sheets at March 31, 2011. The fair value of the noncontrolling interest was calculated using a combination of a discounted cash flow model and market comparables of similar transactions and companies. A lack of control discount was not applied in determining the fair value of the noncontrolling interest as the cash flows attributable to the noncontrolling interest holder are expected to be proportional to the cash flows attributable to the controlling interest holder.

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

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The intangible assets are comprised of the following:

	Yen in millions Acquired intangibles recorded at fair value	Years Weighted-average amortization period
Intangibles subject to amortization		
Television carriage agreements (broadcasting agreements)	33,698	20
Other	4,162	1
Intangible having an indefinite life		
Trademarks	8,889	
Total intangibles	46,749	

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

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

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

(3) Other acquisitions

During the fiscal year ended March 31, 2009, Sony completed certain other acquisitions for total consideration of 95,458 million yen which was paid primarily in cash and included:

Gracenote, Inc. (Gracenote), a global leader in technology and services for digital media identification, enrichment, and recommendation. Sony acquired Gracenote for 27,521 million yen, consisting of a cash payment of 27,108 million yen and transaction costs of 413 million yen; and

2waytraffic N.V. (2waytraffic), a Dutch entertainment company engaged primarily in creating, producing, licensing and distributing light entertainment content across television, mobile and digital platforms. Sony acquired 2waytraffic for 38,176 million yen, consisting of a cash payment of 24,369 million yen, assumption of 2waytraffic s third-party debt of 12,519 million yen and transaction costs of 1,288 million yen.

As a result of Sony s acquisition of Gracenote, 2waytraffic and other businesses, Sony recorded 61,614 million yen of goodwill and 32,977 million yen of intangible assets.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

During the fiscal year ended March 31, 2010, Sony completed acquisitions for total consideration of 17,616 million yen, of which 1,420 million yen was contingent consideration and subject to future change. The remaining consideration was paid primarily in cash. As a result of the acquisitions, Sony recorded 13,425 million yen of goodwill and 3,708 million yen of intangible assets.

During the fiscal year ended March 31, 2011, Sony completed other acquisitions for total consideration of 2,884 million yen which was paid primarily in cash and there was no material contingent consideration subject to future change. As a result of the acquisitions, Sony recorded 1,415 million yen of goodwill and 1,227 million yen of intangible assets.

No significant amounts have been allocated to in-process research and development and all of the entities described above have been consolidated into Sony s results of operations since their respective acquisition dates. Pro forma results of operations have not been presented because the effects of Gracenote, 2waytraffic and the other acquisitions, individually and in aggregate, were not material.

25. *Divestitures*

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

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

After the closing of the sale in March 2010, the parties submitted a non-suspensory filing to the Brazilian competition authority. On May 6, 2011, Sony received notification from the Brazilian competition authority that the transaction was approved without restriction. In the event the Brazilian competition authority did not approve both the March 2010 and the March 2011 sales, the sale of the Brazil portion of the investments could have been subject to rescission, in which case approximately 40% of the purchase prices, and the corresponding gains, could have been subject to rescission.

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

The above mentioned transactions were recorded in (gain) loss on sale, disposal or impairment of assets and other, net due to either the nature of the transaction or in consideration of factors including the relationship to Sony s core operations.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

26. *Collaborative arrangements*

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

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

For the years ended March 31, 2009, 2010 and 2011, 4,414 million yen, 4,687 million yen and 4,866 million yen, respectively, were recorded as cost of sales for amounts owed to the other participants and 4,600 million yen, 9,936 million yen and 10,244 million yen, respectively, were recorded as net sales for amounts due from the other participants in these collaborative arrangements.

27. *Commitments, contingent liabilities and other*

(1) Commitments:

A. Loan commitments

Subsidiaries in the Financial Services segment have entered into loan agreements with their customers in accordance with the condition of the contracts. As of March 31, 2011, the total unused portion of the line of credit extended under these contracts was 18,408 million yen. The aggregate amounts of future year-by-year payments for these loan commitments cannot be determined.

B. Purchase commitments and other

Purchase commitments and other outstanding at March 31, 2011 amounted to 350,015 million yen. The major components of these commitments are as follows:

In the ordinary course of business, Sony makes commitments for the purchase of property, plant and equipment. As of March 31, 2011, such commitments outstanding were 103,465 million yen.

Certain subsidiaries in the Pictures segment have entered into agreements with creative talent for the development and production of motion pictures and television programming as well as agreements with third parties to acquire completed motion pictures, or certain rights therein, and to acquire the rights to broadcast certain live action sporting events. These agreements cover various periods mainly within 5 years. As of March 31, 2011, these subsidiaries were committed to make payments under such contracts of 111,112 million yen.

Certain subsidiaries in the Music segment have entered into long-term contracts with recording artists and companies for the production and/or distribution of prerecorded music and videos. These contracts cover various periods mainly within 5 years. As of March 31, 2011, these subsidiaries were committed to make payments of 38,354 million yen under such long-term contracts.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

Fiscal year ending March 31	Yen in millions
2012	207,982
2013	46,707
2014	35,094
2015	25,073
2016	20,338
Later years	14,821
Total	350,015

(2) Contingent liabilities:

Sony had contingent liabilities including guarantees given in the ordinary course of business, which amounted to 103,613 million yen at March 31, 2011. The major components of these contingent liabilities are as follows:

As discussed in Note 23, Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 303 million U.S. dollars to the creditor of the third party investor of Sony s U.S. based music publishing subsidiary should the third party investor default on its obligation. The obligation of the third party investor is collateralized by its 50% interest in Sony s music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor s rights to the underlying collateral. At March 31, 2011, the fair value of the collateral exceeded 303 million U.S. dollars.

Sony has agreed to guarantee a portion of Sony Ericsson s debt and its facilities up to a maximum of 225 million euros. At March 31, 2011, Sony has guaranteed 26,516 million yen (225 million euros) for a portion of Sony Ericsson s debt under this arrangement. These guarantees expire by March 2012.

Beginning earlier in 2011, the network services of PlayStation®Network, Qriocity^{tm}, Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of June 7, 2011, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from the cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including orders for reports issued by the Ministry of Economy, Trade and Industry of Japan as well as the Financial Services Agency of Japan, formal and/or informal requests for information from Attorneys General from a number of states in the United States and the U.S. Federal Trade Commission, various U.S. congressional inquiries and others. Additionally, Sony Corporation and/or certain of its subsidiaries have been named in a number of purported class actions in certain jurisdictions, including the United States. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of these matters.

In October 2009, Sony Corporation s U.S. subsidiary, Sony Optiarc America Inc., received a subpoena from the U.S. Department of Justice (DOJ) Antitrust Division seeking information about its optical disk drive business. Sony understands that the DOJ and agencies outside the United States are investigating competition in optical disk drives. Subsequently, a number of purported class action lawsuits were filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of 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 to Sony and its legal counsel, the management of Sony believes that the outcome from such legal and regulatory proceedings would not have a material effect on Sony s consolidated financial statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

(3) Redeemable noncontrolling interest:

As discussed in Note 24, in connection with the GSN transaction, Sony granted a put right to the Current Investor for an additional 18% equity interest in GSN. The put right is exercisable during three windows starting on April 1 of 2012, 2013 and 2014 and lasting for 60 business days. The exercise price of the put is calculated using a formula based on an agreed upon multiple of the earnings of GSN with a minimum price of 234 million U.S. dollars and a maximum price of 288 million U.S. dollars. The portion of the noncontrolling interest that can be put to Sony is accounted for as mandatorily redeemable securities because redemption is outside of Sony s control and is reported in the mezzanine equity section in the consolidated balance sheets at March 31, 2011.

