SONY CORP
Form 6-K
May 23, 2017

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

For the month of May 2017
Commission File Number: 001-06439

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

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

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

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

Form 20-F X Form 40-F __

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

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

SIGNATURE

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

SONY CORPORATION
(Registrant)

By: /s/ Kenichiro Yoshida
(Signature)
Kenichiro Yoshida

Executive Deputy President and
Chief Financial Officer

SONY

Consolidated Financial Statements

For the fiscal year ended March 31, 2017

Sony Corporation

TOKYO, JAPAN

Contents

Management's Annual Report on Internal Control over Financial Reporting

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

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Sony;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Sony are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Sony's assets that could have a material effect on the financial statements.

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

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2017 based on the criteria established in "Internal Control — Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2017.

Sony's independent registered public accounting firm, PricewaterhouseCoopers Aarata LLC, has issued an audit report on Sony's internal control over financial reporting as of March 31, 2017, presented on page 3.

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity present fairly, in all material respects, the financial position of Sony Corporation and its subsidiaries (the "Company") at March 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers Aarata LLC

Tokyo, Japan

May 22, 2017

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

March 31

	Yen in millions	
	2016	2017
ASSETS		
Current assets:		
Cash and cash equivalents	983,612	960,142
Marketable securities	946,397	1,051,441
Notes and accounts receivable, trade	926,375	1,006,961
Allowance for doubtful accounts and sales returns	(72,783)	(53,150)
Inventories	683,146	640,835
Other receivables	206,058	223,632
Deferred income taxes	40,940	—
Prepaid expenses and other current assets	482,982	525,861
Total current assets	4,196,727	4,355,722
Film costs	301,228	336,928
Investments and advances:		
Affiliated companies	164,874	149,371
Securities investments and other	9,069,209	9,962,422
	9,234,083	10,111,793
Property, plant and equipment:		
Land	121,707	117,293
Buildings	655,379	666,381
Machinery and equipment	1,795,991	1,842,852
Construction in progress	69,286	28,779
	2,642,363	2,655,305
Less – Accumulated depreciation	1,821,545	1,897,106
	820,818	758,199
Other assets:		
Intangibles, net	615,754	584,185
Goodwill	606,290	522,538
Deferred insurance acquisition costs	511,834	568,837
Deferred income taxes	97,639	98,958
Other	289,017	323,396
	2,120,534	2,097,914
Total assets	16,673,390	17,660,556

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets (Continued)

	Yen in millions	
	2016	2017
LIABILITIES		
Current liabilities:		
Short-term borrowings	149,272	464,655
Current portion of long-term debt	187,668	53,424
Notes and accounts payable, trade	550,964	539,900
Accounts payable, other and accrued expenses	1,367,115	1,394,758
Accrued income and other taxes	88,865	106,037
Deposits from customers in the banking business	1,912,673	2,071,091
Other	574,193	591,874
Total current liabilities	4,830,750	5,221,739
Long-term debt	556,605	681,462
Accrued pension and severance costs	462,384	396,715
Deferred income taxes	450,926	432,824
Future insurance policy benefits and other	4,509,215	4,834,492
Policyholders' account in the life insurance business	2,401,320	2,631,073
Other	330,302	314,771
Total liabilities	13,541,502	14,513,076
Redeemable noncontrolling interest	7,478	12,058
Commitments and contingent liabilities		
EQUITY		
Sony Corporation's stockholders' equity:		
Common stock, no par value –		
2016 – Shares authorized: 3,600,000,000; shares issued: 1,262,493,760	858,867	
2017 – Shares authorized: 3,600,000,000; shares issued: 1,263,763,660		860,645
Additional paid-in capital	1,325,719	1,275,337
Retained earnings	936,331	984,368
Accumulated other comprehensive income –		
Unrealized gains on securities, net	140,736	126,635
Unrealized losses on derivative instruments, net	(1,198)	(58)
Pension liability adjustment	(371,739)	(308,736)
Foreign currency translation adjustments	(421,117)	(436,610)
	(653,318)	(618,769)
Treasury stock, at cost		
Common stock		
2016 – 1,047,745 shares	(4,259)	
2017 – 1,073,222 shares		(4,335)
	2,463,340	2,497,246

Noncontrolling interests	661,070	638,176
Total equity	3,124,410	3,135,422
Total liabilities and equity	16,673,390	17,660,556

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		
	2015	2016	2017
Sales and operating revenue:			
Net sales	7,035,537	6,949,357	6,443,328
Financial services revenue	1,077,604	1,066,319	1,080,284
Other operating revenue	102,739	90,036	79,638
	8,215,880	8,105,712	7,603,250
Costs and expenses:			
Cost of sales	5,275,144	5,166,894	4,753,010
Selling, general and administrative	1,811,461	1,691,930	1,505,956
Financial services expenses	882,990	907,758	910,144
Other operating expense, net	181,658	47,171	149,001
	8,151,253	7,813,753	7,318,111
Equity in net income of affiliated companies	3,921	2,238	3,563
Operating income	68,548	294,197	288,702
Other income:			
Interest and dividends	12,887	12,455	11,459
Gain on sale of securities investments, net	8,714	52,068	225
Other	3,475	2,326	2,734
	25,076	66,849	14,418
Other expenses:			
Interest	23,600	25,286	14,544
Loss on devaluation of securities investments	852	3,309	7,629
Foreign exchange loss, net	20,533	20,565	22,181
Other	8,910	7,382	7,147
	53,895	56,542	51,501
Income before income taxes	39,729	304,504	251,619
Income taxes:			
Current	80,751	94,578	100,260
Deferred	7,982	211	23,798
	88,733	94,789	124,058
Net income (loss)	(49,004)	209,715	127,561
Less - Net income attributable to noncontrolling interests	76,976	61,924	54,272
Net income (loss) attributable to Sony Corporation’s stockholders	(125,980)	147,791	73,289

