Sony Ericsson Mobile Communications AB (“Sony Ericsson”) and S-LCD Corporation (“S-LCD”) to be integral to Sony’s operations, Sony determined that the most appropriate method to report equity in net income (loss) of all affiliated companies was as a component of operating income (loss). In connection with this reclassification, consolidated operating income (loss) and consolidated income (loss) before income taxes for all prior periods have been reclassified to conform with the current year presentation.

** Refer to Note 22 to the notes to the consolidated financial statements.

*** Depreciation and amortization includes amortization expenses for intangible assets and deferred insurance acquisition costs.

	Average*	High	Low	Period-End
		(Yen)		
Yen Exchange Rates per U.S. Dollar:				
Fiscal year ended March 31				
2005	107.49	114.30	102.26	107.22
2006	113.15	120.93	104.41	117.78
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**
2009				
January	—	94.20	87.80	89.83
February	—	98.55	89.09	97.74
March	—	99.34	93.85	99.15
April	—	100.71	96.49	98.76
May	—	99.24	94.45	95.55
June (through June 19)	**—**	**98.56**	**95.65**	**96.15**

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 19, 2009 was 96.15 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 plans to change its business segment classification to reflect the Company’s reorganization as of April 1, 2009. Sony expects to report its operating results in line with new business segments from the first quarter of the fiscal year ending March 31, 2010. Please note that the following Risk Factors section is based on the business segment classification that applies to the fiscal year ended March 31, 2009.

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

Sony must overcome increasingly intense competition, especially in the Electronics and Game segments.

Sony's Electronics segment 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's Electronics and Game segments must develop superior technology, anticipate consumer tastes and rapidly develop attractive products with competitive selling prices. In the Electronics segment, Sony faces increasingly intense pricing pressure and shorter product cycles in a variety of consumer product categories. Sony's operating results depend on Sony's ability to continue to develop efficiently and offer Electronics and Game 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 accompanies its products, or if the average selling prices of its products decrease faster than Sony is able to reduce its manufacturing costs, Sony's cost of sales ratio will increase and its operating results and financial condition may be negatively impacted.

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

Due to the highly volatile and competitive nature of the PC, consumer electronics 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. 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. New and upgraded products and services can affect the sales and profitability of existing products and services. Accordingly, Sony cannot determine in advance the ultimate effect that new product introductions and transitions will have on its operating results and financial condition.

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

Sony has several business segments in different industries and has many product categories within the Electronics segment, which causes it to face a broad range of existing and new competitors ranging from large international companies to highly specialized entities that focus on only a few businesses. As a result, Sony may not be able to fund or invest in certain areas of its businesses to the same degree that its competitors do. Furthermore, these competitors may have greater financial, technical, and marketing resources available to them than those available to the businesses of Sony. 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 new and established competitors may negatively impact Sony's operating results.

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. Most of these markets have recently experienced significant economic downturns which have had, and may continue to have, a material adverse impact on Sony's operating results and financial position. In the fiscal year ended March 31, 2009, 24.2 percent, 23.6 percent, and 25.7 percent of Sony's sales and operating revenue were attributable to Japan, the U.S. and Europe, respectively.

Examples of trends that may cause a material impact on Sony's results include, but are not limited to, reduced demand from either or both end consumers or commercial customers. An actual or expected deterioration of economic conditions in any of Sony's major markets could act to depress end consumer confidence and result in an actual decline in consumption, which could have a materially adverse impact on Sony's short- to mid-term sales and profitability. Commercial customers may experience deterioration in their own businesses due to cash flow shortages, difficulty in obtaining financing and reduced end-user demand, among other factors. Commercial customers' difficulty in meeting their obligations to Sony could also have an adverse impact on Sony's operating results and cash flows. In addition, the further weakening of economic conditions or rising unemployment may further affect Sony's business in these respects.

Sony's suppliers are also susceptible to similar conditions that may impact their ability to fulfill their contractual obligations and could impact Sony's revenues or cost of sales ratio if products and services cannot be obtained at competitive prices.