(4) Product warranty liabilities:

The changes in product warranty liability for the fiscal years ended March 31, 2009, 2010 and 2011 are as follows:

	Yen in millions Fiscal year ended March 31		
	2009	2010	2011
Balance at beginning of the fiscal year	59,748	57,922	50,856
Additional liabilities for warranties	60,845	46,686	48,610
Settlements (in cash or in kind)	(54,498)	(45,218)	(36,537)
Changes in estimate for pre-existing warranty reserve	(2,042)	(7,649)	(4,802)
Translation adjustment	(6,131)	(885)	(3,187)
Balance at end of the fiscal year	57,922	50,856	54,940

28. ***Business segment information***

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

Sony realigned its reportable segments from the first quarter of the fiscal year ending March 31, 2011, to reflect modifications to the organizational structure as of April 1, 2010, primarily repositioning the operations of the previously reported B2B & Disc Manufacturing segment. In connection with this realignment, the Consumer Products & Devices segment was renamed the Consumer, Professional & Devices (CPD) segment.

The CPD segment includes televisions, digital imaging, audio and video, semiconductors and components as well as professional solutions (the B2B business which was previously incorporated in the B2B & Disc Manufacturing segment). The equity results of S-LCD are also included within the CPD segment. The Networked Products & Services (NPS) segment includes Game as well as PC and Other Networked Businesses. The Pictures segment develops, produces and acquires and manufactures image-based software, including motion picture, home entertainment and television products mainly in the U.S., and markets, distributes and broadcasts these products in the worldwide market. The Music segment includes SME, SMEJ and a 50% owned U.S. based joint venture in the music publishing business, Sony/ATV Music Publishing LLC. For the fiscal year ended March 31, 2009, the Music segment s operating income includes the equity results for SONY BMG through September 30, 2008. The Financial Services segment primarily represents individual life insurance and non-life insurance businesses in the Japanese market, a credit financing business and a bank business in Japan. The equity earnings from Sony Ericsson continue to be presented as a separate segment. All Other consists of various operating activities, including a mobile phone OEM business in Japan and So-net Entertainment Corporation, an Internet-related service business subsidiary operating mainly in Japan. The disc manufacturing business previously included in the B2B & Disc Manufacturing

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

segment is now included in All Other. Sony s products and services are generally unique to a single operating segment. In connection with the realignment, all prior period amounts in the segment disclosures have been restated to conform to the current presentation.

Sales and operating revenue:

	Yen in millions Fiscal year ended March 31		
	2009	**2010**	**2011**
Sales and operating revenue:			
Consumer, Professional & Devices			
Customers	3,926,386	3,207,546	3,345,048
Intersegment	431,363	310,573	227,696
Total	4,357,749	3,518,119	3,572,744
Networked Products & Services			
Customers	1,684,758	1,511,575	1,493,136
Intersegment	70,885	61,041	86,195
Total	1,755,643	1,572,616	1,579,331
Pictures			
Customers	717,513	705,237	599,654
Intersegment			312
Total	717,513	705,237	599,966
Music			
Customers	363,074	511,097	457,771
Intersegment	23,979	11,519	12,972
Total	387,053	522,616	470,743
Financial Services			
Customers	523,307	838,300	798,495
Intersegment	14,899	13,096	8,031
Total	538,206	851,396	806,526
All Other			
Customers	453,603	379,862	377,816
Intersegment	76,523	80,904	70,004
Total	530,126	460,766	447,820
Corporate and elimination	(556,297)	(416,752)	(295,857)
Consolidated total	7,729,993	7,213,998	7,181,273

CPD intersegment amounts primarily consist of transactions with the NPS segment.

NPS intersegment amounts primarily consist of transactions with the CPD segment.

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

Corporate and elimination includes certain brand and patent royalty income.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Segment profit or loss:

	Yen in millions Fiscal year ended March 31 2009	2010	2011
Operating income (loss):			
Consumer, Professional & Devices	(115,571)	(53,174)	2,898
Networked Products & Services	(87,428)	(83,265)	35,569
Pictures	29,916	42,814	38,669
Music	27,843	36,513	38,927
Financial Services	(31,157)	162,492	118,818
Equity in net income (loss) of Sony Ericsson	(30,255)	(34,514)	4,155
All Other	3,105	(4,976)	8,554
Total	(203,547)	65,890	247,590
Corporate and elimination	(24,236)	(34,118)	(47,769)
Consolidated operating income (loss)	(227,783)	31,772	199,821
Other income	98,825	43,834	44,966
Other expenses	(45,997)	(48,694)	(39,774)
Consolidated income (loss) before income taxes	(174,955)	26,912	205,013

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

Corporate and elimination includes certain restructuring costs and other corporate expenses, which are attributable principally to headquarters and are not allocated to segments.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Other significant items:

	Yen in millions Fiscal year ended March 31		
	2009	**2010**	**2011**
Equity in net income (loss) of affiliated companies:			
Consumer, Professional & Devices	3,746	(647)	7,084
Networked Products & Services			
Pictures	7,991	4,347	2,483
Music	(6,029)	(80)	(265)
Financial Services	(1,796)	(1,345)	(1,961)
Sony Ericsson	(30,255)	(34,514)	4,155
All Other	1,234	2,004	2,566
Consolidated total	(25,109)	(30,235)	14,062
Depreciation and amortization:			
Consumer, Professional & Devices	250,353	219,132	164,478
Networked Products & Services	21,651	23,662	24,483
Pictures	7,904	8,427	7,996
Music	9,756	13,427	12,166
Financial Services, including deferred insurance acquisition costs	67,714	56,531	62,077
All Other	20,561	21,488	20,777
Total	377,939	342,667	291,977
Corporate	27,504	28,337	33,389
Consolidated total	405,443	371,004	325,366

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

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

	Yen in millions Fiscal year ended March 31		
	2009	**2010**	**2011**
Sales and operating revenue:			
Consumer, Professional & Devices			
Televisions	1,275,692	1,005,773	1,200,491
Digital Imaging	831,820	664,502	642,570
Audio and Video	531,542	449,882	426,594
Semiconductors	310,682	299,715	358,396
Components	613,013	476,097	410,090
Professional Solutions	346,326	295,360	287,394
Other	17,311	16,217	19,513
Total	3,926,386	3,207,546	3,345,048
Networked Products & Services			
Game	984,855	840,711	798,405
PC and Other Networked Businesses	699,903	670,864	694,731
Total	1,684,758	1,511,575	1,493,136
Pictures	717,513	705,237	599,654
Music	363,074	511,097	457,771
Financial Services	523,307	838,300	798,495
All Other	453,603	379,862	377,816
Corporate	61,352	60,381	109,353
Consolidated total	7,729,993	7,213,998	7,181,273

Geographic information:

Sales and operating revenue to external customers which are attributed to countries based on location of customers for the fiscal years ended March 31, 2009, 2010 and 2011 and long-lived assets as of March 31, 2010 and 2011 are as follows:

	Yen in millions Fiscal year ended March 31		
	2009	**2010**	**2011**
Sales and operating revenue:			

Japan	1,873,219	2,099,297	2,152,552
U.S.A.	1,827,812	1,595,016	1,443,693
Europe	1,987,692	1,644,698	1,539,432
Asia-Pacific	1,285,551	1,193,573	1,288,412
Other areas	755,719	681,414	757,184
Total	7,729,993	7,213,998	7,181,273

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Yen in millions March 31 2010	2011
Long-lived assets:		
Japan	1,254,663	1,260,682
U.S.A.	750,436	729,647
Europe	194,717	156,201
Asia-Pacific	113,360	124,383
Other areas	58,545	50,337
Total	2,371,721	2,321,250

Geographic information for the fiscal years ended March 31, 2009 and 2010 in the table above has been restated to reflect the change in geographic classification.

Major areas in each geographic classification excluding Japan and U.S.A. are as follows:

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

There are not any individually material countries with respect to the sales and operating revenue and long-lived assets included in Europe, Asia-Pacific and Other areas.

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

There were no sales and operating revenue with any single major external customer for the fiscal years ended March 31, 2009, 2010 and 2011.

