	Average*	High	Low	Period-End
			(Yen)	
Yen Exchange Rates per U.S. dollar:				
Fiscal year ended March 31				
2007	116.92	121.81	110.07	117.56
2008	114.31	124.09	96.88	99.85
2009	100.62	110.48	87.80	99.15
2010	92.93	100.71	86.12	93.40
2011	**85.71**	**94.68**	**78.74**	**82.76**
2011				
January	—	83.36	81.56	81.97
February	—	83.79	81.48	81.94
March	—	82.98	78.74	82.76
April	—	85.26	81.31	81.31
May	—	82.12	80.12	81.29
June (through June 17)	**—**	**80.98**	**79.87**	**80.10**

The noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York on June 17, 2011 was 80.10 yen = 1 U.S. dollar.

* The average yen exchange rates represent average noon buying rates of all the business days during the respective year.

Capitalization and Indebtedness

Not Applicable

Reasons for the Offer and Use of Proceeds

Not Applicable

Risk Factors

Sony realigned its reportable segments from the first quarter of the fiscal year ended March 31, 2011, to reflect modifications to its organizational structure as of April 1, 2010, primarily repositioning the operations of the previously reported B2B & Disc Manufacturing segment. In connection with this realignment, the Consumer Products & Devices segment was renamed the Consumer, Professional & Devices (“CPD”) segment. The CPD segment includes televisions, digital imaging, audio and video, semiconductors and components as well as professional solutions (the B2B business which was previously included in the B2B & Disc Manufacturing segment). The equity results of S-LCD Corporation (“S-LCD”), a joint venture with Samsung Electronics Co., Ltd., are also included within the CPD segment. The disc manufacturing business previously included in the B2B & Disc Manufacturing segment is now included in All Other.

The Networked Products & Services (“NPS”), Pictures, Music and Financial Services segments remain unchanged. The equity earnings from Sony Ericsson Mobile Communications AB (“Sony Ericsson”) continue to be presented as a separate segment. For further details, please refer to “Item 5. *Operating Results.*”

Sony plans to further change its business segment classification to reflect its reorganization as of April 1, 2011. Sony expects to report its operating results in line with new business segments from the first quarter of the fiscal year ending March 31, 2012. Please note that the following Risk Factors section is based on the business segment classification that applies to the fiscal year ended March 31, 2011.

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

The Great East Japan Earthquake and its aftermath may continue to adversely affect Sony's operating results and financial condition.

The earthquake, resulting tsunami and related power outages that struck Eastern Japan on March 11, 2011 (the "Great East Japan Earthquake") caused widespread devastation to property and infrastructure in affected regions. In addition, the earthquake and tsunami caused massive damage and equipment failure at the Fukushima Dai-ichi Nuclear Power Plant that has resulted in the release of radioactive material (the "Fukushima Nuclear Incident"). To date, the incident has not been fully resolved, and there is still uncertainty as to when the incident will be brought fully under control. In addition, the combined effects of the Great East Japan Earthquake and the Fukushima Nuclear Incident have had an adverse impact on the Japanese economy.

During the fiscal year ended March 31, 2011, Sony incurred restoration costs directly related to the damage caused by the disaster to buildings, machinery, equipment and inventories in manufacturing sites and warehouses, as well as charges for the disposal or impairment of fixed assets. Sony had insurance policies that are expected to offset almost all of these expenses in the fiscal year ended March 31, 2011. However, if the expenses to be incurred during the fiscal year ending March 31, 2012 and onwards exceed the remaining amount available under the insurance policies, such expenses may adversely affect Sony's operating results and financial condition. In addition, as a result of the disaster, Sony has been and may continue to be adversely affected by disruptions of electricity and water supplies as well as supply shortages of components that may cause a reduction or suspension of production. Sony also may be adversely affected by product quality degradation caused by using replacement components, interruption of logistics services, or another major earthquake. Furthermore, the combined effects of the Great East Japan Earthquake and the Fukushima Nuclear Incident may continue to have other economic consequences, including a reduction in overall demand by consumers and businesses in Japan. This may continue to adversely affect Sony's sales and increase costs, adversely affecting Sony's operating results and financial condition.

Sony must overcome increasingly intense competition, especially in the CPD and NPS segments.

Sony produces consumer products that compete against products sold by competitors, including new entrants, on the basis of several factors such as price and function. In order to produce products that appeal to changing and increasingly diverse consumer preferences, and to overcome the fact that a relatively high percentage of consumers already possess products similar to those that Sony offers, Sony must develop superior technology, anticipate consumer tastes and rapidly develop attractive products with competitive selling prices. Sony faces increasingly intense pricing pressure from competitors, retailer consolidation, and shorter product cycles in a variety of consumer product categories. Sony's operating results depend on Sony's ability to continue to efficiently develop and offer products at competitive prices that meet changing and increasingly diverse consumer preferences. If Sony is unable to effectively anticipate and counter the ongoing price erosion that frequently affects its products, or if the average selling prices of its products decrease faster than Sony is able to reduce its manufacturing costs, Sony's operating results and financial condition may be adversely impacted.

To remain competitive and stimulate customer demand, Sony must successfully manage frequent new product and service introductions and transitions.

Due to the highly volatile and competitive nature of the consumer electronics, network services and mobile communication industries, Sony must continually introduce new products, services and technologies, enhance existing products and services, and effectively stimulate customer demand for new and upgraded products and services in both mature and developing markets. The success of new product and service introductions depends on a number of factors, such as the timely and successful completion of development efforts, market acceptance, Sony's ability to manage the risks associated with new products and production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products and services may have quality or other defects in the early stages of introduction. Recent examples of such new products and services include 3D televisions, other 3D-related businesses and entertainment streaming and download services. In addition, new and upgraded products and services can affect the sales and profitability of existing products and services. Accordingly, if Sony cannot properly manage frequent new product and service introductions and transitions, Sony’s operating results and financial condition may be adversely impacted.

Sony is subject to competition from firms that may be more specialized or have greater resources.

Sony has several business segments in different industries with many product and service categories, which cause it to face a broad range of existing and new competitors ranging from large multinational companies to highly specialized entities that focus on only a few businesses. In addition, original equipment and design manufacturing (OEM and ODM) partners may enter and compete with Sony in markets in which they currently supply products to Sony. Furthermore, current and future competitors may have greater financial, technical, labor and marketing resources available to them than those available to the businesses of Sony and Sony may not be able to fund or invest in certain areas of its businesses to the same degree as its competitors. In addition, the businesses within Sony’s Financial Services segment may not be able to compete effectively, especially against established competitors with superior financial, marketing and other relevant resources. A failure to efficiently anticipate and respond to these established and new competitors may adversely impact Sony’s operating results.