Global economic conditions may also impact Sony in other ways including, for example, further restructuring charges, higher pension and post-retirement benefit costs or funding requirements, additional asset impairment charges, among other factors, any of which could materially impact Sony's operating results, financial condition and cash flows.

The unprecedented conditions in the global financial and credit markets or a ratings downgrade may adversely affect the availability and cost of Sony's funding.

The global financial and credit markets have been experiencing unprecedented levels of volatility and disruption, generally putting downward pressure on financial and other asset prices and impacting the credit availability even for major global issuers. The central governments and the central banks of major global economies, including Japan, have recently created a number of programs to help stabilize credit markets and financial institutions and to restore liquidity. These programs have improved conditions in these credit and financial markets to some extent, but there can be no assurance that these programs, individually or collectively, will continue to have beneficial effects on the markets overall, or that they will resolve the credit and liquidity issues.

Historically, Sony's primary sources of funds are cash flows from operations, offerings of commercial paper and other debt securities such as term debt as well as borrowings from banks and other institutional lenders. As a result of the impact of the global economic downturn, Sony may become more dependent on commercial paper and debt markets in the future to meet its cash flow requirements. Although the commercial paper and term debt markets, have continued to be available to Sony during the recent periods of volatility and disruption, there can be no assurance that such sources will continue to be available or, that if available, the cost of such funding will not substantially increase due to market factors. If current levels of market disruption and volatility continue or worsen, 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 would 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 and credit markets could 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 position or liquidity.

Similarly, a downgrade in Sony's credit ratings could result in an increase in Sony's cost of funding and could have an adverse impact on Sony's ability to access commercial paper or term debt markets, with a corresponding adverse effect on Sony's results, financial position and liquidity.

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

Sony's businesses, particularly the Electronics and Game segments, operate in intensely competitive markets characterized by changing consumer preferences and rapid technological innovation. Due to advanced technological innovation and 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. However, these investments may not yield the results expected, hindering Sony's ability to commercialize, in a timely manner, new and competitive products that meet the needs of the market, which consequently may negatively impact Sony's reputation and operating results.

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 Electronics segment. 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 Corporation ("S-LCD"), a joint venture of the two companies in Korea. The accumulated total amount of the investment in S-LCD by Sony and Samsung for 7th and 8th generation production capacity is approximately 400 billion yen (approximately 50 percent of which was contributed by Sony). 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 could adversely affect Sony's profitability.

Sony's utilization of joint ventures and alliances within strategic business areas may not be successful.

During the last several years Sony has moved toward the establishment of joint ventures and strategic alliances in order to supplement or replace functions that were previously performed by divisions of Sony Corporation or wholly-owned subsidiaries.

Sony currently has investments in several joint ventures, including Sony Ericsson Mobile Communications AB and S-LCD. If Sony and its partners from existing alliances, joint ventures and strategic investments are unable to reach their common financial objectives successfully, Sony's financial performance may be adversely affected. Sony's financial performance may also be adversely affected temporarily or in the short- and medium-term during the period of alliances, joint ventures and strategic investments even if Sony and its partners remain on course to achieve their common objectives. In February 2008, Sony and Sharp Corporation ("Sharp") signed a non-binding memorandum of intent to establish a joint venture to manufacture 10th generation amorphous TFT LCD panels and modules. Sony has set June 30, 2009 as the target date by which to enter into a definitive agreement and is negotiating in good faith with Sharp.

Sony may not adequately manage the growing number of joint ventures and strategic alliances, and, in particular, may not deal effectively with the legal and cultural differences that can arise in such relationships, with changes in the relationships, or with changes in the financial status of its partners. In addition, by participating in joint ventures or strategic alliances, Sony may encounter conflicts of interest, may not maintain sufficient control over the joint venture or strategic alliance, including over cash flow, and may be faced with an increased risk of the loss of proprietary technology or know-how. Sony's reputation could be harmed by the actions or activities of a joint venture that uses the Sony brand.