29. ***Subsequent events***

On April 1, 2011, Sony Semiconductor Kyushu Corporation, a wholly owned subsidiary of Sony Corporation, acquired semiconductor fabrication facilities from Toshiba Corporation (Toshiba). The fabrication facilities were operated by Nagasaki Semiconductor Manufacturing Corporation (NSM), a joint venture among Toshiba, Sony Corporation and Sony Computer Entertainment Inc. (SCEI), a wholly owned subsidiary of Sony Corporation. The purchase price for the facilities was 53,000 million yen. NSM was dissolved on March 31, 2011, and accordingly Toshiba, Sony Corporation and SCEI terminated the NSM joint venture relationship.

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Schedule

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Yen in millions				
	Balance at beginning of period	Additions charged to costs and expenses	Deductions (Note 1)	Other (Note 2)	Balance at end of period
Fiscal year ended March 31, 2009: Allowance for doubtful accounts and sales returns	93,335	80,064	(55,291)	(7,725)	110,383
Fiscal year ended March 31, 2010: Allowance for doubtful accounts and sales returns	110,383	59,987	(61,577)	(4,318)	104,475
Fiscal year ended March 31, 2011: Allowance for doubtful accounts and sales returns	104,475	50,345	(55,106)	(9,183)	90,531

Notes:

1. Reversal including amounts written off.

2. Translation adjustment.

	Balance at beginning of period	Additions	Deductions	Other (Note 1)	Balance at end of period
Fiscal year ended March 31, 2009: Valuation allowance - Deferred tax assets	96,007	40,594	(11,846)	(7,551)	117,204
Fiscal year ended March 31, 2010: Valuation allowance - Deferred tax assets	117,204	42,913	(40,210)	(2,421)	117,486

Fiscal year ended March 31, 2011:					
Valuation allowance - Deferred tax assets	117,486	380,593	(28,736)	(5,641)	463,702

Note:

1. Translation adjustment and the effect of changes in statutory tax rate.

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SONY ERICSSON MOBILE COMMUNICATIONS

Consolidated Financial Statements of Sony Ericsson Mobile Communications AB

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SONY ERICSSON MOBILE COMMUNICATIONS

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SONY ERICSSON MOBILE COMMUNICATIONS

Consolidated Income Statements
January 1 - December 31, TEUR

	Notes	2010	2009	2008
Net sales	C2	6,293,782	6,788,152	11,243,840
Cost of sales		(4,440,285)	(5,781,797)	(8,749,816)
GROSS PROFIT		1,853,497	1,006,355	2,494,024
Selling expenses		(479,150)	(583,412)	(868,700)
General and Administration expenses	C24	(413,474)	(442,543)	(439,710)
Research and Development expenses		(839,570)	(1,045,784)	(1,319,567)
Other operating revenues	C3	38,181	48,053	44,074
Other operating expenses	C3		(523)	(548)
Share in earnings of joint venture				(22,649)
OPERATING INCOME	C6,C7,C15,C16,C22,C23	159,484	(1,017,854)	(113,077)
Interest income	C4	17,798	21,324	101,494
Interest expense	C4	(29,981)	(46,146)	(71,162)
NET INCOME BEFORE TAXES		147,301	(1,042,676)	(82,745)
Income taxes for the year	C5	(48,326)	235,569	31,138
Minority interest		(8,508)	(28,720)	(21,283)
NET INCOME		90,468	(835,827)	(72,890)

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SONY ERICSSON MOBILE COMMUNICATIONS

Consolidated Balance Sheets

December 31, TEUR

	Notes	2010	2009
ASSETS			
Fixed assets			
Intangible assets	C6	12,211	16,607
Tangible assets	C7	135,334	149,675
Financial assets			
Other non-current assets	C8	655,868	610,821
Total fixed and financial assets		803,413	777,103
Current assets			
Inventories	C9	460,357	358,141
Accounts receivable	C10	835,949	832,073
Other current assets	C11	295,046	379,676
Other short-term cash investments	C12	276,168	524,235
Cash and bank		328,516	388,884
Total current assets		2,196,036	2,483,009
Total assets		2,999,449	3,260,112
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders equity	C13		
Restricted equity			
Share capital		100,000	100,000
Restricted reserves		467,998	442,576
Total restricted equity		567,998	542,576
Unrestricted equity			
Non-restricted reserves		(126,741)	674,291
Net income for the year		90,468	(835,827)
Total unrestricted equity		(36,273)	(161,536)
Total equity		531,725	381,040
Minority interest		42,286	47,364
Provisions	C14	391,370	628,113
LIABILITIES			
Long-term liabilities			
Post-employment benefits	C16	24,466	24,104
Liabilities to financial institutions	C17, C26	100,000	
Other long-term liabilities	C17	7,838	5,940
Total long-term liabilities		132,304	30,044
Current liabilities			
Liabilities to financial institutions	C26	133,081	258,273
Advances from customers		2,668	2,225
Accounts payable		768,747	851,913
Income tax liabilities		51,751	19,103
Other current liabilities	C18	945,517	1,042,037

Total current liabilities		1,901,764	2,173,551
Total shareholders equity and liabilities		2,999,449	3,260,112
Assets pledged as collateral	C19	27	35,264
Contingent liabilities	C20	3,603	3,229

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SONY ERICSSON MOBILE COMMUNICATIONS

Consolidated Cash Flow
January 1 - December 31, TEUR

	Notes	2010	2009	2008
OPERATING ACTIVITIES				
Net income		90,468	(835,827)	(72,890)
Depreciation		76,452	105,760	117,687
Adjustment to reconcile net income to cash	C21	(231,527)	(217,828)	18,928
		(64,607)	(947,895)	63,725
Change in inventories		(75,724)	171,563	(93,186)
Change in accounts receivable		56,990	812,827	240,778
Change in other receivables		98,095	226,105	(233,863)
Change in accounts payable		(142,732)	(133,490)	(273,593)
Change in other liabilities		(119,227)	(456,846)	26,721
Cash flow from operating activities		(247,205)	(327,736)	(269,418)
INVESTING ACTIVITIES				
Investments in intangible assets		(4,685)	(4,247)	(9,964)
Sales of intangible assets		144	164	2,607
Investments in tangible assets		(57,059)	(54,379)	(126,583)
Sales of tangible assets		22,142	6,975	5,391
Net investments in joint venture				(9,428)
Sales/Amortization of other financial assets				111,532
Change in temporary investments		35,000	(35,000)	
Cash flow from investing activities		(4,458)	(86,487)	(26,445)
FINANCING ACTIVITIES				
Borrowing		560,463	260,428	53,271
Repayment of debt		(597,683)	(53,919)	
Dividend to minority		(22,693)	(35,603)	(37,117)
Dividend paid				(770,000)
Cash flow from financing activities		(59,913)	170,906	(753,846)
Net change in cash		(311,576)	(243,317)	(1,049,708)
Cash, beginning of period		878,119	1,124,877	2,155,236
Translation difference in Cash		38,141	(3,441)	19,349
Cash, end of period		604,684	878,119	1,124,877

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Notes to the Consolidated Financial Statements

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C1. *Accounting Principles*

The consolidated financial statements of Sony Ericsson Mobile Communications AB are prepared in accordance with accounting principles generally accepted in Sweden, applying the Swedish Annual Accounts Act (ÅRL), the Swedish Accounting Standards Board s recommendations (Bokföringsnämnden, BFN) and the Recommendation of the Swedish Financial Accounting Standards Council, RR 29 Remunerations to employees. The accounting principles are unchanged since last year. Figures in parentheses in the disclosures refer to 2009.

As a result of the restructuring programmes launched in 2008 and 2009, all facilities are now managed by a centralized administrative function, leading to that from 2010 all facility cost has been reported as General and Administration expenses. The comparative figures have been restated to reflect this change, i.e. a move from Selling expenses and Research and Development expenses to General and Administration expenses as shown below.

	2009		2008	
	Before	**After**	**Before**	**After**
Selling expenses	(608,447)	(583,412)	(894,808)	(868,700)
General and Administration expenses	(355,603)	(442,543)	(354,139)	(439,710)
Research and Development expenses	(1,107,689)	(1,045,784)	(1,379,031)	(1,319,567)
	(2,071,738)	(2,071,738)	(2,627,978)	(2,627,978)

Principle of Consolidation

The consolidated financial statements include the accounts of the Parent Company and all subsidiaries in which the company has a voting majority. The intercompany transactions and internal profit have been eliminated. The consolidated financial statements have been prepared in accordance with the purchase method, whereby consolidated stockholders equity includes equity earned only after acquisition. Minority interest in net earnings is reported in the consolidated income statement. Minority interest in the equity of subsidiaries is reported as a separate item in the consolidated balance sheet.