Sony’s investments in research and development may not yield the results expected.

Sony’s businesses operate in intensely competitive markets characterized by changing consumer preferences and rapid technological innovation. Due to advanced technological innovation and the relative ease of technology imitation, new products and services tend to become standardized more rapidly, leading to more intense competition and ongoing price erosion. In order to strengthen the competitiveness of its products in this environment, Sony continues to invest heavily in research and development. For example, within Sony’s game business, developing and providing products that maintain competitiveness over an extended life-cycle require large-scale investment in research and development, particularly during the development and introductory period of a new platform. However, these investments may not yield the innovation or the results expected quickly enough, or competitors may lead Sony in technological innovation, hindering Sony’s ability to commercialize, in a timely manner, new and competitive products and services that meet the needs of the market, which consequently may adversely impact Sony’s operating results as well as its reputation.

Sony’s business restructuring and transformation efforts are costly and may not attain their objectives.

Sony continued to implement restructuring initiatives in the fiscal year ended March 31, 2011 that focused on a review of the Sony group’s investment plan, the realignment of its manufacturing sites, the reallocation of its workforce, and headcount reductions. As a result of these restructuring initiatives, a total of 67.1 billion yen in restructuring charges has been recorded in the fiscal year ended March 31, 2011. While Sony anticipates recording approximately 25 billion yen of restructuring charges for the fiscal year ending March 31, 2012, significant additional or future restructuring charges may be recorded due to reasons such as the impact of economic downturns or exiting from unprofitable businesses. Restructuring charges are recorded in cost of sales, selling, general and administrative expenses and loss (gain) on sale, disposal or impairment of assets and other (net) and thus initially adversely affect Sony’s operating income (loss) and net income (loss) attributable to Sony’s stockholders. Sony plans to continue rationalizing its manufacturing operations, shifting and consolidating manufacturing to lower-cost countries, increasing the utilization of OEMs and ODMs and outsourcing its support functions and information processing operations to external partners. In addition, Sony continues to undertake business process optimization and enhance profitability through four horizontal platforms for (i) global sales and marketing, (ii) manufacturing, logistics, procurement and customer services, (iii) R&D, and (iv) common software development functions.

Due to internal or external factors, efficiencies and cost savings from the above-mentioned restructuring and transformation initiatives may not be realized as scheduled and, even if those benefits are realized, Sony may not be able to achieve the level of profitability expected due to market conditions worsening beyond expectations. Such possible internal factors may include, for example, changes in restructuring and transformation plans, an inability to implement the initiatives effectively with available resources, an inability to coordinate effectively across different business groups, delays in implementing the new business processes or strategies, or an inability to effectively manage and monitor the post-transformation performance of the operation. Possible external factors may include, for example, increased burdens from regional labor regulations, labor union agreements and Japanese customary labor practices that may prevent Sony from executing its restructuring initiatives as planned. The inability to fully and successfully implement restructuring and transformation programs may adversely affect Sony's operating results and financial condition. Additionally, operating cash flows may be reduced as a result of the payment for restructuring charges.

Sony's acquisitions and joint ventures within strategic business areas may not be successful.

Sony actively engages in acquisitions, joint ventures and other strategic investments in order to acquire new technologies, efficiently develop new businesses, and enhance its business competitiveness.

Sony may incur significant integration expenses to incorporate acquired businesses. Additionally, Sony may not achieve strategic objectives, planned revenue improvements and cost savings, and may not retain key personnel of the acquired businesses. Sony's operating results may also be adversely affected by the assumption of liabilities related to any acquired businesses.

Sony currently has investments in several joint ventures, including Sony Ericsson, S-LCD, and Sharp Display Products Corporation, a joint venture with Sharp Corporation for the production and sale of large-sized liquid crystal display ("LCD") panels and modules. If Sony and its partners are unable to reach their common financial objectives successfully, due to changes in the competitive environment or other reasons, Sony's operating results may be adversely affected. Sony's operating results may also be adversely affected in the short- and medium-term during the partnership, even if Sony and its partners remain on course to achieve their common financial objectives. In addition, by participating in joint ventures or other strategic investments, Sony may encounter conflicts of interest, may not maintain sufficient control over these relationships, including over cash flow, and may be faced with an increased risk of the loss of proprietary technology or know-how. Sony's reputation may be harmed by the actions or activities of a joint venture that uses the Sony brand. Sony may also be required to provide additional funding or debt guarantees to a joint venture, whether as a result of significant or persistent underperformance, or otherwise.

Sony may not be able to recoup the capital expenditures or investments it makes to increase production capacity.

Sony continues to invest in production equipment in the CPD and NPS segments. Sony also invests in production-related joint ventures. One example is the investment Sony and Samsung Electronics Co., Ltd. ("Samsung") made in connection with 8th generation production capacity for amorphous thin film transistor ("TFT") LCD panel production, following investments in 7th generation production capacity at S-LCD, a joint venture of the two companies in Korea. Another example is the additional investment by Sony in image sensor fabrication facilities to meet the increasing demand for image sensors. Sony anticipates investing approximately 120 billion yen to increase its image sensor fabrication capacity for the year ending March 31, 2012. If unforeseen market changes and corresponding decline in demand result in a mismatch between sales volume and anticipated production volumes, or if unit sales prices decline due to market oversupply, Sony may not be able to recover its capital expenditures or investments, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected. As a result, the carrying value of the related assets may be subject to an impairment charge, which may adversely affect Sony's profitability.

Increased reliance on external business partners may increase financial, reputational and other risks to Sony.