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income (Continued)

	Yen		
	2015	2016	2017
Per share data:			
Common stock			
Net income (loss) attributable to Sony Corporation's stockholders			
– Basic	(113.04)	119.40	58.07
– Diluted	(113.04)	117.49	56.89
Cash dividends	—	20.00	20.00

The accompanying notes are an integral part of these statements.

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Fiscal year ended March 31

	Yen in millions		
	2015	2016	2017
Net income (loss)	(49,004)	209,715	127,561
Other comprehensive income, net of tax			
Unrealized gains (losses) on securities	38,718	2,220	(30,293)
Unrealized gains (losses) on derivative instruments	—	(1,198)	1,140
Pension liability adjustment	(21,187)	(171,753)	63,232
Foreign currency translation adjustments	65,790	(83,899)	(17,988)
Total comprehensive income (loss)	34,317	(44,915)	143,652
Less – Comprehensive income attributable to noncontrolling interests	93,995	75,329	35,814
Comprehensive income (loss) attributable to Sony Corporation’s stockholders	(59,678)	(120,244)	107,838

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		
	2015	2016	2017
Cash flows from operating activities:			
Net income (loss)	(49,004)	209,715	127,561
Adjustments to reconcile net income (loss) to net cash provided by operating activities –			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	354,624	397,091	327,048
Amortization of film costs	272,941	299,587	297,505
Accrual for pension and severance costs, less payments	9,638	(6,383)	9,297
Other operating expense, net	181,658	47,171	149,001
(Gain) loss on sale or devaluation of securities investments, net	(7,916)	(48,857)	7,404
(Gain) loss on revaluation of marketable securities held in the financial services business for trading purposes, net	(100,729)	44,821	(55,789)
(Gain) loss on revaluation or impairment of securities investments held in the financial services business, net	(1,397)	2,653	47
Deferred income taxes	7,982	211	23,798
Equity in net loss of affiliated companies, net of dividends	2,269	5,045	4,409
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	33,843	(5,828)	(37,529)
(Increase) decrease in inventories	113,485	(57,804)	11,199
Increase in film costs	(252,403)	(318,391)	(331,179)
Decrease in notes and accounts payable, trade	(118,577)	(49,525)	(1,386)
Increase (decrease) in accrued income and other taxes	(11,033)	(23,607)	26,701
Increase in future insurance policy benefits and other	460,336	403,392	433,803
Increase in deferred insurance acquisition costs	(79,861)	(83,774)	(93,234)
Increase in marketable securities held in the financial services business for trading purposes	(51,565)	(107,433)	(81,456)
(Increase) decrease in other current assets	16,276	21,299	(21,402)
Increase (decrease) in other current liabilities	86,718	(25,751)	79,114
Other	(112,645)	45,457	(65,650)
Net cash provided by operating activities	754,640	749,089	809,262

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SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

	Yen in millions		
	2015	2016	2017
Cash flows from investing activities:			
Payments for purchases of fixed assets	(215,916)	(375,411)	(333,509)
Proceeds from sales of fixed assets	36,777	26,472	13,098
Payments for investments and advances by financial services business	(960,045)	(1,221,093)	(1,233,290)
Payments for investments and advances (other than financial services business)	(20,029)	(20,830)	(17,208)
Proceeds from sales or return of investments and collections of advances by financial services business	482,537	534,072	289,901
Proceeds from sales or return of investments and collections of advances (other than financial services business)	49,479	81,535	16,078
Proceeds from sales of businesses	93	17,790	3,262
Other	(12,532)	(72,938)	7,695
Net cash used in investing activities	(639,636)	(1,030,403)	(1,253,973)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	18,507	19,076	254,695
Payments of long-term debt	(258,102)	(270,669)	(261,299)
Increase (decrease) in short-term borrowings, net	(51,013)	92,153	317,827
Increase in deposits from customers in the financial services business, net	57,464	165,169	277,152
Proceeds from issuance of convertible bonds	—	120,000	—
Proceeds from issuance of new shares of common stock	—	301,708	—
Dividends paid	(13,160)	(12,751)	(25,301)
Payment for purchase of Sony/ATV shares from noncontrolling interests	—	—	(76,565)
Other	(16,891)	(34,564)	(34,207)
Net cash provided by (used in) financing activities	(263,195)	380,122	452,302
Effect of exchange rate changes on cash and cash equivalents	51,138	(64,609)	(31,061)
Net increase (decrease) in cash and cash equivalents	(97,053)	34,199	(23,470)
Cash and cash equivalents at beginning of the fiscal year	1,046,466	949,413	983,612
Cash and cash equivalents at end of the fiscal year	949,413	983,612	960,142
Supplemental data:			
Cash paid during the fiscal year for –			
Income taxes	97,775	138,770	106,054
Interest	21,982	26,166	13,877
Non-cash investing and financing activities –			
Conversion of convertible bonds	118,780	—	—
Obtaining assets by entering into capital leases	10,714	14,759	8,457
Collections of deferred proceeds from sales of receivables –	22,512	2,298	1,202

The accompanying notes are an integral part of these statements.