Translation of financial statements in foreign currency

Sony Ericsson s results are presented in EUR which is the reporting currency and the functional currency of the parent company. The group has sales and cost of sales in a large number of currencies. For all companies, including subsidiary companies, the functional (business) currency is the currency in which the companies primarily generate and expend cash. Their financial statements plus goodwill related to such companies are translated to EUR by translating assets and liabilities at the closing rate on the balance sheet day and income statement items at average exchange rates, during the year, with translation adjustments reported directly in consolidated equity.

Revenue recognition

Sales revenue is recorded upon the delivery of products according to contractual terms and represents amounts realized, excluding value-added tax, and is net of goods expected to be returned, trade discounts and allowances. Sales revenue is recognized with reference to all significant contractual terms when the product has been delivered, when the revenue amount is fixed or determinable and when collection is reasonably assured.

Accruals for sales bonuses and similar items such as quarterly and yearly bonuses, quality bonus, co-op advertising and stock protection are shown as deductions from gross sales to arrive at net sales.

For product and equipment sales, revenue recognition generally does not occur until the products or equipment have been shipped, risk of loss has transferred to the customer, and objective evidence exists that customer acceptance provisions, if any, have been met. The Company records revenue when allowances for discounts, price protection, returns and customer incentives can be reliably estimated. Recorded revenues are reduced by these

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allowances. The Company bases its estimates on historical experience taking into consideration the type of products sold, the type of customer, and the type of transaction specific in each arrangement.

Costs related to shipping and handlings are included in cost of sales in the Consolidated Income Statement.

Research and development costs

Research and development costs are charged to expenses as incurred. Expenses related to the third party (including joint venture) development of new platforms for mobile phones are capitalized as other non-current asset and are amortized when the platforms are put into commercial use. Such costs are capitalized as intangible assets when technological feasibility has been established and when future economic benefits can be demonstrated.

Hedge accounting

The Group applies hedge accounting, by electing the fair value option in accordance with the Swedish Annual Accounts Act 4:14, for financial instruments intended to hedge foreign currency exposures having a future impact on results.

At the point in time at which the contract is established, the relationship between the hedging instrument and the hedged item is documented, as well as the purpose of this risk management and the strategy for taking various hedging measures. The company also documents its assessment, both when the contract is entered into and on an ongoing basis, as to whether the derivative used in the hedging transaction is effective in counteracting changes in fair value or income statement effects, in terms of the hedged items in question.

The hedging is designed in such a manner as to ensure, to the greatest degree possible, its effectiveness. The changes in fair value for those derivative instruments which do not meet the conditions for hedge accounting are reported directly in the income statement.

Future foreign currency exposures are hedged primarily by forward cover agreements but also via currency options. The effective portion of changes in the fair value of hedging instruments is recognized in equity. Any gain or loss relating to the ineffective portion is recognized in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods in which the hedged item affects profit or loss, for example, when the forecasted sale which is hedged takes place.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are stated at cost less accumulated depreciation and impairment losses as well as write-ups. Annual depreciation is reported as plan depreciation, generally using the straight line method with estimated useful lives ranging from 3 years up to 10 years for machineries and equipments. Intangible assets are amortized over a period ranging from 3 years up to 5 years or based on the contract s economic reality. Land improvements are amortized over 20 years. The costs of computer software developed or obtained for internal use are capitalized as intangible assets when technological feasibility has been established and when future economic benefits can be demonstrated.

Tooling

Tooling owned by Sony Ericsson but used in its manufacturing partners operations is capitalized and amortized over the useful life of the tools.

Financial assets

Financial assets that are intended for long-term holding are accounted at acquisition value and impairment is made if a permanent decrease in the value can be stated. These assets include strategic long-term investments in private companies over which Sony Ericsson does not have the ability to exercise significant influence.

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Joint venture

Investments in joint ventures, where Sony Ericsson has significant influence, are recognized in the consolidated financial statements in accordance with the equity method. Sony Ericsson s share of income before taxes is reported in item Share in earnings of joint venture included in Operating income. Taxes are included in item Income taxes for the year .

Impairment test of assets

Impairment tests are performed whenever there is an indication of possible impairment. An impairment loss is determined based on the amount by which the carrying value exceeds the fair value of those assets.

Leases

Leases on terms in which Sony Ericsson assumes substantially all the risks and rewards of ownership are classified as finance leases, i.e. the leased object is recognized as a non-current asset and the future obligations for lease payments are recognized as current and non-current liabilities in the Balance Sheet. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset, although the depreciation period would not exceed the lease term.

Leasing agreements which are not classified as financial leases are classified as operational leases, and the leased assets under such contracts are not recognized in the balance sheet.

Costs under operating leases are recognized in the Income Statement on a straight-line base over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Sony Ericsson has not identified any material financial leases for the reported periods.

Income tax

Reported income tax includes tax, which is to be paid or received, regarding the current year, adjustments concerning the previous years current taxes and changes in deferred taxes.

All income tax liabilities and receivables are valued at their nominal amount according to the tax regulations and are measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognized in the income statement unless it relates to a temporary difference earlier recognized directly in equity, in which case the adjustment is also recognized in equity.

In the case of items reported in the income statement, the related tax effects are also reported in the income statement. The tax effects of items that are accounted for directly against equity are also reported directly against equity.

Deferred tax is calculated according to the balance sheet method on all temporary differences arising between the reported value and the tax value of the assets and liabilities.

Receivables

Receivables with maturities greater than 12 months after balance sheet date are reported as fixed assets, and other receivables as current assets. Receivables are reported in the amounts at which they are expected to be received, on the basis of individual assessment.

Accounts Receivable

Accounts receivable are reported as current assets in the amounts at which they are expected to be received net of individual bad debt assessment.

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Inventories

Inventories, which include the cost of materials, labor and overhead, are measured at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis. Risk of obsolescence has been measured by estimating market value based on future customer demand and customer acceptance of new products.

Borrowings

Borrowings are reported initially at fair value, net of transaction costs incurred. If the reported amount differs from the amount to be repaid at maturity date, then the difference is allocated as interest expense or interest income over the tenor of the loan. In this manner, the initial amount reported agrees, at maturity date, with the amount to be repaid.

Financial liabilities first cease to be reported when they have been settled on the basis of repayment or when repayment has been waived.

All transactions are reported on settlement date.

Provisions

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations and the amounts can be reliably estimated. However, the actual outflow as a result of the obligation may differ from such estimate.

Warranty provisions include provisions for faulty products based on estimated return rates and costs. The best estimate is based on sales, contractual warranty periods and historical failure data of products sold.

Post-employment benefits

The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expenses when they are due.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee or former employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group is responsible for the fulfillment of the pension obligation.

The schemes are both funded and unfunded.

The liability or receivable recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, unrecognized actuarial gains and losses and unrecognized past service cost.

Independent actuaries using the Projected Unit Credit Method calculate the defined benefit obligations and expenses annually. This method indicates that past-service costs are amortized on a straight-line basis over the vesting period. The present value of the defined benefit obligation is determined by discontinuing the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, to the extent theses exceed 10% of the pension obligations present value or the fair value of plan assets are charged or credited to income over the employees expected average remaining period of service.

The principle described above for defined benefit plans is applied in the consolidated financial statements. The Parent Company has pension commitments in Sweden for white collar workers secured through an insurance

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solution with the insurance company Alecta. According to a statement issued by the Swedish Financial Reporting Board (UFR 3), this constitutes a multi-employer plan and should be accounted for as a defined benefit plan, as prescribed in RR 29 and UFR 6. Alecta cannot, however, provide the information required for the accounting of a defined benefit plan, as described in UFR 6. The Alecta plan is therefore accounted for as a defined contribution plan as prescribed in UFR6.