With the increasing necessity of pursuing quick business development and high operating efficiency with limited managerial resources, Sony increasingly relies on third party suppliers and business partners for components and software. For example, Sony partners with Google Inc. for use of the Android operating system in certain Sony consumer products. Reliance on third party suppliers and business partners increases the possibility that Sony will be unable to prevent products or services from incorporating defective or inferior third party components or software. Moreover, third party components or software used in Sony products or services may underperform compared to competing component or software offerings, or may be subject to copyright or patent infringement claims. Such issues resulting from reliance on third party suppliers and business partners for components and software may adversely affect Sony's operating results and its reputation. Sony has also become more reliant upon the services of OEMs and ODMs for product and component supply in the CPD and NPS segments, particularly in the television business. If Sony cannot adequately manage these outsourcing relationships, or if natural or other disasters affect Sony's business partners, Sony's production operations may be adversely affected. Sony may not be able to achieve target volume or quality levels, and may face a risk of the loss of proprietary technology or know-how. Sony also consigns activities including certain procurement, logistics, sales, data processing, human resources, accounting, and other services, to external business partners. Sony's operations may be affected if the external business partners do not comply with applicable laws or regulations, or if they infringe third party intellectual property rights, or if they are subject to business or service interruption caused by accidents, natural disasters or bankruptcies.

Sony must efficiently manage its procurement of parts and components, the market conditions for which are volatile, and control its inventory of products, parts, and components, the demand for which is volatile.

In the CPD and NPS segments, Sony uses a large volume of parts and components, such as semiconductors and LCD panels, for its products. Fluctuations in the availability and pricing of parts, components and energy, can adversely affect Sony's operating results. For instance, shortages of parts or components may result in sharply higher prices and an increase in the cost of goods sold. Also, shortages of critical parts or components, particularly where Sony is substantially reliant on one supplier, may result in a reduction or suspension of production at Sony's manufacturing sites. Additionally, the prices of parts or components fluctuate with the prices of underlying basic or raw materials, such as petrochemical products, cobalt, copper, and rare earth elements, which can also affect the cost of goods sold.

Sony places orders for parts and components in line with production and inventory plans determined in advance based on its forecast of consumer demand, which is highly volatile and difficult to predict. Inaccurate forecasts of consumer demand or inadequate management can lead to a shortage or excess of inventory, which can disrupt production plans and result in lost sales opportunities or inventory adjustments. Sony writes down the value of its inventory when the underlying parts, components or products have become obsolete, when inventory levels exceed the amount expected to be used, or when the value of the inventory is otherwise recorded at a value higher than net realizable value. In the past, for example, Sony has experienced a shortage of certain semiconductors and LCD panels, which resulted in Sony's inability to meet consumer demand for its PCs and audio visual products, as well as a surplus in certain semiconductors and LCD panels that resulted in inventory write-downs when the prices of these parts and components fell. More recently, Sony has been faced with shortages of certain parts and components as a result of the damage to its suppliers caused by the Great East Japan Earthquake. In addition, another major earthquake in Japan in the future could further damage the supply chain. Such lost sales opportunities, inventory adjustments, or shortages of parts and components have had and may in the future have an adverse impact on Sony's operating results and financial condition.

Sony's sales and profitability are sensitive to economic, employment and other trends in Sony's major markets.

Sony's sales and profitability are sensitive to economic, employment and other trends in each of the major markets in which Sony operates. These markets may be subject to significant economic downturns, having an adverse impact on Sony's operating results and financial condition. In the fiscal year ended March 31, 2011, 30.0 percent, 21.4 percent and 20.1 percent of Sony's sales were attributable to Japan, Europe and the U.S., respectively. Additionally, Sony's operating results are increasingly impacted by Sony's ability to realize its growth goals in emerging markets such as Brazil, Russia, India and China.

Sony's operating results depend on the demand from consumers and commercial customers and the performance of retailers, wholesalers and distributors. An actual or expected deterioration of economic conditions in any of Sony's major markets may depress consumer confidence and spending, resulting in an actual decline in consumption. Commercial customers and other business partners may experience deterioration in their own businesses mainly due to cash flow shortages, difficulty in obtaining financing and reduced end-user demand, resulting in reduced demand for Sony's products and services. Commercial customers' difficulty in fulfilling their obligations to Sony may also have an adverse impact on Sony's operating results and cash flows.

Sony’s suppliers are also susceptible to similar conditions that may impact their ability to fulfill their contractual obligations and may adversely impact Sony’s operating results if products and services cannot be obtained at competitive prices.

Global economic conditions may also affect Sony in other ways. For example, further restructuring charges, higher pension and other post-retirement benefit costs or funding requirements, and additional asset impairment charges, among other factors, have had and may in the future have an adverse impact on Sony’s operating results, financial condition and cash flows.

Foreign exchange rate fluctuations can affect financial results because a large portion of Sony’s sales and assets are denominated in currencies other than the yen.

Sony’s consolidated statements of income are prepared from the local currency denominated financial results of Sony Corporation’s subsidiaries around the world, which are then translated into yen at the monthly average currency exchange rate. Sony’s consolidated balance sheets are prepared using the local currency denominated assets and liabilities of Sony Corporation’s subsidiaries around the world, which are translated into yen at the market exchange rate at the end of each financial period. A large proportion of Sony’s consolidated financial results, assets and liabilities is accounted for in currencies other than the Japanese yen. For example, only 30.0 percent of Sony’s sales in the fiscal year ended March 31, 2011 were recorded in Japan. Accordingly, Sony’s consolidated financial results and the assets and liabilities in Sony’s businesses (excluding the Financial Services segment) that operate internationally may be materially affected by changes in the exchange rates of foreign currencies when translating into Japanese yen. Foreign exchange rate fluctuations have had and may in the future have an adverse impact on Sony’s operating results and financial condition, especially when the yen strengthens significantly against the U.S. dollar, the euro or other foreign currencies.

Foreign exchange rate fluctuations can affect Sony’s operating results due to sales and expenses in different currencies.

Exchange rate fluctuations affect Sony’s operating profitability because many of Sony’s products are sold in countries other than the ones in which they were developed and/or manufactured. For example, within the CPD segment, research and development and headquarters overhead costs are incurred mainly in yen, and manufacturing costs, including material costs, are mainly incurred in the U.S. dollar and yen. Sales are dispersed and recorded in Japanese yen, the U.S. dollar, euro, and local currencies of other regions. Since the currency in which sales are recorded may not be aligned with the currency in which the expenses are incurred, foreign exchange rate fluctuations, particularly fluctuations of the euro exchange rate against the yen and the U.S. dollar, may affect Sony’s operating results. Mid- to long-term changes in exchange rate levels may interfere with Sony’s global allocation of resources and hinder Sony’s ability to engage in research and development, procurement, production, logistics, and sales activities in a manner that is profitable after the effect of such exchange rate changes.