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

Sony implemented restructuring initiatives in the fiscal year ended March 31, 2009 that focused on a review of its investment plan, realignment of manufacturing sites, and workforce reallocation and headcount reduction. In association with these restructuring initiatives, 75.4 billion yen of restructuring charges were recorded for the fiscal year ended March 31, 2009. Sony anticipates the recording of approximately 110 billion yen of restructuring charges for the fiscal year ending March 31, 2010 for these initiatives. Restructuring charges are recorded in cost of sales, selling, general and administrative expenses and loss on sale, disposal or impairment of assets, net and thus decrease Sony's operating and net income.

In addition, due to internal or external factors, the improved efficiencies and projected cost savings 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 the worsening of market conditions beyond expectations. Such possible internal factors could include, for example, a decision to implement new restructuring initiatives not already planned or a decision to increase research and development outlays or other expenditures beyond currently projected levels, either of which might increase total costs. Possible external factors could include, for example, increased burdens from regional labor regulations, labor union agreements and Japanese customary labor practices that could prevent Sony from executing its restructuring initiatives as planned. Therefore, such restructuring and transformation may not result in improved efficiency, increased ability to respond to market changes or the reallocation of resources to more profitable businesses. The inability to fully and successfully implement restructuring programs may cause Sony to have insufficient financial resources to carry out its research and development plans and to invest in targeted growth areas for its businesses. Additionally, operating cash flows could be reduced as a result of the payment for restructuring charges.

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 24.2 percent of Sony's sales and operating revenue in the fiscal year ended March 31, 2009 were originally recorded in Japan. Accordingly, Sony's consolidated financial results and the assets and liabilities in Sony's businesses that operate internationally, principally in its Electronics, Game and Pictures segments and the music business, may be materially affected by changes in the exchange rates of foreign currencies when translating into Japanese yen. Foreign exchange rate fluctuations may have a negative impact on Sony's operating results and financial condition in the future, especially if the yen strengthens significantly against the U.S. dollar, the euro or other foreign currencies.

Foreign exchange 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. The concentration of research and development, administrative functions, and manufacturing activities within the Electronics segment in Japan makes this segment particularly sensitive to the yen's appreciation as the ratio of yen-denominated costs to total costs is higher than the ratio of yen-denominated revenue to total revenue. 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.

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 Electronics and Game segments, Sony uses a large volume of parts and components, such as semiconductors and LCD panels, for its products. Market fluctuations in the availability and pricing of parts and components can adversely affect Sony's operating results. For instance, shortages of parts or components may occur during periods of excess demand, which can result in sharply higher prices and an increase in the cost of goods sold. Additionally, the prices of parts or components fluctuate with the prices of underlying basic or raw materials, such as petrochemical products, cobalt and copper, which can also affect the cost of goods sold.

Sony places orders for parts and components and determines production and inventory plans 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 revenue shortfalls 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 higher value 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. Such revenue shortfalls or inventory adjustments have had and, if Sony is not successful in managing its inventory in the future, could have a material adverse effect on Sony's operating results.

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

Most of Sony's activities are conducted outside of Japan, and international operations bring challenges. For example, in the Electronics and Game 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 could be interrupted by a natural disaster or pandemic in the region, similar to the spread of Severe Acute Respiratory Syndrome ("SARS") or a novel influenza virus. 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, 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, unexpected legal or regulatory changes such as foreign exchange, import or export controls, nationalization of assets or restrictions on the repatriation of returns from foreign investments and the lack of adequate infrastructure. If the effects of international political and military instability or natural disasters disrupt Sony's business operations 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 in its operations, Sony becomes more susceptible to the above-mentioned risks which could have an adverse impact on its operating results and financial condition.

The large-scale investment required during the development and introductory period of a new gaming platform may not be fully recovered.