Contingent liabilities

The Group records a Contingent liability when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities are also reported when there is a present obligation that arises from past events but is not recognized, because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Statement of Cash Flow

Foreign subsidiaries transactions are translated at the average exchange rate during the period. Subsidiaries purchased and/or sold, net of cash acquired/sold, are reported as cash flow from investment activities and do not affect reported cash flow from operations. Cash and cash equivalents consist of cash and bank and short term cash investments with a maturity less than three months. Bank deposits with an initial maturity over three months are not included in cash and cash equivalents. The statement of Cash Flow for 2008, 2009 and 2010 complies with International Accounting Standards (IAS) No. 7.

Related party transactions

Transactions and balances related to Sony and Ericsson are classified as external items.

Disposition of earnings

Each year the Board of Directors assesses the parent company and the group s results and financial position in order to determine the appropriate disposition of earnings. This disposition, including any payment of dividends, is based on a number of factors including: the latest profit and loss account, the parent company s equity, the parent company s and the group s cash flows, the equity ratio and liquidity of the parent company and the group after the proposed dividend in relation to the industry standards in which the parent company and the group conducts its business, and both the parent company s and the group s ability to fulfill both their short and long-term obligations. The Board of Directors resolved that the accumulated deficit, EUR -121,810,460, whereof Net income for the year EUR 143,430,034, will be carried forward.

C2. ***Net sales by market area***

	2010	**2009**	**2008**
Europe, Middle East & Africa	3,218,638	3,744,278	5,965,838
Americas	851,203	849,577	2,565,969
Asia Pacific	2,223,941	2,194,297	2,712,033

Total	6,293,782	6,788,152	11,243,840

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C3. ***Other operating revenues and other operating expenses***

	2010	2009	2008
Other operating revenues			
Gains on sales of intangible and tangible assets	4,731	146	548
Gains on sales of financial assets			19,621
Commissions, license fees and other operating revenues	33,450	47,907	23,905
Total other operating revenues	38,181	48,053	44,074
Other operating expenses			
Losses on sales of intangible and tangible assets		(523)	(548)
Total other operating expenses		(523)	(548)

Gains on sales of financial assets refer to sale of shares in Symbian Software Ltd during 2008.

C4. ***Financial income and expenses***

	2010	2009	2008
Interest income and similar profit items			
Interest income external	13,498	16,909	80,962
Foreign exchange gains	1,824	2,363	18,055
Other financial income	2,477	2,052	2,476
Total	17,798	21,324	101,494
Interest expense and similar loss items			
Interest expenses external	(25,820)	(36,264)	(46,287)
Foreign exchange losses	(1,935)	(2,954)	(17,474)
Other financial expenses	(2,226)	(6,929)	(7,402)
Total	(29,981)	(46,146)	(71,162)
Financial Net	(12,183)	(24,822)	30,332

C5. ***Taxes***

Income statement

The following items are included in income taxes for the year:

Income tax for the year	2010	2009	2008

Current income taxes for the period	(79,657)	(32,075)	(82,275)
Deferred tax income/(-expense) related to temporary differences and tax loss carry forwards	31,331	267,645	113,413
Income taxes for the period	(48,326)	235,569	31,138

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A reconciliation between actual tax income (-expense) for the year and the theoretical tax income (-expense) that would arise when applying statutory tax rate in Sweden, 26.3% (2008: 28%) on income before taxes is shown in the table:

	2010	2009	2008
Income before taxes	147,301	(1,042,676)	(82,745)
Tax rate in Sweden, 26.3% (2008: 28%)	(38,740)	273,653	23,169
Effect of foreign tax rates	(10,974)	(8,938)	1,993
Current income taxes related to prior years	(79)	(7,640)	9,321
Tax effect of expenses that are non deductible for tax purpose	(12,336)	(16,942)	(21,684)
Tax effect of income that are non-taxable for tax purpose	13,024	3,619	12,319
Tax effect of changes in tax rates	779	(7,923)	162
Change in valuation allowance		(260)	5,858
Income taxes for the year	(48,326)	235,569	31,138

Balance sheet

Tax effect of temporary differences, including tax loss carry forward, has resulted in deferred tax assets as follows:

	2010	2009
Deferred tax assets	628,687	573,251

Deferred tax assets relate to temporary differences due to certain provisions such as warranty and scrap liabilities and tax losses carry forwards. Deferred tax assets are amounts recognized in countries where we expect to be able to generate corresponding taxable income in the future to benefit from tax reductions.

TEUR 460,650 (TEUR 419,546) of the deferred tax assets refers to tax loss carry-forwards and has been tested against future earning capacity. TEUR 453,168 of the tax loss carry-forwards are related to countries with long or indefinite periods of utilization, mainly Sweden, Brazil and the US. The deferred tax assets are valued at the full amount.

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C6. ***Intangible assets***

2010	**Licenses, software trademarks and similar rights**	**Patents**	**Total**
Accumulated acquisition costs			
Opening balance January 1	130,979	3,978	134,957
Acquisitions	4,685		4,685
Sales/disposals	(32,866)		(32,866)
Translation difference for the year	8,446		8,446
Closing balance December 31	111,244	3,978	115,222
Accumulated depreciation			
Opening balance January 1	(114,372)	(3,978)	(118,350)
Depreciation	(10,248)		(10,248)
Sales/disposals	32,722		32,722
Translation difference for the year	(7,135)		(7,135)
Closing balance December 31	(99,033)	(3,978)	(103,011)
Net carrying value	12,211		12,211

2009	**Licenses, software trademarks and similar rights**	**Patents**	**Total**
Accumulated acquisition costs			
Opening balance January 1	132,133	3,978	136,111
Acquisitions	4,247		4,247
Sales/disposals	(3,978)		(3,978)
Translation difference for the year	(1,423)		(1,423)
Closing balance December 31	130,979	3,978	134,957
Accumulated depreciation			
Opening balance January 1	(101,739)	(2,993)	(104,732)
Depreciation	(17,619)	(985)	(18,604)
Sales/disposals	3,814		3,814
Translation difference for the year	1,172		1,172
Closing balance December 31	(114,372)	(3,978)	(118,350)
Net carrying value	16,607		16,607

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C7. ***Tangible assets***

2010	**Land and buildings**	**Machinery**	**Other equipment**	**Total**
Accumulated acquisition costs				
Opening balance January 1	53,911	149,756	399,631	603,298
Acquisitions	7,045	11,816	38,198	57,059
Sales/disposals	(8,392)	(29,530)	(54,555)	(92,477)
Translation difference for the year	4,861	11,938	48,935	65,734
Closing balance December 31	57,425	143,980	432,209	633,614
Accumulated depreciation				
Opening balance January 1	(14,290)	(94,395)	(322,829)	(431,514)
Depreciation	(6,977)	(18,696)	(40,531)	(66,204)
Sales/disposals	4,690	25,518	40,926	71,134
Translation difference for the year	(1,374)	(8,906)	(42,270)	(52,550)
Closing balance December 31	(17,952)	(96,480)	(364,704)	(479,136)
Accumulated revaluations				
Opening balance January 1	(10,139)	(8,846)	(3,124)	(22,109)
Write down		(2,180)	(399)	(2,578)
Sales/disposal		3,742	191	3,933
Translation difference for the year	(912)	2,532	(10)	1,609
Closing balance December 31	(11,051)	(4,752)	(3,342)	(19,145)
Net carrying value	28,423	42,748	64,163	135,334

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2009	Land and buildings	Machinery	Other equipment	Total
Accumulated acquisition costs				
Opening balance January 1	55,616	145,550	384,764	585,930
Acquisitions	2,780	10,910	40,689	54,379
Sales/disposals	(3,799)	(3,550)	(18,728)	(26,077)
Translation difference for the year	(686)	(3,154)	(7,094)	(10,934)
Closing balance December 31	53,911	149,756	399,631	603,298
Accumulated depreciation				
Opening balance January 1	(11,358)	(74,740)	(284,763)	(370,861)
Depreciation	(5,057)	(23,288)	(58,811)	(87,156)
Sales/disposals	1,905	1,507	14,574	17,986
Translation difference for the year	220	2,126	6,171	8,517
Closing balance December 31	(14,290)	(94,395)	(322,829)	(431,514)
Accumulated revaluations				
Opening balance January 1		(5,177)	(745)	(5,922)
Write down	(10,434)	(4,005)	(2,937)	(17,376)
Sales/disposal		244	565	809
Translation difference for the year	295	92	(7)	380
Closing balance December 31	(10,139)	(8,846)	(3,124)	(22,109)
Net carrying value	29,482	46,515	73,678	149,675

C8. ***Other non-current assets***

	2010	2009
Deferred tax assets	628,687	573,251
Other non-current assets	27,181	37,570
Total	655,868	610,821

The main part of other non-current assets is prepaid licenses.