Although Sony hedges most of the net short-term foreign currency exposure resulting from import and export transactions shortly before they are projected to occur, such hedging activity cannot entirely eliminate the risk of adverse short-term exchange rate fluctuations.

The significant volatility and disruption in the global financial markets or a ratings downgrade may adversely affect the availability and cost of Sony’s funding.

The global financial markets may experience significant levels of volatility and disruption, generally putting downward pressure on financial and other asset prices and impacting credit availability. Historically, Sony’s primary sources of funds are cash flows from operations, the issuance of commercial paper and other debt securities such as term debt as well as borrowings from banks and other institutional lenders. Although the commercial paper and term debt markets have continued to be available to Sony even during the period of significant volatility and disruption that began in the autumn of 2008, there can be no assurance that such sources will continue to be available at acceptable terms. If such market disruption and volatility occur, Sony may seek to repay commercial paper and term debt as it becomes due, or to meet other liquidity needs by drawing upon contractually committed lending facilities primarily provided by global banks and/or seeking other sources of funding including, potentially, the sale of assets. There can be no assurance that under such extreme market conditions such alternate funding sources will be available or sufficient. Further, a failure of one or more of Sony's major lenders, or a decision by one or more of them to stop lending to Sony due to instability in the Japanese or global financial markets, may have an adverse impact on Sony's access to funding from such sources. In turn, this could have a material adverse impact on Sony's operating results, financial condition and liquidity.

Similarly, fluctuations in foreign exchange markets and the global financial markets may affect foreign currency translation adjustments and pension liability adjustments, both of which are included in the accumulated other comprehensive income, a component of equity, and the impact of deterioration in equity may have an adverse effect on the assessment of Sony's credit ratings. A downgrade in Sony's credit ratings may result in an increase in Sony's cost of funding and may have an adverse impact on Sony's ability to access commercial paper or mid- to long-term debt markets, with a corresponding adverse effect on Sony's operating results, financial condition and liquidity.

Sony is subject to the risks of operations in different countries.

Most of Sony's activities are conducted outside of Japan, and these international operations bring challenges. For example, in the CPD and NPS segments, production and procurement of products and parts in Asian countries such as China are increasing, and this creates a risk that production and shipping of products and parts may be interrupted by a major disruptive event in the region, such as a natural disaster or a pandemic. In addition, production of electronics products in China and other Asian countries increases the time necessary to supply products to Europe and the U.S., which can make it more difficult to meet changing customer demand. Further, in certain countries Sony may encounter difficulty in planning and managing operations due to unfavorable political or economic factors, such as cultural and religious conflicts, non-compliance with expected business conduct, local regulations, trade policies and taxation laws, and a lack of adequate infrastructure. Moreover, changes in local regulations, trade policies, taxation laws, local content regulations, business or investment permit approval requirements, foreign exchange controls, import or export controls, or the nationalization of assets or restrictions on the repatriation of returns from foreign investments in major markets and regions may affect Sony's operating results. For example, a labor dispute or a change of labor regulations or policies may significantly change local labor environments. Such a condition in China or another country in which Sony or a partner manufactures could cause interruption in production and shipping of Sony's products and parts, a sharp rise in local labor costs, or a shortage of well-trained employees, which may adversely affect Sony's operating results. If international or domestic political and military instability or natural disasters disrupt Sony's business operations or those of its business partners, or depress consumer confidence in those regions, Sony's operating results and financial condition may be adversely affected.

In addition, as emerging markets are becoming increasingly important to its operations, Sony becomes more susceptible to the above-mentioned risks, which may have an adverse impact on its operating results and financial condition.

Sony's success depends on the ability to recruit and retain skilled technical employees and management professionals.

In order to continuously develop, design, manufacture, market, and sell successful electronics products, including networked products as well as software, including game, video and music content, in increasingly competitive markets, Sony must attract and retain key personnel, including its executive team, other management professionals, and skilled employees such as hardware and software engineers. However, there is high demand for such skilled employees, and Sony may be unable to attract or retain qualified employees to keep up with future business needs. If this should happen, it may adversely affect Sony's operating results and financial condition.

Sony may not be successful in implementing its hardware, software and content integration strategy.

Sony believes that utilizing broadband networks to facilitate the integration of hardware, software and content is essential for differentiating itself in the marketplace and will lead to revenue growth. However, this strategy depends on the development (both inside and outside of Sony) of certain network technologies, coordination among

Sony's various business units, and the standardization of technological and interface specifications across business units and within industries. Furthermore, in such a competitive business environment, which continuously changes with new entrants, it is critical for Sony to continuously introduce and maintain hardware, network connectivity and user interface technologies that are innovative and attractive to consumers, as well as rich line-ups of content and network services that match consumer needs with competitive prices and fee models. One recent example of this integration strategy is the introduction of 3D-related products and services as well as the development of network-related businesses such as Qriocity™. If Sony is not successful in implementing this strategy, it may adversely affect Sony's reputation, competitiveness and profitability.

Sony's online activities are subject to laws and regulations that can increase the costs of operations or limit its activities.

Sony engages in a wide array of online activities, including entertainment network services, financial services, and sales and marketing of electronics and entertainment products, and is thus subject to a broad range of related laws and regulations including, for example, those relating to privacy, consumer protection, data retention and data protection, content regulation, defamation, age verification and other online child protections, the installation of "cookies" (software that allows website providers to target online audiences and track their performance metrics) or other software on the end-user's computers or other devices, pricing, advertising to both children and adults, taxation, copyright and trademark, promotions, and billing. The application of such laws and regulations created to address online activities, and those passed prior to the popular use of the Internet that may be applied to online activities, varies among jurisdictions, may be unclear or unsettled in many instances, and is subject to change. Sony may incur substantial costs necessary to comply with these laws and regulations and may incur substantial penalties, other liabilities, or damage to its reputation if it fails to comply with them. Compliance with these laws and regulations also may cause Sony to change or limit its online activities in a manner that may adversely affect operating results. In addition, Sony's failure to anticipate changes to relevant laws and regulations, changes in laws that provide protections that Sony relies on in conducting its online activities, or judicial interpretations narrowing such protections, may subject Sony to greater risk of liability, increase the costs of compliance, or limit Sony's ability to engage in certain online activities.

Sony's consumer-use products are particularly sensitive to year-end holiday season demand.