Within the Game segment, developing and providing products that maintain competitiveness over an extended life-cycle require large-scale investment relating to research and development, particularly during the development and introductory period of a new platform. In the past, large-scale investment relating to capital expenditures and research and development for the development and manufacture of key components, including semiconductors supplied for PLAYSTATION®3 ("PS3"), was also recorded within the Electronics segment. Moreover, it is particularly important in the Game segment that these products are provided to consumers at competitive prices with compelling game software and online services to ensure favorable market penetration of the platform. Should the platform fail to achieve such favorable market penetration, there is a risk that this investment, or a part thereof, will not be recouped, resulting in a significant negative impact on Sony's profitability. In addition, even if the platform is ultimately successful and Sony is able to sufficiently recoup its investment, this may take longer than expected, resulting in a negative impact on Sony's profitability.

An example of a negative impact on profitability within the Game segment is PS3-related charges that in the past resulted in significant overall segment losses. These losses arose mainly from the strategic pricing of PS3 hardware at points lower than its production cost.

Sony's Game and Electronics segments are particularly sensitive to year-end holiday season demand.

Since the Game segment offers a relatively small range of hardware products (including PlayStation®2, PSP® (PlayStation®Portable), and PS3) and a significant portion of overall demand is weighted towards the year-end holiday season, factors such as 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 negatively impact the financial performance of both the Game and the Electronics segments. The Electronics segment is also dependent upon year-end holiday season demand and, to a lesser extent than the Game segment, is susceptible to weak sales as well as supply shortages that may prevent it from meeting demand for its products during this season.

The sales and profitability of Sony's Game segment depends on the penetration of its gaming platforms, which is sensitive to software line-ups, including software produced by third parties, and more recently, the expansion of online services.

In the Game segment, the penetration of gaming platforms is a significant factor driving sales and profitability, which may be affected by the ability to provide customers with sufficient software line-ups, including software produced by third parties and online services. Software line-ups and online 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.

Sony's content businesses, including its music business, the Pictures segment and the Game segment, are subject to digital piracy 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 its music business, the Pictures segment and the Game segment from digital piracy and counterfeiting. In particular, advances in software and technology that enable the duplication, transfer or downloading of digital audio and video files from the Internet and other sources without authorization from the owners of the rights to such content threaten the conventional copyright-based business model by making it easier to create, transmit, and redistribute high quality, unauthorized audio and video files. These advances include, for example, digital devices such as hard disk drive video and audio recorders, CD, DVD, and Blu-ray DiscTM recorders, file compression algorithms, and peer-to-peer digital distribution services. The availability of unauthorized content contributes to a decrease in legitimate product sales and puts pressure on the price of legitimate product sales, which could adversely affect operating results within the music business, the Pictures segment, and the Game segment. Sony has incurred and will continue to incur expenses to ensure adequate copyright protection, to develop new services for the authorized digital distribution of music, movies, television programs 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 the cost of productions and marketing costs, consumer acceptance, timing of releases or syndication sales, and the availability of competing products and entertainment alternatives.

Operating results for motion picture releases and television productions within the Pictures segment can materially fluctuate depending primarily upon the cost of such productions, marketing costs, and consumer acceptance of such productions, each of which is difficult to predict, as well as the timing of new motion picture releases and the syndication of television productions. In addition, the commercial success of Sony's Pictures segment's motion picture and television productions 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 options such as social networking sites, that have been enabled by technological advancements. Given the limited number of motion pictures released during any period, the underperformance of an "event" or "tent-pole" motion picture that generally has higher production and marketing costs than other films can have an adverse impact on operating results of Sony's Pictures segment.

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 carriage contracts.

The Pictures segment's television operations, including its global channel network, derives a significant portion of its revenues from the sale of advertising. A decline of the advertising market due to the global economic downturn could have an adverse impact on the operating results of Sony's Pictures segment. The Pictures segment also earns revenues from the licensing of its image-based software, including its motion picture and television content, to the 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 to the Pictures segment. The Pictures segment also depends on third party cable, satellite and other distribution systems to distribute its global channel network. The failure to renew, or renewal on less favorable terms of, carriage contracts (broadcasting agreements) with these third-party distributors may adversely affect the Pictures segment's ability to generate advertising and subscription revenues through its global channel network.