C9. ***Inventory***

	2010	2009
Raw material and manufacturing work in process	230,610	225,457
Finished products and goods for resale	229,747	132,684

Inventories, net	460,357	358,141

Reported amounts are net of obsolescence reserves by TEUR 64,219 (TEUR 35,838).

C10. ***Accounts receivable***

	2010	**2009**
Commercial receivables	857,245	865,572
Provision for doubtful debts	(21,296)	(33,499)
Total	835,949	832,073

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Provisions for doubtful debts have been estimated based on commercial risk evaluations and existing credit insurance agreements have been considered.

C11. ***Other current assets***

	2010	2009
Prepaid expenses	54,323	52,695
Current tax assets	44,579	55,197
Prepaid tooling	5,675	16,683
VAT receivables	72,042	73,799
Other receivables	118,427	181,302
Total	295,046	379,676

C12. ***Short term cash investments***

	2010	2009
Net book value	276,168	524,235
Market value	276,168	524,235

Short term cash investments are held in money-market funds and bank deposits. In 2009 a bank deposit of 35 MEUR, used as cash-collateral, was not included in cash equivalents.

C13. ***Shareholders equity***

	Share capital	Restricted reserves	Non-restricted reserves and net profit/loss for the year	Total shareholders equity
Shareholder s equity December 31, 2008	100,000	445,363	671,585	1,216,948
Changes in cumulative translation adjustments		(2,821)	1,686	(1,135)
Fair value reserve			1,054	1,054
Transfer between non-restricted and restricted reserves		34	(34)	
Net loss for the year			(835,827)	(835,827)
Shareholder s equity December 31, 2009	100,000	442,576	(161,536)	381,040
Changes in cumulative translation adjustments		25,266	26,514	51,780

Fair value reserve			8,437	8,437
Transfer between non-restricted and restricted reserves		156	(156)	
Net income for the year			90,468	90,468
Shareholder s equity December 31, 2010	100,000	467,998	(36,273)	531,725

Share capital consists of 100,000,200 shares at a quota value of EUR 1 per share.

Cumulative translation adjustments have been distributed among unrestricted and restricted stockholder s equity.

The fair value reserve is related to the effective portion of changes in the fair value of hedging instruments that is recognized in equity. Amounts accumulated in equity are recycled in the income statement in the periods in which the hedged item affects profit or loss, for example, when the forecasted sale which is hedged takes place. The closing balance for fair value reserve after taxes is TEUR 12,403 (TEUR 3,966) and is part of non-restricted reserves.

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The transfer between non-restricted and restricted reserves is in accordance with the proposals of the respective companies boards of directors. In evaluating the consolidated financial position, it should be noted that earnings in foreign companies may be subject to taxation when transferred to Sweden and, in some instances, such transfer of earnings may be limited by currency restrictions.

C14. *Provisions*

	2010	2009
Warranty commitments	268,206	390,090
Restructuring expenses	70,957	176,814
Other provisions	52,207	61,209
Total	391,370	628,113

Warranty commitments include provisions for faulty products based on estimated return rates and costs. The best estimate is based on sales, contractual warranty periods and historical failure data of products sold.

C15. *Restructuring costs*

	2010	2009	2008
Cost of sales	(31,842)	(39,285)	(74,986)
Selling expenses	(3,025)	(16,198)	(15,951)
Administration expenses	(13,761)	(24,890)	(12,582)
Research and development expenses	6,542	(83,903)	(62,349)
Results from shares in Joint venture			(8,664)
Total	(42,086)	(164,276)	(174,532)
where of;			
Write down of assets	(1,597)	(26,325)	(23,575)
Redundancy expenses	(2,777)	(87,947)	(60,532)
Rental agreements	(6,317)	(16,933)	(15,998)
Supplier related expenses	(18,833)	(31,168)	(68,166)
Other	(12,562)	(1,903)	(6,261)
Total	(42,086)	(164,276)	(174,532)

The restructuring costs are related to cost saving programmes announced and launched during 2008 and 2009.

C16. *Post-employment benefits*

Sony Ericsson participates in local pension plans in countries in which we operate. There are principally two types of pension plans:

Defined contribution plans, where the Company s only obligation is to pay fixed pension premiums into a separate entity (a fund or insurance company) on behalf of the employee. No provision for pensions is recognized in the balance sheet other than accruals for premium pensions earned, but not yet paid.

Defined benefit plans, where the Company s undertaking is to provide pension benefits that the employees will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

In Sony Ericsson most of the companies have defined contribution plans and therefore no pension provisions on the balance sheet. The subsidiaries in Japan, Netherlands, Germany and Mexico have defined benefit plans. In Sweden, the total pension benefits are accounted as defined contribution plans, even though the Financial

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Accounting Standards Council s interpretations committee defined the ITP pension plan, financed through insurance with Alecta as a defined benefit plan. Alecta can, however, not provide the information required for the accounting of a defined benefit plan.

Pension costs

2010	**Sweden**	**Netherlands**	**Japan**	**Other**	**Total**
Pension cost Defined Benefit Plan		(4,360)	9,176	168	4,984
Pension cost Defined Contribution Plan	29,289			11,626	40,915
Total	29,289	(4,360)	9,176	11,794	45,899

2009	**Sweden**	**Netherlands**	**Japan**	**Other**	**Total**
Pension cost Defined Benefit Plan		337	6,473	564	7,374
Pension cost Defined Contribution Plan	28,562			9,052	37,614
Total	28,562	337	6,473	9,616	44,988

Provisions for post-employment benefits

2010	**Sweden**	**Netherlands**	**Japan**	**Other**	**Total**
Provision for post employee benefits		883	19,301	3,294	23,478
Other employee benefits				988	988
Total		883	19,301	4,282	24,466

2009	**Sweden**	**Netherlands**	**Japan**	**Other**	**Total**
Provision for post employee benefits		5,243	14,639	3,359	23,241
Other employee benefits				863	863
Total		5,243	14,639	4,222	24,104

C17. ***Long-term liabilities***

Maturity dates for the group long-term liabilities, TEUR 107,838 (TEUR 5,940), are within 1-5 years.

C18. ***Other current liabilities***

	2010	2009
Accrued personnel related expenses	112,849	114,274
Accrued sales related expenses	485,634	590,308
Other accrued expenses	182,624	197,466
Other short term liabilities	164,410	139,989
Total	945,517	1,042,037

Accrued sales related expenses include sales bonuses, such as quarterly and yearly bonuses, quality bonus, co-op and stock protection.

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C19. ***Assets pledged as collateral***

	2010	2009
Liabilities to financial institutions		
Bank deposits		35,000
Other	27	264
Total	27	35,264

The bank deposit in 2009 was made in order for a bank guarantee to be issued.

C20. ***Contingent liabilities***

	2010	2009
Other contingent liabilities	3,603	3,229
Total	3,603	3,229

Other contingent liabilities mainly include guarantees for loans.