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	**Additional paid-in** capital	**Retained earnings**	**Accumulated other** comprehensive income	**Treasury stock, at cost**	**Sony Corporation's stockholders' equity**	Noncontrolling interests	Total equity
Balance at March 31, 2014	646,654	1,127,090	940,262	(451,585)	(4,284)	2,258,137	525,004	2,783,141
Exercise of stock acquisition rights	994	994				1,988		1,988
Conversion of zero coupon convertible bonds	59,390	59,390				118,780		118,780
Stock-based compensation		873				873		873
Comprehensive income:								
Net income (loss)			(125,980)			(125,980)	76,976	(49,004)
Other comprehensive income, net of tax –								
Unrealized gains on securities				26,644		26,644	12,074	38,718
Pension liability adjustment				(21,092)		(21,092)	(95)	(21,187)
Foreign currency translation adjustments				60,750		60,750	5,040	65,790
Total comprehensive income (loss)						(59,678)	93,995	34,317
Stock issue costs, net of tax			(517)			(517)		(517)

Dividends declared			—			—	(14,108)	(14,108)
Purchase of treasury stock					(101)	(101)		(101)
Reissuance of treasury stock		(99)			165	66		66
Transactions with noncontrolling interests shareholders and other		(2,471)				(2,471)	6,501	4,030
Balance at March 31, 2015	707,038	1,185,777	813,765	(385,283)	(4,220)	2,317,077	611,392	2,928,469

	Yen in millions							
	Common stock	**Additional paid-in capital**	**Retained earnings**	**Accumulated other comprehensive income**	**Treasury stock, at cost**	**Sony Corporation's stockholders' equity**	**Noncontrolling interests**	Total equity
Balance at March 31, 2015	707,038	1,185,777	813,765	(385,283)	(4,220)	2,317,077	611,392	2,928,469
Issuance of new shares	150,854	150,854				301,708		301,708
Exercise of stock acquisition rights	975	975				1,950		1,950
Stock-based compensation		1,516				1,516		1,516
Comprehensive income:								
Net income			147,791			147,791	61,924	209,715
Other comprehensive income, net of tax –								
Unrealized gains (losses) on securities				(13,417)		(13,417)	15,637	2,220
Unrealized losses on derivative instruments				(1,198)		(1,198)		(1,198)
Pension liability adjustment				(170,608)		(170,608)	(1,145)	(171,753)
Foreign currency translation adjustments				(82,812)		(82,812)	(1,087)	(83,899)
Total comprehensive income (loss)						(120,244)	75,329	(44,915)
		(1,478)				(1,478)		(1,478)

Stock issue costs, net of tax								
Dividends declared			(25,225)			(25,225)	(20,868)	(46,093)
Purchase of treasury stock					(110)	(110)		(110)
Reissuance of treasury stock		(12)			71	59		59
Transactions with noncontrolling interests shareholders and other		(11,913)				(11,913)	(4,783)	(16,696)
Balance at March 31, 2016	858,867	1,325,719	936,331	(653,318)	(4,259)	2,463,340	661,070	3,124,410

(Continued on following page.)

SONY CORPORATION AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)

	Yen in millions							
	Common stock	Additional paid-in capital	**Retained earnings**	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	**Noncontrolling interests**	Total equity
Balance at March 31, 2016	858,867	1,325,719	936,331	(653,318)	(4,259)	2,463,340	661,070	3,124,410
Exercise of stock acquisition rights	1,778	1,778				3,556		3,556
Stock-based compensation		1,601				1,601		1,601
Comprehensive income:								
Net income			73,289			73,289	54,272	127,561
Other comprehensive income, net of tax –								
Unrealized losses on securities				(14,101)		(14,101)	(16,192)	(30,293)
Unrealized gains on derivative instruments				1,140		1,140		1,140
Pension liability adjustment				63,003		63,003	229	63,232
Foreign currency translation adjustments				(15,493)		(15,493)	(2,495)	(17,988)
Total comprehensive income						107,838	35,814	143,652
Stock issue costs, net of tax		(30)				(30)		(30)
Dividends declared			(25,252)			(25,252)	(17,068)	(42,320)
Purchase of treasury stock					(114)	(114)		(114)
		(10)			38	28		28

Reissuance of treasury stock								
Transactions with noncontrolling interests shareholders and other		(53,721)				(53,721)	(41,640)	(95,361)
Balance at March 31, 2017	860,645	1,275,337	984,368	(618,769)	(4,335)	2,497,246	638,176	3,135,422

The accompanying notes are an integral part of these statements.

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Sony Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Page

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, production, manufacture, offer and sale of various kinds of electronic equipment, instruments and devices for consumer, professional and industrial markets such as mobile phones, game hardware and software, network services, still and video cameras, televisions, audio and video recorders and players, and semiconductors. Sony's primary manufacturing facilities are located in Asia including Japan. Sony also utilizes third-party contract manufacturers for certain products. Sony's products and services are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales and offers via the Internet. Sony is engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. Sony is also engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs as well as production and distribution of animation titles, including game applications based on the animation titles. 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.