Sony's Pictures segment is subject to labor interruption.

The Pictures segment is 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 could adversely affect operating results and cash flows in the Pictures segment. An inability to reach agreement on one or more of these union contracts could also increase costs within Sony's Pictures segment and have an adverse effect on operating results.

Continued increases in the costs of producing or acquiring entertainment content and other changes in the business environments of Sony's music business and Pictures segment could adversely affect their sales and operating results.

The success of Sony's music business is highly dependent on finding and establishing artists that appeal to customers over the long-term and if the music business is unable to find and establish new talented artists, 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, resulting in increased talent-related spending and higher marketing and promotional costs. In the Pictures segment, high demand for top talent has contributed to increases in the cost of producing motion pictures, which can impact operating results as can the cost of acquiring programming produced by third parties.

In addition to escalating costs to produce or acquire content, Sony's music business and Pictures segment have experienced and could continue to experience significant changes in their respective business environments, which have had and could continue to have an adverse impact on operating results. For instance, primarily as a result of digital piracy and illegal downloading, bankruptcies of music wholesalers and retailers and ongoing competition for consumer discretionary spending have resulted in declining physical sales, particularly of the CD format. While new models for selling recorded music content have begun to emerge, including the legal download of music over the Internet and the distribution of music content on mobile phones, these digital revenues streams have not been sufficient to offset the decline in physical sales that have affected and could continue to affect the operating results of Sony's music business. Industry-wide trends such as the deteriorating financial condition of major retailers, the maturation of the DVD format, increasing competition for consumer discretionary spending and leisure time, digital piracy and increased competition for retailer shelf space have contributed to and could continue to contribute to an industry-wide decline in DVD sales both in the U.S. and worldwide which could impact the operating results of Sony's Pictures segment.

Sony's music business may be subject to renewed judicial review by the European Court.

In August 2004, Sony combined its recorded music business outside of Japan with the recorded music business of Bertelsmann AG ("Bertelsmann"), forming SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"), after receiving antitrust approval from, among others, the European Commission. On December 3, 2004, Impala, an international association of 2,500 independent recorded music companies, appealed the European Commission's clearance decision to the EU Court of First Instance ("CFI"). On July 13, 2006, the CFI annulled the Commission's decision to allow the merger to go forward, requiring the Commission to re-examine the transaction. In October 2006, Sony Corporation of America ("SCA") and Bertelsmann filed an appeal of the CFI's judgment to the Court of Justice of the European Communities ("ECJ"). On October 3, 2007, following its reexamination of the merger, the Commission rendered a second clearance decision reaffirming the conclusion reached in 2004 that the transaction raised no competition concerns. On June 16, 2008 Impala announced it had filed an appeal of that second clearance decision to the CFI and then SCA filed an application to intervene in that appeal. On July 10, 2008, the ECJ rendered judgment on the 2006 appeal of SCA and Bertelsmann, setting aside the CFI's annulment of the original clearance decision and referring the case back to the CFI for further consideration. On September 26, 2008, the CFI stayed Impala's 2008 appeal of the second clearance decision pending a final ruling by the CFI on the original clearance decision. As of October 1, 2008 SONY BMG became a wholly-owned subsidiary of Sony and was renamed Sony Music Entertainment as of January 1, 2009. On February 10, 2009, Impala informed the CFI that Impala believed that the Commission's approval of Sony's acquisition of sole control, which Impala noted was final and not appealable, made their original appeal devoid of purpose. The Commission subsequently agreed with Impala's view in this regard. The CFI is not bound by the parties' view in this regard and is currently deliberating whether the appeal proceedings as to the original clearance decision should proceed or should be terminated. In the event the CFI (and upon a further appeal, the ECJ) were to annul both the Commission's original clearance decision in 2004 and the Commission's second clearance decision in 2007, and if the Commission subsequently, following a further investigation, reversed the position it had taken in 2004 and 2007, the previously combined company could be forced to unwind the merger in whole or in part. In such circumstance, Sony might incur significant costs and might not be able to achieve its objectives with respect to its recorded music business.