Sony's game business offers a relatively small range of hardware products, including PlayStation®2, PSP® (PlayStation Portable), and PlayStation®3, and a significant portion of overall demand is weighted towards the year-end holiday season. Sony's other consumer-use products are also dependent upon demand during the year-end holiday season. As a result, changes in the competitive environment, changes in market conditions, delays in the release of highly anticipated software titles and insufficient supply of hardware during the year-end holiday season can adversely impact Sony's operating results.

The sales and profitability of Sony's game business depend on the penetration of its gaming platforms, including network services, which is sensitive to software line-ups, including software produced by third party developers and publishers.

In Sony's game business, the penetration of gaming platforms is a significant factor driving sales and profitability, which is affected by the ability to provide customers with sufficient software line-ups, including software produced by third party developers and publishers, and network services. Software line-ups and network services affect not only software sales and profitability, as in many other content businesses, but also affect the penetration of gaming platforms, which can affect hardware sales and profitability. There is no assurance that game software developers and publishers will continue to develop and release software regularly or at all, and discontinuance or delay of software development may adversely affect Sony's operating results.

Sony's content businesses, including the Pictures and Music segments, game and other NPS businesses, are subject to digital theft and illegal downloading, which have become increasingly prevalent with the development of new technologies and the availability of broadband Internet connections.

The development and declining prices of digital technology along with the increased penetration and speed of broadband Internet connections and the availability of content in digital formats have created risks with respect to Sony's ability to protect the copyrighted content of the Pictures and Music segments, game business and other NPS businesses from digital theft and counterfeiting. In particular, advances in software and technology that enable the duplication, transfer or downloading of digital media files from the Internet and other sources without authorization from the owners of the rights to such content have adversely impacted and continue to threaten the conventional copyright-based business model by making it easier to create, transmit, and redistribute high quality, unauthorized digital media files. The availability of unauthorized content significantly contributes to a decrease in legitimate product sales and puts pressure on the price of legitimate product, which may adversely affect Sony's operating results. Sony has incurred and will continue to incur expenses to help protect its intellectual property, to develop new services for the authorized digital distribution of motion pictures, television programs, music, and video games, and to combat unauthorized digital distribution of its copyrighted content. These initiatives will increase Sony's near-term expenses and may not achieve their intended result.

Operating results for Sony's Pictures segment vary according to worldwide consumer acceptance and the availability of competing products and entertainment alternatives.

Operating results for motion picture productions, television productions and broadcast programming within the Pictures segment can fluctuate depending primarily upon worldwide consumer acceptance of such productions, which is difficult to predict. Moreover, the Pictures segment must invest substantial amounts in motion picture and television productions and broadcast programming before learning the extent to which these products will earn consumer acceptance. The commercial success of Sony's Pictures segment's products depends upon consumer acceptance of other competing products released at or near the same time, and the availability of alternative forms of entertainment and leisure activities, including many new online options. Underperformance of a motion picture or television production, especially an "event" or "tent-pole" film, may have an adverse effect on the segment's operating results in the year of release or exhibition, and in future years given the high correlation between a product's initial release or exhibition and subsequent revenue from other distribution markets, such as home entertainment and syndicated television.

Operating results of Sony's Pictures segment may be adversely affected by changes in advertising markets, or by the failure to renew, or renewal on less favorable terms of, television carriage contracts (broadcasting agreements).

The Pictures segment's television operations, including its worldwide television networks, derive a significant portion of sales from the sale of advertising. As the advertising market is particularly sensitive to changes in the global economy, the operating results of Sony's Pictures segment may be adversely affected by future economic downturns. The Pictures segment also recognizes sales from the licensing of its image-based software, including its motion picture and television content, to U.S. and international television networks, where a decline in the networks' ability to generate advertising and subscription revenues may adversely impact the license fees paid by these networks to the Pictures segment. The Pictures segment also depends on third party cable, satellite and other distribution systems to distribute its worldwide television networks. The failure to renew or renewal on less favorable terms of television carriage contracts (broadcasting agreements) with these third party distributors may adversely affect the Pictures segment's ability to generate advertising and subscription sales through its worldwide television networks.

Sony's Pictures segment is subject to labor interruption.

The Pictures segment and certain of its suppliers are dependent upon highly specialized union members, including writers, directors, actors and other talent, and trade and technical employees, who are covered by union contracts and are essential to the development and production of motion pictures and television programs. A strike by one or more of these unions or the possibility of a strike, work slowdown or work stoppage caused by uncertainties about, or the inability to reach agreement on, a new contract could delay or halt production activities. Such a delay or halt, depending on the length of time involved, could cause a delay or interruption in the release of new motion pictures and television programs and thereby may adversely affect operating results and cash flows in the Pictures segment. An inability to reach agreement on one or more of these union contracts or renewal on less favorable terms may also increase costs within Sony's Pictures segment and have an adverse effect on operating results.

Increases in the costs of producing, acquiring, or marketing entertainment content, the continuing decline in physical CD and DVD sales, rapid changes in technology, and other changes in the business environment may adversely affect operating results in Sony's Music and Pictures segments.

The success of Sony's Music segment is highly dependent on finding and establishing artists that appeal to customers over the long term. If the Music segment is unable to find and establish new talented artists, its operating results may be adversely affected. Competition with other entertainment companies to identify, sign and retain such talent is intense as is the competition to sell their music. In the Pictures segment, high demand for top talent continues to contribute to increases in the cost of producing motion picture and television products. Competition with other entertainment companies to acquire premier motion picture and television products is intense, and could result in increased acquisition-related spending. Overall increases in production and acquisition costs of the Pictures segment's products, as well as increases in the costs to market these products, may adversely impact the segment's operating results.

In addition to escalating costs to produce or acquire content, rapid changes in technology, the adoption of new technology by consumers and other changes in the business environment of the Music and Pictures segments have had and may continue to have an adverse impact on operating results of both segments. Industry-wide trends such as digital theft, increasing competition for consumer discretionary spending and leisure time, the general maturation of CD and DVD formats, and the deteriorating financial condition of some major retailers and increased competition for retailer shelf space have contributed to and may continue to contribute to an industry-wide decline in physical CD and DVD sales worldwide. While newer models for selling entertainment content have emerged, such as Blu-ray Disc™, kiosk and mail order rentals, legal digital download and streaming, and distribution of entertainment content on mobile phones and other portable electronic devices, these revenue streams have not been sufficient to offset the decline in physical CD and DVD sales that have affected and may continue to affect the operating results of Sony's Music and Pictures segments.