2.***Summary of significant accounting policies***

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

(1) Significant accounting policies

Basis of consolidation and accounting for investments in affiliated companies -

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

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

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

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

Use of estimates -

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

Translation of foreign currencies -

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

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

Cash and cash equivalents -

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

Marketable debt and equity securities -

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

Sony regularly evaluates its investment portfolio to identify other-than-temporary impairments of individual securities. Factors that are considered by Sony in determining whether an other-than-temporary decline in value has occurred include: the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, operating results, business plans and estimated future cash flows of the issuer of the security, other specific factors affecting the market value, deterioration of the credit condition of the issuer, sovereign risk, and whether or not Sony is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

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

Equity securities in non-public companies -

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

Allowance for doubtful accounts -

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

Inventories -

Inventories in the Mobile Communications (“MC”), Game & Network Services (“G&NS”), Imaging Products & Solutions (“IP&S”), Home Entertainment & Sound (“HE&S”), Semiconductors, Components and Music segments as well as non-film inventories for the Pictures segment are valued at cost, not in excess of the net realizable value – i.e., estimated selling price in the ordinary course of business less predictable costs of completion and disposal, 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.

Other receivables -

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

Film costs -

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

Property, plant and equipment and depreciation -

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

Goodwill and other intangible assets -

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

In the fiscal year ended March 31, 2017, Sony elected not to perform an optional qualitative assessment of goodwill and instead proceeded directly to a two-step quantitative impairment process which involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. Reporting units are Sony's operating segments or one level below the operating segments. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. Indefinite lived intangible assets are tested for impairment by comparing the fair value of the intangible asset with its carrying value, and if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

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

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

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

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

Capitalized software -

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

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

Deferred insurance acquisition costs -

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

Product warranty -

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

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

Future insurance policy benefits -

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

Policyholders' account in the life insurance business -

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

Impairment of long-lived assets -

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

Fair value measurement -

Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Sony has elected the fair value option in the banking business for certain foreign securities. The election was made to mitigate accounting mismatches related to fluctuations of foreign exchange rates by allowing the gains and losses on the translation of these securities to be included in current earnings.

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

These levels are:

Level 1 — Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.

Level 2 — Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.

Level 3 — One or more significant inputs are unobservable.

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

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

Derivative financial instruments -

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

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

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

Fair value hedges

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

Cash flow hedges

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

Derivatives not designated as hedges

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

Assessment of hedges

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

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accounting. Hedge ineffectiveness, if any, is included immediately in earnings.

Stock-based compensation -

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

Revenue recognition -

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

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

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

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

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

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

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

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

Consideration given to a customer or a reseller -

Sales incentives or other cash consideration given to a customer or a reseller, including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2015, 2016 and 2017, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses, totaled 10,503 million yen, 13,178 million yen and 12,046 million yen, respectively.

Cost of sales -

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

Research and development costs -

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

Selling, general and administrative -

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

Financial services expenses -

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

Advertising costs -

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

Shipping and handling costs -

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

Income taxes -

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

Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on the available evidence, it is

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

Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to income taxes, including unrecognized tax benefits, as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between taxing authorities in different jurisdictions as a result of pending advance pricing agreement applications and competent authority requests. Sony's estimate for the potential outcome for any uncertain tax issues is judgmental and requires significant estimates. Sony assesses its income tax positions and records tax benefits for all years subject to examinations based upon the evaluation of the facts, circumstances and information available at that reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, Sony records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. If Sony does not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized. However, Sony's future results may include favorable or unfavorable adjustments to Sony's estimated tax liabilities due to closure of income tax examinations, the outcome of negotiations between taxing authorities in different jurisdictions, new regulatory or judicial pronouncements or other relevant events. As a result, the amount of unrecognized tax benefits, and the effective tax rate, may fluctuate significantly.

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

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

(2) Recently adopted accounting pronouncements

Amendments to the consolidation analysis -

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

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

In April 2015, the FASB issued ASU 2015-05 for fees paid in a cloud computing arrangement. The ASU requires entities to account for a cloud computing arrangement that includes a software license element in a manner consistent with the acquisition of other software licenses. A cloud computing arrangement without a software license element is to be accounted for as a service contract. This ASU does not affect the accounting for service contracts by a customer. This ASU is effective for Sony as of April 1, 2016. The effect of this ASU did not have a material impact on Sony's results of operations and financial position.