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. Sony also believes that this strategy will eventually lead to consistent revenue streams. 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. If Sony is not successful in implementing this strategy, it could 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 products, and is thus subject to a broad range of related laws and regulations including, for example, those relating to such issues as 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 computer 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 could incur substantial costs necessary to comply with these laws and regulations and could incur substantial penalties, other liabilities, or damage to its reputation if it fails to comply with them. Compliance with these laws and regulations also could cause Sony to change or limit its online activities in a manner that could 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 Financial Services segment operates in highly regulated industries, and new rules, regulations and regulatory initiatives by government authorities could adversely affect the flexibility and profitability of its business operation.

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 could lead to increased compliance costs or limitations on operations. For example, Japan's Financial Services Agency ("FSA") has recently strengthened its regulatory supervision relating to non-payment of insurance claims. Compliance with multiple regulatory regimes is challenging and, due to Sony's common branding strategy, compliance failures in any of its businesses within Sony's Financial Services segment could have a negative impact on the overall business reputation of the Financial Services segment. Furthermore, additional compliance costs could have adverse effects on Sony's operating results.

Declines in the value of equity securities could have a material adverse impact on the financial results of Sony's Financial Services segment.

In the Financial Services segment, Sony Life Insurance Co., Ltd. ("Sony Life") holds both convertible bonds and equity securities. The convertible bonds are required to be marked to market at the end of each accounting period on the income statement under accounting principles generally accepted in the United States of America ("US GAAP"). Declines in equity prices, such as those due to recent problems in the U.S. residential mortgage market that have resulted in recent large fluctuations in global equity prices, may result in valuation losses on the convertible bonds as well as impairment losses on the equity securities held by Sony Life. In addition, reductions in gains on the sales of securities or unrealized gains on securities could trigger adverse effects on Sony's operating results and financial condition. Declines in the yield of Sony Life's separate account assets may result in additional policy reserves being recorded and the early amortization of deferred acquisition cost, since US 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.

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

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 could reasonably address, could have a material 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 premiums remain generally unchanged on outstanding policies. As a result, Sony Life's profitability and long-term ability to meet policy commitments could be materially and 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 financial condition and operating results of the Financial Services segment. For example, mortgage loans account for 98.2 percent of the total loan balance or 33.2 percent of the total assets of Sony Bank Inc. ("Sony Bank") for the fiscal year ended March 31, 2009. 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, could 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 estimates of future payment obligations made by qualified actuaries. 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 the event covered by the 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 is 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 could result in a need to increase provisions for policy reserves, which may have a significant adverse effect on the financial condition and operating results 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 could have a significant adverse effect on the financial condition and the result of operations in 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 higher than in 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, and large-scale power outages. If any of these facilities or offices were to experience a significant loss as a result of any of the above events, it could disrupt Sony's operations, delay production, interrupt shipments and postpone the recording of revenue, and result in large expenses to repair or replace these facilities or offices. Moreover, as network and information systems have become increasingly important to Sony's operating activities, network and information system shutdowns caused by the above and other unforeseen events such as software or hardware defects, computer viruses and computer hacking pose increasing risks. Although Sony is developing counter-measures, such events could result in the disruption of Sony's major business operations, delays in production, shipments and recognition of revenue, and large expenditures necessary to repair or replace such facilities as well as network information systems, which could have a material adverse impact on Sony's operating results and financial condition.