Sony's Financial Services segment operates in highly regulated industries, and new rules, regulations and regulatory initiatives by government authorities may adversely affect the flexibility and the operating results of the Financial Services segment.

Sony's Financial Services segment operates in industries subject to comprehensive regulation and supervision, including the Japanese insurance and banking industries. Future developments or changes in laws, regulations, or policies and their effects are unpredictable and may lead to increased compliance costs or limitations on operations in the Financial Services segment. For example, Japan's Financial Services Agency has been increasing the level of its scrutiny of non-payment of insurance claims for the last few years, as life and non-life insurance companies broaden insurance benefits coverage. Due to Sony's common branding strategy, compliance failures in any of its businesses within Sony's Financial Services segment may have an adverse impact on the overall business reputation of the Financial Services segment. Furthermore, additional compliance costs may adversely affect the operating results of Sony's Financial Services segment.

Declines in the value of equity securities may have an adverse impact on the operating results and financial condition of Sony's Financial Services segment.

In the Financial Services segment, Sony Life Insurance Co., Ltd. ("Sony Life") holds equity securities and hybrid bond securities that are affected by changes in the value of the equity market index. Declines in equity prices may result in impairment losses and losses on the sales of the equity securities held by Sony Life. In addition, reductions in gains or increases in losses on the sales of equity securities, as well as reductions in unrealized gains or increases in unrealized losses in respect of such hybrid bond securities may adversely affect the operating results and financial condition of Sony's Financial Services segment. Declines in the yield of Sony Life's separate account assets may result in additional policy reserves being recorded and the accelerated amortization of deferred acquisition costs, since U.S. GAAP requires the review of actuarial assumptions used for the valuation of policy reserves concerning minimum death guarantees for variable life insurance and the amortization of deferred acquisition costs. Additional policy reserves and accelerated amortization of deferred acquisition costs may have an adverse impact on Sony's operating results.

Changes in interest rates may significantly affect the operating results and financial condition of Sony's Financial Services segment.

Sony engages in asset liability management ("ALM") in an effort to manage the investment assets within the Financial Services segment in a manner appropriate to Sony's liabilities, which arise from the insurance policies Sony underwrites in both its life insurance and non-life insurance businesses and the deposits, borrowings and other liabilities in its banking business. ALM considers the long-term balance between assets and liabilities in an effort to ensure stable returns. Any failure to appropriately conduct Sony's ALM activities, or any significant changes in market conditions beyond what Sony's ALM may reasonably address, may have an adverse effect on the financial condition and operating results of its Financial Services segment. In particular, because Sony Life's liabilities to policyholders generally have longer durations than its investment assets, lower interest rates tend to reduce yields on Sony Life's investment portfolio while guaranteed yields (assumptions used for calculation of policy reserve provisions) remain generally unchanged on outstanding policies. As a result, Sony Life's profitability and long-term ability to meet policy commitments may be adversely affected.

The investment portfolio within Sony's Financial Services segment exposes Sony to a number of additional risks other than the risks related to declines in the value of equity securities and changes in interest rates.

In Sony's Financial Services segment, generating stable investment income is important to its operations, and Sony invests in a variety of asset classes, including Japanese government and corporate bonds, foreign government and corporate bonds, Japanese stocks, loans and real estate. In addition to risks related to changes in interest rates and the value of equity securities, the Financial Services segment's investment portfolio exposes Sony to a variety of other risks, including foreign exchange risk, credit risk and real estate investment risk, any or all of which may have an adverse effect on the operating results and financial condition of the Financial Services segment. For example, mortgage loans account for 90.8 percent of the total loan balance or 37.2 percent of the total assets of Sony Bank Inc. ("Sony Bank") as of March 31, 2011. An increase in non-performing loans or a decline in the prices of real estate, the collateral for these mortgage loans provided by Sony Bank, may have an adverse effect on the creditworthiness of Sony Bank's loan portfolio and increase credit-related costs for Sony Bank.

Differences between actual and assumed policy benefits and claims may require Sony's Financial Services segment to increase policy reserves in the future.

Sony's life insurance and non-life insurance businesses establish policy reserves for future benefits and claims based on the Insurance Business Act of Japan and related regulations. These reserves are calculated based on many assumptions and estimates, including the frequency and timing of the event covered by the policy, the amount of benefits or claims to be paid and the investment returns on the assets these businesses purchase with the premiums received. These assumptions and estimates are inherently uncertain, and Sony cannot determine with precision the ultimate amounts that Sony will be required to pay for, or the timing of payment of, actual benefits and claims, or whether the assets supporting the policy liabilities will grow at the level Sony assumes prior to the payment of benefits or claims. The frequency and timing of an event covered by a policy and the amount of benefits or claims to be paid are subject to a number of risks and uncertainties, many of which are outside of Sony's control, including:

- changes in trends underlying Sony's assumptions and estimates, such as mortality and morbidity rates;
- the availability of sufficient reliable data and Sony's ability to correctly analyze the data;
- Sony's selection and application of appropriate pricing and rating techniques; and
- changes in legal standards, claim settlement practices and medical care expenses.

If the actual experience of Sony's insurance businesses becomes significantly less favorable than its assumptions or estimates, its policy reserves may be inadequate. Any changes in regulatory guidelines or standards with respect to the required level of policy reserves may also require that Sony establishes policy reserves based on more stringent assumptions, estimates or actuarial calculations. Such events may result in a need to increase provisions for policy reserves, which may have an adverse effect on the operating results and financial condition of the Financial Services segment. Furthermore, actual insurance claims that are higher than the estimated provision for policy reserves due to the occurrence of catastrophic events such as earthquakes or pandemic diseases in Japan may have an adverse effect on the operating results and financial condition of the Financial Services segment.

Sony's physical facilities and information systems are subject to damage as a result of catastrophic disasters, outages, malfeasance or similar events.