Balance sheet classification of deferred taxes -

In November 2015, the FASB issued ASU 2015-17 amending the presentation of deferred income taxes and requiring that all deferred tax liabilities and assets be classified as noncurrent on the balance sheet. This ASU is effective for Sony as of March 31, 2017 and is adopted prospectively. The effect of this ASU did not have a material impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted

Revenue from contracts with customers -

In May 2014, the FASB issued ASU 2014-09 addressing revenue recognition which will supersede the current revenue recognition requirements, including most industry-specific guidance. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for one year and permits early adoption as of the original effective date of ASU 2014-09. Subsequently, the FASB issued several clarifications and updates to the guidance, the most recent of which was issued in December 2016. This guidance will be effective for the first quarter of Sony's fiscal year beginning April 1, 2018. The guidance permits two methods of adoption: retrospectively to each prior period presented ("full retrospective method"), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application ("modified retrospective method"). Sony currently expects to adopt this guidance using the modified retrospective method. Sony has made significant progress toward completing its assessment of the impact of adopting the guidance. Sony expects that this guidance will primarily impact the timing of revenue recognition for certain transactions in the Pictures segment. In particular, (1) licensing revenue associated with certain renewals or extensions of existing agreements for motion pictures and television programming is expected to be recognized when the licensed content becomes available under the renewal or extension instead of when the agreement is renewed or extended, and (2) licensing revenue associated with certain minimum guarantees for symbolic intellectual property (e.g., brands, trademarks and logos) is expected to be recognized over the license term instead of at the inception of the license term. Sony continues to assess the potential impact that the guidance may have on these and certain other transactions, and as a result, Sony's preliminary conclusions as to the impact of this guidance are subject to change.

Recognition and measurement of financial assets and financial liabilities -

In January 2016, the FASB issued ASU 2016-01 amending various aspects of the recognition, measurement, presentation, and disclosure requirements for financial instruments. The changes mainly relate to the requirement to measure equity investments in unconsolidated subsidiaries, other than those accounted for under the equity method of accounting, at fair value with changes in fair value recognized in earnings. This ASU will be effective for Sony as of April 1, 2018. Although the effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position, Sony anticipates that the adoption of this ASU will increase the volatility of Sony's other income (expenses), net, resulting from the remeasurement of Sony's equity investments.

Leases -

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

Measurement of credit losses on financial instruments -

In June 2016, the FASB issued ASU 2016-13, which amends the accounting guidance for credit losses on financial instruments. The ASU requires the consideration of all available relevant information when estimating expected credit losses, including past events, current conditions and forecasts and their implications for expected credit losses. This ASU will be effective for Sony as of the fiscal year beginning April 1, 2020, with early adoption permitted for the first quarter of the fiscal year beginning April 1, 2019. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

Intra-entity transfers of assets other than inventory -

In October 2016, the FASB issued ASU 2016-16, which amends the accounting for income taxes. This update requires recognition of the income-tax consequences of an intra-entity transfer of assets other than inventory when the transfer occurs. Under current U.S. GAAP, recognition of the income tax consequences for asset transfers other than inventory cannot be recognized until the asset is sold to a third party. This ASU is required to be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. This ASU will be effective for Sony as of the fiscal year beginning April 1, 2018. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

Clarifying the definition of a business -

In January 2017, the FASB issued ASU 2017-01 which clarifies the definition of a business. The ASU requires an entity first to determine whether substantially all of the fair value of a set of assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets. If this criterion is met, the acquired set of assets is not deemed to be a business. If the criterion is not met, the entity then must evaluate whether the set of assets meets the requirement to be deemed a business. To be considered a business, the acquired set of assets would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. This ASU will be effective for Sony as of the fiscal year beginning April 1, 2018, with early adoption permitted as of the fiscal year beginning April 1, 2017. The adoption of this ASU is not expected to have a material impact on Sony's results of operations and financial position.

Simplifying the test for goodwill impairment -

In January 2017, the FASB issued ASU 2017-04 to simplify the accounting for goodwill impairment. This ASU eliminates the second step from the goodwill impairment test. Instead, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This ASU will be effective for Sony as of April 1, 2020 and applied prospectively, with early adoption permitted for goodwill impairment tests with a measurement date after January 1, 2017. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

Presentation of net periodic pension and postretirement benefit costs -

In March 2017, the FASB issued ASU 2017-07, which requires separate presentation of service costs and other components of net benefit costs. The service costs will only be presented with other employee compensation costs in operating income or capitalized, while the other components of net benefit costs will be presented outside of operating income, and will not be eligible for capitalization. This ASU is effective for Sony as of April 1, 2018, with early adoption permitted for the first quarter of the fiscal year beginning April 1, 2017. This ASU is required to be applied on a retrospective basis for the presentation of service costs and other components of net benefit costs, and on a prospective basis for the capitalization of only the service costs component of net benefit costs. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

Premium amortization on purchased callable debt securities -

In March 2017, the FASB issued ASU 2017-08, which requires certain premiums on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount will not be affected. This ASU will be effective for Sony as of April 1, 2019. The effect of this ASU is being evaluated for the impact it will have on Sony's results of operations and financial position.

(4) Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2015 and 2016 have been made to conform to the presentation for the fiscal year ended March 31, 2017.