Sony's reputation and business could be harmed and Sony could be subject to legal claims if there is loss, disclosure or misappropriation of its customers' personal 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, particularly in the Financial Services segment. The secure maintenance and transmission of confidential information is a critical element of Sony's operations. However, Sony's customers' personal information may be lost or disclosed or taken without customers' consent. In addition, Sony's information technology and other systems, or those of service providers or strategic business partners, may be compromised. If Sony were to lose customers' personal information or if a malicious third party were to penetrate the network security of Sony, its business partners or service providers and to misappropriate or acquire customers' personal information, or if there were an advertent or inadvertent loss, disclosure or misappropriation of customers' personal information by Sony employees, Sony's reputation could be damaged and Sony could be subject to lawsuits or claims.

Any loss, disclosure or misappropriation of customers' personal information or other breach of its information security may have a serious impact on Sony's reputation and could have a significant adverse effect on its businesses and operating results.

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

Sony products, such as software and electronic devices including semiconductors are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur and as demand increases for digital equipment. At the same time, product quality and liability issues may present greater risks. Sony's efforts to manage the rapid advancements in technologies and increased demand as well as to control product quality may not be successful. If they are not, 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 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. An example of these issues is the recording of a 51.2 billion yen provision during the fiscal year ended March 31, 2007 in relation to the recalls by Dell Inc., Apple Inc. and Lenovo, Inc. of notebook computer battery packs that use lithium-ion battery cells manufactured by Sony as well as the subsequent global replacement program initiated by Sony for certain notebook computer battery packs used by Sony and several other notebook computer manufacturers that use lithium-ion battery cells manufactured by Sony. (Portions of the provisions totaling 15.7 billion yen and 2.3 billion yen were reversed in the fiscal years ended March 31, 2008 and March 31, 2009, respectively, based on the actual results of recalls and replacements as compared to Sony's original estimates.)

Sony may be adversely affected by its employee benefit obligations.

Sony recognizes the unfunded pension obligation as consisting of the (i) Projected Benefit Obligation ("PBO") less (ii) the fair value of pension plan assets. Actuarial gains and losses are included in pension expenses in a systematic manner over employees' average remaining service periods in a manner consistent with FAS No. 87, "Employers' Accounting for Pensions," FAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" and the related amendments to those standards. Any decrease of the pension 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 could increase the unfunded pension obligations and could, subject to the provisions of FAS No. 87, result in an increase in pension expenses recorded as cost of sales or as a selling, general and administrative expense.

Most pension assets and liabilities recognized on Sony's consolidated balance sheets relate to Japanese plans, which are subject to the Japanese Defined Benefit Corporate Pension Plan Act pursuant to which Sony is required to meet certain financial criteria including periodic actuarial revaluation and annual settlement of gains or losses of the plan. Since the fall of 2008, the fair value of pension plan assets invested in equity securities were negatively affected by the global financial crisis, the global economic downturn and the significant decreases in corporate earnings. The Japanese plan had invested approximately 30% of its pension plan assets in equity securities. In the event that the actuarial reserve required by law exceeds the fair value of pension assets and that the fair value of pension assets would 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 could 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 a negative factor for 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 earnings and financial position.

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.

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 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 taxable income in the future (from operations and/or tax planning strategies) sufficient 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 a valuation allowance. This may materially increase Sony's income tax expense or result in Sony's forgoing any associated cash tax reduction available in future periods. Therefore, Sony's earnings and financial position would be adversely affected in the period or periods in which a valuation allowance is recorded or deferred tax assets expire unused.

A key factor in the evaluation of the deferred tax assets and the valuation allowances is the determination of the uncertain tax positions related to the more likely than not 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 could potentially have an adverse impact on Sony's future earnings and financial position.

In addition to the above, Sony's future effective tax rates could 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.

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, and future financial performance lower than anticipated or changes in estimates and assumptions, which in many cases require significant judgments, could result in impairment charges. Sony tests goodwill and intangible assets that are determined to have an indefinite life for impairment on a reporting unit basis 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, 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, intangible asset or other long-lived asset, fair value is determined using the present value of estimated net cash flows or comparable market values. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. Resulting from changes in estimates and/or revised assumptions impacting the present value of estimated net future cash flows, a decrease in the fair value of a reporting unit, intangible assets, or long-lived assets or asset groups could result in an impairment and a non-cash charge would be required. Any such charge could adversely affect on Sony operating results and financial position.