Sony's headquarters, some of Sony's major data centers and many of Sony's most advanced device manufacturing facilities, including those for semiconductors, are located in Japan, where the risk of earthquakes is relatively high compared to other parts of the world. In addition, Sony's offices and facilities, including those used for research and development, material procurement, manufacturing, motion picture and television program production, logistics, sales and services are located throughout the world and are subject to possible destruction, temporary stoppage or disruption as a result of any number of unexpected catastrophic events such as natural disasters, pandemic diseases, terrorist attacks, large-scale power outages and large-scale fires. If any of these facilities or offices was to experience a significant loss as a result of any of the above events, it may disrupt Sony's operations, delay production, interrupt shipments and postpone the recording of sales, and result in large expenses to repair or replace these facilities or offices. In addition, if Sony's suppliers are damaged by such catastrophic events, Sony may be exposed to supply shortages of raw materials, parts or components which may result in a reduction or suspension of production. For example, the Great East Japan Earthquake which occurred on March 11, 2011, caused damage to certain fixed assets including buildings, machinery and equipment as well as inventories at manufacturing sites and warehouses. Production at ten manufacturing sites had been suspended due to damage caused by the Great East Japan Earthquake, though all of them had resumed or partially resumed production by May 30, 2011. In addition, Sony has been and may continue to be impacted by reductions or suspensions of production caused by disruptions of electricity and water supplies as well as supply shortages of components. Sony may also be impacted by product quality degradation caused by using replacement components, interruption of logistics services, or a general decline in demand in the Japanese market. Another major earthquake in Japan, especially in Tokyo where Sony headquarters are located, the Tokai area where many of Sony's product manufacturing sites are located, or the Kyushu area, where Sony's semiconductor manufacturing sites are located, could cause greater damage than the Great East Japan Earthquake to Sony's business operations, which may adversely affect Sony's operating results and financial condition.

Moreover, as network and information systems have become increasingly important to Sony's operating activities, the impact of network and information system shutdowns increases. Shutdowns may be caused by the above and other unforeseen events, such as software or hardware defects, computer viruses and computer hacking. For example, Sony's network services, online game business and websites of certain subsidiaries have been subject to cyber-attacks during the spring of 2011 resulting in some instances in a temporary interruption in services.

Similar events in the future may result in the disruption of Sony's major business operations, delays in production, shipments and recognition of sales, and large expenditures necessary to enhance, repair or replace such facilities and network and information systems. Furthermore, Sony may not be able to obtain sufficient future insurance to cover the resulting expenditures and losses, and insurance premiums may increase. These situations may have an adverse impact on Sony's operating results and financial condition.

Sony's reputation and business may be harmed and Sony may be subject to legal claims if there is loss, disclosure or misappropriation of or access to its customers' or its business partners' or its own information or other breaches of its information security.

Sony makes extensive use of online services and centralized data processing, including through third party service providers. The secure maintenance and transmission of customer information is a critical element of Sony's operations. Sony's information technology and other systems that maintain and transmit customer information, or those of service providers or business partners, may be compromised by a malicious third party penetration of Sony’s network security, or that of a third party service provider or business partner, or impacted by advertent or inadvertent actions or inactions by Sony employees, or those of a third party service provider or business partner. As a result, Sony’s customers’ information may be lost, disclosed, accessed or taken without the customers’ consent. For example, Sony’s network services, online game business and websites of certain subsidiaries have been subject to cyber-attacks during the spring of 2011, resulting in some instances in unauthorized access to and the potential or actual theft of, customer information.

In addition, Sony, third party service providers and other business partners process and maintain proprietary Sony business information and data related to Sony’s business-to-business customers, suppliers and other business partners. Sony’s information technology and other systems that maintain and transmit this information, or those of service providers or business partners, may also be compromised by a malicious third party penetration of Sony’s network security or that of a third party service provider or business partner, or impacted by advertent or inadvertent actions or inactions by Sony employees or those of a third party service provider or business partner. As a result, Sony’s business information, customer, supplier, and other business partner data may be lost, disclosed, accessed or taken without their consent.

Any such loss, disclosure or misappropriation of, or access to, customers’ or business partners’ information or other breach of Sony’s information security can result in legal claims or legal proceedings, including regulatory investigations and actions, may have a serious impact on Sony’s reputation and may adversely affect Sony’s businesses, operating results and financial condition. Furthermore, the loss, disclosure or misappropriation of Sony’s business information may adversely affect Sony’s businesses, operating results and financial condition.

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

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

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

Sony products, such as consumer products, non-consumer products, parts and components, semiconductors, software as well as network services are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur and as demand increases for digital equipment. This trend may increase product quality and liability exposure. Sony’s efforts to manage the rapid advancements in technologies and increased demand as well as to control product quality may not be successful. As a result, Sony may incur expenses in connection with, for example, product recalls, after-sales services and lawsuits, and Sony’s brand image and reputation as a producer of high-quality products and services may suffer. These issues are not only relevant to the final Sony products that are sold directly to customers but also to the final products of other companies that are equipped with Sony’s components, such as the semiconductors mentioned above.

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

Sony recognizes the unfunded pension obligation as consisting of (i) the Projected Benefit Obligation (“PBO”) less (ii) the fair value of pension plan assets in accordance with the accounting guidance for defined benefit plans. Actuarial gains and losses are amortized and included in pension expenses in a systematic manner over employees’ average remaining service periods. Any decrease of the pension plan asset value due to low returns from investments or increases in the PBO due to a lower discount rate, increases in rates of compensation and changes in certain other actuarial assumptions may increase the unfunded pension obligations and may result in an increase in pension expenses recorded as cost of sales or as a selling, general and administrative expense.

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

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

Sony may not be able to fully utilize its deferred tax assets, and changes in Sony’s tax rates or exposure to additional tax liabilities could adversely affect its operating results and financial condition.

Sony is subject to income taxes in Japan and numerous other jurisdictions, and in the ordinary course of Sony’s business, there are many situations where the ultimate tax determination can be uncertain, sometimes for an extended period. The calculation of Sony’s tax provision and the carrying value of tax assets and liabilities requires significant judgment and the use of estimates, including estimates of future taxable income.

Sony currently believes that its deferred tax assets, a significant component of which are net operating loss carryforwards, are more likely than not to be realized (except where a valuation allowance has been recorded) through sufficient future taxable income coupled with prudent and feasible tax planning strategies. However, some of these deferred tax assets could expire unused or not be realizable if Sony is unable to implement tax planning strategies or generate sufficient taxable income in the appropriate jurisdiction in the future (from operations and/or tax planning strategies) to utilize them, or if Sony enters into transactions that limit its legal ability to use them. If it becomes more likely than not that Sony’s deferred tax assets will expire unused and are not available to offset future taxable income, or otherwise will not be realizable, Sony will have to recognize an additional valuation allowance. This would increase Sony’s income tax expense or result in Sony’s forgoing any associated cash tax reduction available in future periods. Therefore, Sony’s net income (loss) attributable to Sony’s stockholders and financial condition would be adversely affected in the period or periods in which an additional valuation allowance is recorded or deferred tax assets expire unused. For example, for the year ended March 31, 2011, a valuation allowance in the amount of 362.3 billion yen was established against deferred tax assets at Sony Corporation and its national tax filing group in Japan.