(5) Out-of-period adjustments

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

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

3. ***Inventories***

Inventories are comprised of the following:

	Yen in millions March 31 2016	 2017
Finished products	448,273	399,850
Work in process	130,383	140,718
Raw materials, purchased components and supplies	104,490	100,267
Inventories	683,146	640,835

4. ***Film costs***

Film costs are comprised of the following:

	Yen in millions March 31 2016	 2017
Motion picture productions:		
Released	75,218	80,539
Completed and not released	2,304	5,608
In production and development	95,268	94,197
Television productions:		
Released	88,538	120,693
In production and development	14,410	7,707
Broadcasting rights	62,589	65,725
Less: current portion of broadcasting rights included in inventories	(37,099)	(37,541)
Film costs	301,228	336,928

Sony estimates that approximately 93% of the unamortized film costs of released motion picture and television productions at March 31, 2017 will be amortized within the next three years. Approximately 142 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 167 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

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5. ***Investments in affiliated companies***

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

Balance Sheets

	Yen in millions	
	March 31	
	2016	2017
Current assets	367,465	361,492
Noncurrent assets	773,126	834,765
Current liabilities	245,731	248,450
Noncurrent liabilities and noncontrolling interests	709,134	761,546
Percentage of ownership in equity investees	20%-50%	20%-50%

Statements of Income

	Yen in millions		
	Fiscal year ended March 31		
	2015	2016	2017
Net revenues	308,399	358,256	387,229
Operating income	34,962	32,884	37,800
Net income (loss) attributable to controlling interests	(5,461)	8,388	11,529
Percentage of ownership in equity investees	20%-50%	20%-50%	20%-50%

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

On January 30, 2017, Sony sold 17,302,700 shares of its 127,381,600 shares in its affiliated company M3, Inc. (“M3”) to a third party for cash consideration of 51,968 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony’s share ownership decreased from 39.35% to 34.0% of the issued and outstanding shares of M3 and Sony recorded a gain of 37,167 million yen in other operating expense, net in the consolidated statements of income for the fiscal year ended March 31, 2017. Sony continues to account for its remaining interest in M3 under the equity method. Sony remains a major shareholder of M3 and will continue to pursue opportunities to collaborate with M3 in certain business areas, including medical.

The carrying value of Sony’s investment in M3 exceeded its proportionate share in the underlying net assets of M3 by 95,609 million yen at March 31, 2017. The excess is substantially attributable to the remeasurement to fair value of the remaining shares of M3, and allocated to identifiable tangible and intangible assets. The intangible assets relate primarily to M3’s medical web-portal. The unassigned residual value of the excess is recognized as goodwill as a component of the investment balance. The amounts allocated to intangible assets are amortized net of the related tax effects to equity in net income (loss) of affiliated companies over their respective estimated useful lives, principally 10 years, using the straight-line method.

With the exception of M3 as described above, there was no significant difference between Sony’s proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2016 and 2017.

Several affiliated companies are listed on the Tokyo Stock Exchange and Sony’s investments in these companies have an aggregate carrying value and fair value of 96,494 million yen and 314,188 million yen, respectively, as of March 31, 2017.

The number of affiliated companies accounted for under the equity method as of March 31, 2016 and 2017 were 102 and 109, respectively.

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

	Yen in millions	
	March 31	
	2016	2017
Accounts receivable, trade	9,740	10,873
Accounts payable, trade	2,044	2,525
Capital lease obligations	21,025	10,105

	Yen in millions		
	Fiscal year ended March 31		
	2015	2016	2017
Sales	29,393	33,569	31,238
Purchases	1,498	2,259	1,966
Lease payments	36,642	32,291	16,492

Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFI Leasing Company, Limited (“SFIL”), a leasing company in Japan, in the fiscal years ended March 31, 2015, 2016 and 2017. SFIL is accounted for under the equity method and is 34% owned by Sony. Refer to Note 8.

MITSUI-SOKO Supply Chain Solutions, Inc. is accounted for under the equity method and is 34% owned by Sony as a result of the sale of the logistics business on April 1, 2015. As of the fiscal years ended March 31, 2016 and 2017, account balances with MITSUI-SOKO Supply Chain Solutions, Inc. and its subsidiaries were 4,741 million yen and 4,922 million yen, respectively, which are mainly included in accrued expenses. For the fiscal years ended March 31, 2016 and 2017, transactions were 22,576 million yen and 13,752 million yen, respectively, which are mainly included in general and administrative expenses. Refer to Note 25.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2015, 2016 and 2017 were 6,149 million yen, 7,282 million yen and 7,970 million yen, respectively.

6. ***Transfer of financial assets***

Sony has established several accounts receivable sales programs mainly within the Electronics business. Through these programs, Sony can sell receivables to a commercial bank or a special purpose entity associated with a sponsor bank. Total receivables sold during the fiscal years ended March 31, 2015, 2016 and 2017 were 633,190 million yen, 53,267 million yen and 73,185 million yen, respectively. These transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. Gains and losses from these transactions, other than as described below, were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. Other than the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, for the fiscal years ended March 31, 2015, 2016 and 2017 were insignificant.

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

In August 2014, Sony terminated an accounts receivable sales program within the Electronics business in the United States. The program required that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2015, 2016 and 2017 were as follows:

	Yen in millions Fiscal year ended March 31		
	2015	2016	2017
Total trade receivables sold	50,400	—	—
Deferred proceeds	16,150	—	—
Collections of deferred proceeds	22,512	—	—

In May 2016, Sony terminated an accounts receivable sales program within the Pictures segment in the United States. The program required that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser, and the deferred proceeds totaled 30,893 million yen and 30,291 million yen as of March 31, 2015 and 2016, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2015, 2016 and 2017 were as follows:

	Yen in millions Fiscal year ended March 31		
	2015	2016	2017
Total trade receivables sold	4,237	2,918	238
Deferred proceeds	4,237	2,918	238
Collections of deferred proceeds	—	2,298	1,202

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

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7. *Marketable securities and securities investments*