C21. ***Adjustments to reconcile net income to cash***

	2010	2009	2008
Deferred tax income	(31,331)	(267,645)	(113,414)
Minority interest	8,508	28,720	21,283
Interest	2,102	960	9
Tax	41,255	(35,737)	(65,185)
Change in provisions (note C14 & C16)	(256,612)	32,747	151,660
Revaluation of share in Joint venture			22,649
Write-down on non-current assets	2,578	17,376	5,497
Gains and losses on disposal of non-current assets	(4,731)	376	(19,621)
Other	6,704	5,375	16,050
Total	(231,527)	(217,828)	18,928

C22. ***Leasing***

	2010	2009	2008

Leasing costs	65,416	72,868	63,185
Future payments for operating leases and rents			
2011	50,565		
2012	48,755		
2013	43,345		
2014	31,886		
2015	29,149		
2016 and future	37,323		

The purpose of leases mainly refers to rents and office equipment.

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C23. ***Wages, salaries and social security expenses***

Wages and salaries

	2010	2009	2008
Wages and salaries	432,718	532,905	589,248
Social security expenses	124,898	133,504	171,105
Of which pension costs	45,899	44,988	52,038
Of which			
CO compensation	1,571	1,433	908
CO pension costs	263	115	46
bonus & similar to CO	761	42	1,020

Severance pay

For the President and the Corporate Management the following applies:

Severance payments are not payable if an employee resigns voluntarily, or if the employment is terminated as a result of flagrant disregard of responsibilities. An exception to this is if the notice of termination given by the employee is due directly to significant structural changes or other events that affect the content of work or the condition of the position. In such an instance, the notice is treated as if it were given by the Company and severance payments are made to the individual. Upon termination of employment, severance pay amounting to one years   salary is normally paid. The severance payments will be paid out during agreed severance period.

Pension

Sony Ericsson   s policy regarding pension is to follow the competitive practice in the home country of the executive. There are different supplementary pension plans for the President and the Corporate Management. As major pension arrangements, the total pension base salary consists of the annual base salary and the target pay out according to the short term incentive plan. The company pays to the capital insurance company on salary portions in excess of 20 base amounts (one base amount = SEK 42,400) a percentage of the executive   s total pension based salary, between 25 and 35 percent per year, depending on the age of the executive.

Long term incentive

Sony Ericsson has a long term incentive program for certain employees. The calculation of the long term incentives is based on the performance of the Group and payments for the units allocated are vested in three years. The size of the units is approved by the Shareholders   Remuneration Advisory Group.

Wages and salaries by geographical area

	2010	2009	2008

Europe * and Middle East & Africa	224,685	307,351	365,751
Americas	56,152	81,241	88,642
Asia Pacific	151,881	144,313	134,855
Total	432,718	532,905	589,248
* Of which Sweden	165,460	228,174	258,487
* Of which EU excl. Sweden	52,491	70,571	96,166

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Number of employees

	2010		2009		2008	
	Men	**Women**	**Men**	**Women**	**Men**	**Women**
Europe * and						
Middle East & Africa	2,600	1,025	3,067	1,234	3,319	1,395
Americas	413	140	547	180	677	223
Asia Pacific	2,780	2,201	2,985	2,252	3,018	2,271
Total	5,793	3,366	6,599	3,665	7,015	3,890
* Of which Sweden	2,147	791	2,438	930	2,573	1,030
* Of which EU excl. Sweden	289	143	425	184	654	299

Distribution of female/male for the Board of Directors and other persons in leading positions

	2010		2009		2008	
	Number on balance day	**whereof men**	**Number on balance day**	**whereof men**	**Number on balance day**	**whereof men**
Consolidated (including subsidiaries)						
Members of the board	87	96.6%	95	97.9%	94	97.8%
Presidents and Executive Vice presidents	15	100.0%	15	100.0%	14	100.0%

C24. *Fees to auditors*

	2010	2009	2008
PricewaterhouseCoopers			
Audit fees	1,668	1,427	1,609
Fees for audit services besides the audit assignment	182	416	756
Fees for tax services	102	267	
Total	1,952	2,110	2,365

The amount for audit fees to other than PricewaterhouseCoopers is TEUR 212 (TEUR 117).

C25. *Financial risks*

Foreign exchange risk Transaction exposure

Sony Ericsson s results are presented in EUR; the company s hedging is based on EUR being the risk free currency. The group has sales and cost of sales in a large number of currencies. The main part of the net exposure is concentrated to the main holding company. The group s currency exposure is hedged up to 8 months. The group s net exposure is to approximately 80% made up of USD, JPY, GBP and SEK. The currency exposure is primarily hedged with forward contracts. The market value of derivatives not being used to revalue balance sheet items by December 31, 2010 was EUR 13.7 millions, all of these derivatives were forward contracts.

Foreign exchange risk Translation exposure

All equity in the group s companies is translated in accordance with the current method hence the translation exposure is taken directly to equity in the balance sheet. This type of currency exposure is not hedged.

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Interest rate risk

Sony Ericsson s interest rate risk is primarily derived from cash and short term deposits, other balance sheet items are to a very small extent affected by shifts in the interest rate. Cash and short-term deposits amount to EUR 605 million at year end 2010, with an investment horizon shorter than twelve months. Short term borrowing amounted to EUR 130 million.

Credit Risk

Credit risk is divided into two categories; credit risk in trade receivables and financial credit risk.

Credit risk in Trade receivables

The value of outstanding trade receivables was at year end EUR 836 million. Provisions for expected losses at year end were EUR 21.3 million. 54% of the trade receivables are towards countries with a country risk in the interval negligible to moderate . Approximately 54% of Sony Ericsson s outstanding AR is insured against non-payment by the customer.

Financial credit risk

Financial instruments carry an element of risk in that counterparts may be unable to fulfill their payment obligations. These exposures arise in the investments of cash and cash equivalents and from derivative positions with positive unrealized result against banks and other counterparties. Sony Ericsson mitigates a major part of these risks by investing cash in governmental risk with high rating. Part of the liquidity is also deposited with a few chosen banks with the highest possible short-term rating. How much to be invested with each fund and bank is regulated in policy.

Liquidity risk

The liquidity risk is that Sony Ericsson is unable to meet its short term payment obligations due to insufficient or illiquid cash reserves. At year end Sony Ericsson had a net cash position of EUR 375 million invested in liquid funds and short deposits with banks. In addition to cash in the balance sheet, there is an undrawn committed credit facility of EUR 120 million maturing 2011 in place as a liquidity reserve.

C26. ***Liabilities to financial institutions***

	2010	2009
Liabilities to financial institutions, non-current	100,000	
Liabilities to financial institutions, current	133,081	258,273
	233,081	258,273

The external borrowing decreased during the year by Euro 28 million (excluding accrued interest) with an outstanding debt at the end December of Euro 230 million. The cash flow from operating activities for 2010 was negative Euro 247 million, mainly due to payments related to the transformation programme.

In 2009, Sony Ericsson secured external funding of Euro 458 million, of which Euro 258 million is utilised at the balance sheet date. The facilities are including a two-year committed back-up facility of Euro 200 million, which was not utilised as of December 31, 2009. The parent companies guaranteed Euro 350 million of the bank facilities on a 50/50 basis. The utilized facilities had an initial maturity of 12 to 13 months and were drawn in August to October 2009.

As mentioned above, parts of the external funding were raised through support from the parent companies. Raising the funding without support from the parents would not have resulted in conditions that would have had a material impact on the income statement.

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In the beginning of the first quarter 2011 a mix of loan maturing and new facilities increased the net funding capacity with EUR 100 million. Sony Ericsson utilized existing facilities and borrowed EUR 450 million (including loans). Existing facilities and loans mature during 2011-12.