Sony's business could 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 connection with its operations. Lawsuits, including regulatory actions, may seek recovery of very large indeterminate amounts or limit Sony's operations, and the possibility that they may arise and their magnitude may remain unknown for substantial periods of time. A substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings could have a material adverse effect on Sony's business, operating results, financial condition, cash flows and reputation.

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 could 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 could have a material adverse effect on Sony's business, operating results, financial condition, and reputation.

Sony is dependent upon certain intellectual property rights of others, and Sony may not be able to continue to obtain necessary licenses.

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.

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 procures from third-party suppliers components (including LCD panels for televisions) and technologies (such as operating systems for PCs). Reliance on third-party suppliers increases the chance that Sony will be unable to prevent products from incorporating defective or inferior third-party technology or components. Products with such defects can adversely affect Sony's operating results and its reputation for quality products. Sony has also become more reliant upon the services of third-party original equipment and design manufacturers in the Electronics and Game segments. In addition, Sony consigns to external business partners extensive activities including procurement, logistics, sales and other services. Reliance on external business partners may also expose Sony to the effects of insufficient compliance with applicable regulations or infringement of third-party intellectual property rights by external business partners as well as certain risks, such as accidents, natural disasters, or bankruptcies under a deteriorating business environment, to which external business partners might be exposed.

Sony is subject to environmental and occupational health and safety regulations that can increase the costs of operations or limit its activities.

Sony is subject to a broad range of environmental and occupational health and safety laws and regulations, including laws and regulations relating to air pollution, water pollution, the management, elimination or reduction of the use of hazardous substances, decreases in the level of standby power of certain products, waste management, recycling of products, batteries and packaging materials, site remediation and worker and consumer health and safety. These regulations or the application of these regulations could become more stringent or additional regulations could be adopted in the future, which could cause Sony to incur additional compliance costs or limit Sony's activities. Further, a failure to comply with applicable environmental or health and safety laws could result in fines, penalties, legal judgments or other costs or remediation obligations. Such a finding of noncompliance could also injure Sony's reputation. Such events could adversely affect Sony's financial performance.

Sony monitors and evaluates new environmental and health and safety requirements that may affect its operations. For example, Sony has established an internal risk management system in response to two directives enacted by the EU: The Restriction of Hazardous Substances Directive ("RoHS") and the Waste Electrical and Electronic Equipment Directive ("WEEE"). Similar regulations are being formulated in other parts of the world, including China. Sony may incur substantial costs in complying with other similar programs that might be enacted outside Europe in the future. Furthermore, Sony has been developing a risk management system to comply with the EU's Registration, Evaluation, Authorization and Restriction of Chemicals program ("REACH"). Going forward, Sony will continue to evaluate the potential impact of these regulations, including whether REACH could directly or indirectly increase its costs or restrict Sony's activities, which could have an adverse impact on Sony's operating results and financial condition.

In addition, Sony sees issues related to climate change as a potential risk if Sony does not respond or undertake environmental activities appropriately. Sony recognizes that climate change issues could possibly lead to an increase in or additional costs due to new regulations or governmental policies including carbon disclosure, green house gas emission reduction, carbon taxes and energy efficiency for electronics products. A regulation for cargo owners to exert efforts to rationally control energy consumption and CO_2 emission from their logistics has already been introduced in Japan, and other countries may introduce similar regulations in the near future. In addition, in the event that Sony is unable to respond appropriately to consumers' growing concern for climate change issues, there is a risk that Sony's reputation could be harmed and that consumers may choose to purchase products from other companies.

American Depositary Shareholders 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 judgments obtained in other courts outside Japan. There is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the U.S.