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

	Yen in millions							
	March 31, 2016				March 31, 2017			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:								
Debt securities:								
Japanese national government bonds	1,136,478	218,863	(6)	1,355,335	1,161,493	182,836	(928)	1,343,401
Japanese local government bonds	60,707	86	(254)	60,539	60,450	144	(63)	60,531
Japanese corporate bonds	132,739	11,472	(230)	143,981	163,785	7,864	(1,846)	169,803
Foreign government bonds	35,896	5,724	(160)	41,460	27,601	359	(918)	27,042
Foreign corporate bonds	415,994	5,738	(3,185)	418,547	396,097	4,168	(719)	399,546
Other	884	0	—	884	15,192	—	(0)	15,192
	1,782,698	241,883	(3,835)	2,020,746	1,824,618	195,371	(4,474)	2,015,515
Equity securities	44,752	70,590	(21)	115,321	55,928	69,937	(377)	125,488
Held-to-maturity securities:								
Japanese national government bonds	5,353,080	2,020,621	—	7,373,701	5,661,191	1,520,904	(30,553)	7,151,542
Japanese local government bonds	4,480	522	—	5,002	4,101	449	—	4,550
Japanese corporate bonds	61,811	17,382	—	79,193	230,011	12,346	(22,071)	220,286
Foreign government bonds	42,934	10,631	—	53,565	253,019	5,269	(22,868)	235,420
Foreign corporate bonds	198	24	—	222	198	18	—	216
	5,462,503	2,049,180	—	7,511,683	6,148,520	1,538,986	(75,492)	7,612,014
Total	7,289,953	2,361,653	(3,856)	9,647,750	8,029,066	1,804,294	(80,343)	9,753,017

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, 2017			
	Available-for-sale securities		**Held-to-maturity securities**	
	Cost	**Fair value**	**Cost**	**Fair value**
Due in one year or less	139,341	135,351	6,972	7,058
Due after one year through five years	411,540	416,016	19,916	20,761
Due after five years through ten years	283,286	318,272	337,696	390,072
Due after ten years	990,451	1,145,876	5,783,936	7,194,123
Total	1,824,618	2,015,515	6,148,520	7,612,014

Proceeds from sales of available-for-sale securities were 217,651 million yen, 315,043 million yen and 75,319 million yen for the fiscal years ended March 31, 2015, 2016 and 2017, respectively. On these sales, gross realized gains were 15,656 million yen, 67,205 million yen and 2,297 million yen and gross realized losses were 32 million yen, 186 million yen and 37 million yen, respectively, for the fiscal years ended March 31, 2015, 2016 and 2017. Included in the gross realized gains of available-for-sale securities is 46,757 million yen from the sale of Olympus shares in the fiscal year ended March 31, 2016.

Marketable securities classified as trading securities, which consist of debt and equity securities held primarily in the Financial Services segment, totaled 799,241 million yen and 921,320 million yen as of March 31, 2016 and 2017, respectively. Sony recorded net unrealized gains of 100,312 million yen, net unrealized losses of 45,841 million yen, and net unrealized gains of 56,593 million yen for the fiscal years ended March 31 2015, 2016 and 2017, respectively. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies as of March 31, 2016 and 2017 totaled 71,750 million yen and 61,323 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

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, 2016 and 2017.

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

	Yen in millions					
	March 31, 2017					
	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	52,825	(909)	2,018	(19)	54,843	(928)
Japanese local government bonds	3,793	(6)	14,270	(57)	18,063	(63)
Japanese corporate bonds	53,302	(1,761)	20,489	(85)	73,791	(1,846)
Foreign government bonds	10,258	(577)	7,792	(341)	18,050	(918)
Foreign corporate bonds	27,944	(143)	24,662	(576)	52,606	(719)
	148,122	(3,396)	69,231	(1,078)	217,353	(4,474)
Equity securities	11,878	(370)	9	(7)	11,887	(377)
Held-to-maturity securities:						
Japanese national government bonds	277,328	(30,553)	—	—	277,328	(30,553)
Japanese local government bonds	—	—	—	—	—	—
Japanese corporate bonds	146,004	(22,071)	—	—	146,004	(22,071)
Foreign government bonds	196,740	(22,868)	—	—	196,740	(22,868)
Foreign corporate bonds	—	—	—	—	—	—
	620,072	(75,492)	—	—	620,072	(75,492)
Total	780,072	(79,258)	69,240	(1,085)	849,312	(80,343)

For the fiscal years ended March 31, 2015, 2016 and 2017, total realized impairment losses were 949 million yen, 3,566 million yen and 7,566 million yen, respectively.

At March 31, 2017, Sony determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

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8. *Leases*

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

(1) Capital leases

Leased assets under capital leases are comprised of the following:

	Yen in millions	
	March 31	
Class of property	2016	2017
Machinery, equipment and others	123,816	66,722
Film costs	6,696	4,943
Accumulated amortization	(96,270)	(53,330)
	34,242	18,335

The following is a schedule by fiscal year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2017:

Fiscal year ending March 31	Yen in millions
2018	7,686
2019	6,765
2020	6,039
2021	5,095
2022	2,857
Later fiscal years	5,098
Total minimum lease payments	33,540
Less - Amount representing interest	2,310
Present value of net minimum lease payments	31,230
Less - Current obligations	7,344
Long-term capital lease obligations	23,886

(2) Operating leases

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2017 are as follows:

Fiscal year ending March 31	Yen in millions
2018	54,727
2019	37,464
2020	46,378
2021	23,647
2022	19,044
Later fiscal years	87,260
Total minimum future rentals	268,520

Rental expenses under operating leases for the fiscal years ended March 31, 2015, 2016 and 2017 were 92,828 million yen, 94,000 million yen and 77,976 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2015, 2016 and 2017 were 1,180 million yen, 1,138 million yen and 1,157 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2017 were 1,831 million yen.