A key factor in the evaluation of the deferred tax assets and the valuation allowance is the determination of the uncertain tax positions related to the adjustments for Sony’s intercompany transfer pricing. Sony is subject to income taxes in Japan and numerous other jurisdictions, and in the ordinary course of Sony’s business there are many transactions, including intercompany charges, where the ultimate tax determination is uncertain. Sony is subject to continuous examination of its income tax returns by tax authorities and, as a result, Sony regularly assesses the likelihood of the adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. Significant judgment is required in making these assessments and, as additional evidence becomes available in subsequent periods, the ultimate outcomes for Sony’s uncertain tax positions and, accordingly, its valuation allowance assessments may potentially have an adverse impact on Sony’s future earnings and financial condition.

In addition to the above, Sony’s future effective tax rates may be unfavorably affected by changes in both the statutory rates and the mix of earnings in countries with differing statutory rates or by other factors such as changes in tax laws and regulations or their interpretation, including limitations or restrictions on the use of net operating loss and income tax credit carryforwards.

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

Sony has a significant amount of goodwill, intangible assets and other long-lived assets. A decline in financial performance or changes in estimates and assumptions used in the impairment analysis, which in many cases require significant judgment, could result in impairment charges. Sony tests goodwill and intangible assets that are determined to have an indefinite life for impairment during the fourth quarter of each fiscal year and assesses whether factors or indicators, such as unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, have become apparent that would require an interim test. The recoverability of the carrying value of long-lived assets held and used and long-lived assets to be disposed of is reviewed whenever events or changes in circumstances indicate that the carrying value of the assets or asset groups may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying value of the asset or asset group with their estimated undiscounted future cash flows. If the carrying value of the asset or asset group is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the asset or asset group exceeds its fair value.

When determining whether an impairment has occurred or calculating such impairment for goodwill, an intangible asset or other long-lived asset, fair value is determined using the present value of estimated cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Changes in estimates and/or revised assumptions impacting the present value of estimated future cash flows may result in a decrease in the fair value of a reporting unit, where goodwill is tested for impairment, or a decrease in fair value of intangible assets, long-lived assets or asset groups. The decrease in fair value could result in a non-cash impairment charge. Any such charge may adversely affect Sony’s operating results and financial condition.

Sony may be accused of infringing others’ intellectual property rights and be liable for significant damages.

Sony’s products incorporate a wide variety of technologies. Claims have been and may be asserted against Sony that such technology infringes the intellectual property owned by others. Such claims might require Sony to enter into settlement or license agreements, to pay significant damage awards, and/or to face a temporary or permanent injunction prohibiting Sony from marketing or selling certain of its products, which may have an adverse effect on Sony’s business, operating results, financial condition and reputation.

Sony may not be able to continue to obtain necessary licenses for certain intellectual property rights of others or protect and enforce the intellectual property rights on which its business depends.

Many of Sony’s products are designed under the license of patents and other intellectual property rights owned by third parties. Based upon past experience and industry practice, Sony believes that it will be able to obtain or renew licenses relating to various intellectual properties useful in its business that it needs in the future; however, such licenses may not be available at all or on acceptable terms, and Sony may need to redesign or discontinue marketing or selling such products as a result. Additionally, Sony’s intellectual property rights may be challenged or invalidated, or such intellectual property rights may not be sufficient to provide Sony with competitive advantages. Such events may adversely impact Sony’s operating results and financial condition.

Sony is subject to a wide range of regulations related to social responsibility, such as environmental, occupational health and safety, and certain human rights regulations that can increase the costs of operations, limit its activities, or affect its reputation.

Sony is subject to a broad range of social responsibility laws and regulations covering issues related, inter-alia, to the environment, occupational health and safety and human rights. These include laws and regulations relating to air pollution; water pollution; the management, elimination or reduction of the use of hazardous substances; energy efficiency of certain products; waste management; recycling of products, batteries and packaging materials; site remediation; worker and consumer health and safety; and human rights issues such as those related to the procurement and production processes. These laws and regulations may become more stringent, or additional laws and regulations may be adopted in the future.

For example, Sony is currently required to comply with a number of environmental regulations enacted by the EU, such as the Restriction of Hazardous Substances ("RoHS") Directive, the Waste Electrical and Electronic Equipment ("WEEE") Directive, and the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH") regulation. Similar regulations are being formulated in other parts of the world, including China and South American countries. Sony is also required to comply with regulations or governmental policies related to climate change issues such as carbon disclosure, green house gas emission reduction, carbon taxes and energy efficiency for electronics products. Supply chain regulations addressing certain energy consumption and CO_2 emissions have already been introduced in Japan, and other countries may introduce similar regulations in the near future. In addition, the "cap and trade" system on emissions (such as the Tokyo Metropolitan Government's "Obligation to Reduce Absolute Green House Gas Emissions and Emissions Trading System") already applies in some locations, and similar cap and trade systems may be established in other regions or countries. Similarly, the May 2011 revision of the "Global Guidelines for Responsible Business Conduct: OECD Guidelines for Multinational Enterprises" may trigger the establishment of new laws and regulations. Additionally, Sony is subject to a range of laws and regulations related specifically to purchasing activities, including raw materials procurement, in respect of the environment, human rights, labor and armed conflict. Sony may be required to comply with new laws and regulations of this kind, such as the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 1502.

New laws and regulations may result in an increase in Sony's cost of compliance. Additionally, if Sony is not perceived as having responded to existing and new laws and regulations in these varied areas, it may result in fines, penalties, legal judgments or other costs or remediation obligations, and may adversely affect Sony's operating results and financial condition. In addition, such a finding of non-compliance, or the perception that Sony has not responded appropriately to growing consumer concern for such issues, whether or not legal requirements, may adversely affect Sony's reputation. Its operating results and financial condition may also be adversely affected if consumers therefore choose to purchase products of other companies.

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

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

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