C27. *Group companies*

Company	Domicile	Percentage of ownership
Sony Ericsson Mobile Communications AB	Sweden	
Beijing SE Potevio Mobile Communications Company Ltd. (BMC)	China	51%
Beijing Suohong Electronics Co. Ltd., (BSE)	China	100%
LLC Sony Ericsson Mobile Communications Rus	Russia	100%
Sony Ericsson Hungary Mobile Communications Ltd.	Hungary	100%
Sony Ericsson Mobile Communications S.A. de C.V.	Mexico	100%
Sony Ericsson Mobile Communications (China) Co., Ltd.	China	100%
Sony Ericsson Mobile Communications (India) Private Limited	India	100%
Sony Ericsson Mobile Communications (Thailand) Co., Limited	Thailand	100%
Sony Ericsson Mobile Communications (USA) Inc.	US	100%
Sony Ericsson Mobile Communications do Brazil Ltd.	Brazil	100%
Sony Ericsson Mobile Communications Hellas S.A.	Greece	100%
Sony Ericsson Mobile Communications Iberia, S.L	Spain	100%
Sony Ericsson Mobile Communications International AB	Sweden	100%
Sony Ericsson Mobile Communications Japan Inc.	Japan	100%
Sony Ericsson Mobile Communications Management Ltd	UK	100%
Sony Ericsson Mobile Communications Nigeria Limited	Nigeria	100%
Sony Ericsson Mobile Communications S.p.A., Italy	Italy	100%
Sony Ericsson Servicios Moviles, S.A. de C.V	Mexico	100%

C28. *Reconciliation to accounting principles generally accepted in the United States*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Sweden for unlisted companies, applying the Swedish Annual Accounts Act (ÅRL), the Swedish Accounting Standards Board s (Bokföringsnämnden, BFN) recommendations and the Recommendation of the Swedish Financial Accounting Standards Council, (RR29), Remunerations to employees, which differs in certain significant respects from the generally accepted accounting principles in the United States (US GAAP). Sony Ericsson Mobile Communications has reconciled its net income / loss and equity under Swedish GAAP to the accounting principles according to generally accepted principles in the United States.

The principle differences between Swedish GAAP and US GAAP that affect our net income, as well as our stockholders equity relate to the treatment of business combinations (negative goodwill), synthetic option plan and restructuring costs.

Business combinations Negative Goodwill

Under both Swedish GAAP and US GAAP, when the fair value of net assets acquired exceeds total purchase price, the Company first assesses whether all acquired assets and assumed liabilities have been properly identified and valued. Under Swedish GAAP, negative goodwill is not subject to amortization and any excess remaining after reassessment is recognized in income statement immediately. During 2004, a negative goodwill amounted to TEUR 3, 717 was identified by the Company in connection with the acquisition of Beijing SE Potevio Mobile Communications Co. Ltd (BMC), and it was recognized in income statement by the end of 2004.

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Under US GAAP at the time of the acquisition, the Company must first reassess whether all acquired assets and assumed liabilities have been identified and properly valued. If an amount of negative goodwill still results after this reassessment, all acquired assets (including research and development assets) are then subject to pro rata reduction, except for (1) financial assets other than investments accounted for by the equity method, (2) assets to be disposed of by sale, (3) deferred taxes, (4) prepaid assets relating to pension and other postretirement benefit plans, and (5) any other current assets. If all eligible assets are reduced to zero and an amount of negative goodwill still remains, the remaining unallocated negative goodwill must be recognized immediately as an extraordinary gain.

Provision for social security cost on synthetic option plan

Under Swedish GAAP, the Company accrues social security costs for the synthetic option plan during the vesting period. Under US GAAP, no social security cost is recorded until the options are exercised or matching of the options takes place, which increases net income by TEUR 228 in 2009. The synthetic options are all exercised and matched and the remaining difference between Swedish GAAP and US GAAP as of December 31, 2009 was nil.

Restructuring costs

Under Swedish GAAP a provision for severance pay is recognized when a constructive obligation to restructure arises which requires that a detailed formal plan has been communicated to those affected by it. The implementation needs to be planned to begin as soon as possible and to be completed in a timeframe that makes significant changes to the plan unlikely. Under US GAAP provisions for severance pay representing a one-time benefit is recognized over the remaining service period, if extended service period is required, when a company has a detailed formal plan which has been communicated to those affected. If an entity under Swedish GAAP has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision. Under US GAAP, costs to terminate a contract before the end of its term should be recognized as a liability and measured at fair value when the entity terminates the contract in accordance with the contract terms or when the premises have been vacated. A liability for costs that will continue to be incurred under a contract for its remaining term without economic benefit to the entity should be recognized and measured at its fair value when the entity ceases to use the right conveyed by the contract. Sony Ericsson has identified a difference between US GAAP and Swedish GAAP of TEUR 3,742 (TEUR 12,874) related to leasehold property that has not yet been terminated or vacated and thus not qualified as provisions in accordance with US GAAP.

Post-employment benefits

To calculate the annual expenses for the defined benefit plans, Sony Ericsson uses the corridor method. The amount recognized in the income statement which is the difference to US GAAP is not material.

Deferred Income Taxes

Deferred tax is calculated on US GAAP adjustments and the US GAAP balance sheet disclosure reflects the gross recognition of deferred tax assets and liabilities.

Non-current and current assets

Swedish GAAP requires deferred tax assets to be classified as non-current assets on the balance sheet.
Under US GAAP, deferred tax liabilities and assets are classified as current or non-current based on the classification of the related asset or liability for financial reporting. A deferred tax liability or asset that is not related to an asset or

liability for financial reporting, including deferred tax assets related to carry forwards, shall be classified according to the expected reversal date of the temporary difference. The balance sheet shows a difference in non-current and current assets between Swedish GAAP and US GAAP which relates to the classification of deferred tax assets.

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Adjustment of net income, comprehensive income, equity and balance sheet items

Application of US GAAP as described above would have had the following effects on consolidated net income.

Adjustment of Net Income

	2010	2009	2008
Net income per Swedish GAAP	90,468	(835,827)	(72,890)
US GAAP adjustments before taxes:			
Business Combination		763	100
Synthetic Option Plan		228	1,018
Restructuring	(9,131)	(2,624)	15,498
Tax effect of US GAAP adjustment	2,257	595	(4,339)
Net income in accordance with US GAAP	83,594	(836,865)	(60,613)

Adjustments of stockholders equity

	2010	2009
Equity as reported per Swedish GAAP	531,725	381,040
US GAAP adjustments before taxes:		
Restructuring	3,742	12,874
Deferred tax effect of US GAAP adjustment	(880)	(3,292)
Stockholders equity in accordance with US GAAP	534,587	390,622
Minority interest	42,286	47,364
Total equity in accordance with US GAAP	576,873	437,986

Comprehensive income

	2010	2009	2008
Net income in accordance with US GAAP	83,594	(836,865)	(60,613)
Other comprehensive income			
Gain/loss on cash flow hedges	11,373	1,409	10,191

Translation adjustment	52,290	(1,409)	30,008
Deferred tax	(2,935)	(355)	(2,785)
Total other comprehensive income	60,728	(355)	37,414
Comprehensive income in accordance with US GAAP	144,322	(837,220)	(23,199)

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Balance sheet items according to Swedish GAAP and US GAAP

	Swedish GAAP		US GAAP	
	Dec. 31 2010	**Dec. 31 2009**	**Dec. 31 2010**	**Dec. 31 2009**
Non-current assets	803,413	777,102	550,377	623,398
Current assets	2,196,036	2,483,010	2,448,191	2,633,422
Total Assets	2,999,449	3,260,112	2,998,569	3,256,820
Stockholders equity	531,725	381,041	534,587	390,623
Minority interest	42,286	47,364	42,286	47,364
Provisions	423,673	652,214	419,931	639,340
Non-current liabilities	100,000	5,940	100,000	5,940
Current liabilities	1,901,765	2,173,553	1,901,765	2,173,553
Total stockholders equity and liabilities	2,999,449	3,260,112	2,998,569	3,256,820

Report of Independent Auditors

To the Shareholders of Sony Ericsson Mobile Communications AB:

We have audited the accompanying consolidated balance sheets of Sony Ericsson Mobile Communications AB and its subsidiaries as of December 31, 2010 and December 31, 2009 and the related consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sony Ericsson Mobile Communications AB and its subsidiaries at December 31, 2010 and December 31, 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in Sweden.

Accounting principles generally accepted in Sweden vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note C29 to the consolidated financial statements.

/s/ PricewaterhouseCoopers AB
Malmo, Sweden
March 30, 2011