(3) Sale and leaseback transactions

Sale and leaseback transactions with SFIL -

Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. In the fiscal years ended March 31, 2015, 2016 and 2017, transactions with total proceeds of 8,391 million yen, 1,856 million yen and 2,679 million yen, respectively and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows.

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9. ***Goodwill and intangible assets***

Intangible assets acquired during the fiscal year ended March 31, 2017 totaled 109,726 million yen, of which 109,492 million yen is subject to amortization, and are comprised of the following:

	Intangible assets acquired during the fiscal year	Weighted-average amortization period
	Yen in millions	Years
Patent rights, know-how and license agreements	4,417	7
Software to be sold, leased or otherwise marketed	17,004	3
Internal-use software	58,097	5
Other	29,974	11

In the fiscal year ended March 31, 2017, additions to internal-use software primarily related to the capitalization of new software across several business platforms.

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2016		March 31, 2017	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	337,675	(223,738)	317,337	(251,401)
Customer relationships	36,925	(12,531)	37,289	(15,585)
Trademarks	29,825	(12,979)	31,630	(15,554)
Software to be sold, leased or otherwise marketed	126,743	(94,009)	117,897	(86,661)
Internal-use software	448,109	(297,057)	473,750	(310,408)
Music catalogs	217,056	(91,303)	218,321	(95,367)
Artist contracts	31,923	(28,857)	31,393	(29,001)
Television carriage contracts (broadcasting agreements)	59,607	(15,563)	74,780	(21,986)

Other	59,218	(47,475)	62,212	(46,624)
Total	1,347,081	(823,512)	1,364,609	(872,587)

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2015, 2016 and 2017 was 132,228 million yen, 125,616 million yen and 121,634 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

Fiscal year ending March 31	**Yen in millions**
2018	104,291
2019	74,247
2020	56,934
2021	42,996
2022	30,253

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

	Yen in millions	
	March 31	
	2016	2017
Trademarks	70,081	70,220
Distribution agreements	18,834	18,834
Other	3,270	3,109
Total	92,185	92,163

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The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2016 and 2017 are as follows:

	Yen in millions									
	MC	G&NS	IP&S	HE&S	Semicon-ductors	Compo-nents	Pictures	Music	Financial Services	All Other
Balance, March 31, 2015:										
Goodwill - gross	179,331	154,399	7,186	5,320	33,006	4,756	224,239	132,675	3,020	24,386
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	—	(306)	(706)	(24,386)
Goodwill	3,286	154,399	6,886	—	33,006	4,756	224,239	132,369	2,314	—
Increase (decrease) due to:										
Acquisitions*1	—	—	1,589	—	18,035	2,599	12,082	38,487	—	—
Sales and dispositions	—	—	—	—	—	—	—	—	—	—
Impairments	—	—	—	—	—	—	—	—	—	—
Translation adjustments	—	(2,106)	(138)	—	(1,420)	(205)	(14,804)	(9,084)	—	—
Other	—	—	—	—	—	—	—	—	—	—
Balance, March 31, 2016:										
Goodwill - gross	179,331	152,293	8,637	5,320	49,621	7,150	221,517	162,078	3,020	24,386
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	—	(306)	(706)	(24,386)
Goodwill	3,286	152,293	8,337	—	49,621	7,150	221,517	161,772	2,314	—
Increase (decrease) due to:										
Acquisitions*2	—	—	—	—	—	—	29,363	7,689	61	—
Sales and dispositions	—	—	—	—	—	—	(60)	—	—	—
Impairments	—	—	—	—	—	—	(112,069)	—	—	—
Translation adjustments	—	(355)	(186)	—	(77)	(11)	(598)	(3,351)	—	—
Other	—	—	—	—	(1,475)	(2,683)	—	—	—	—
Balance, March 31, 2017:										
Goodwill - gross	179,331	151,938	8,451	5,320	48,069	4,456	246,085	166,416	3,081	24,386
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	(107,932)	(306)	(706)	(24,386)
Goodwill	3,286	151,938	8,151	—	48,069	4,456	138,153	166,110	2,375	—

Sony realigned its business segments during the fiscal year ended March 31, 2017. As a result of this realignment, Sony has separated the Devices segment into the Semiconductors segment and the Components segment. As part of this realignment, the carrying amounts of associated goodwill for the former Devices segment have been reclassified into the Semiconductors segment and the Components segment using relative fair value method for the fiscal years ended March 31, 2015 and 2016. Refer to Note 28.

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

*2 Acquisitions for the fiscal year ended March 31, 2017 relate mainly to the TEN Sports Network acquisition in the Pictures segment. Refer to Note 24.

Impairment of goodwill related to mobile communications business -

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