BOK FINANCIAL CORP ET AL
Form SC 13G/A
January 21, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G/A
(Amendment No. 2)

Under the Securities Exchange Act of 1934

BOK Financial Corporation
(Name of issuer)

Common Stock, $0.00006 par value
(Title of class of securities)

05561Q201
(CUSIP number)

December 31, 2014
(Date of event which requires filing of this statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[_] Rule 13d-1(b)

[X] Rule 13d-1(c)

[_]Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

---

(1) Names of reporting persons

George Kaiser Family Foundation

(2) Check the appropriate box if a member of a group (see instructions)

(a) [ ]

(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

Oklahoma, United States of America

Number of shares beneficially owned by each reporting person with:		
	(5)	Sole voting power 6,989,536
	(6)	Shared voting power 0
	(7)	Sole dispositive power 6,989,536
	(8)	Shared dispositive power 0

(9) Aggregate amount beneficially owned by each reporting person

6,989,536

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

[ ]

(11) Percent of class represented by amount in Row (9)

10.08%

(12) Type of reporting person (see instructions)

CO – not for profit

(1) Names of reporting persons

Frederic Dorwart

(2) Check the appropriate box if a member of a group (see instructions)

(a) [ ]

(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

United States of America

Number of shares beneficially owned by each reporting person with:		
	(5)	Sole voting power 6,989,536
	(6)	Shared voting power 0
	(7)	Sole dispositive power 6,989,536
	(8)	Shared dispositive power 0

(9) Aggregate amount beneficially owned by each reporting person

6,989,536

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

[ ]

(11) Percent of class represented by amount in Row (9)

10.08%

(12) Type of reporting person (see instructions)

IN

(1) Names of reporting persons

Phil Frohlich

(2) Check the appropriate box if a member of a group (see instructions)

(a) [ ]

(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

United States of America

Number of shares beneficially owned by each reporting person with:	(5)	Sole voting power 6,989,536
	(6)	Shared voting power 0
	(7)	Sole dispositive power 6,989,536
	(8)	Shared dispositive power 0

(9) Aggregate amount beneficially owned by each reporting person

6,989,536

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

[ ]

(11) Percent of class represented by amount in Row (9)

10.08%

(12) Type of reporting person (see instructions)

IN

(1) Names of reporting persons

Leah M. Kaiser

(2) Check the appropriate box if a member of a group (see instructions)

(a) [ ]

(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

United States of America

Number of shares beneficially owned by each reporting person with:		
	(5)	Sole voting power 6,991,439
	(6)	Shared voting power 0
	(7)	Sole dispositive power 6,991,439
	(8)	Shared dispositive power 0

(9) Aggregate amount beneficially owned by each reporting person

6,991,439

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

[ ]

(11) Percent of class represented by amount in Row (9)

10.08%

(12) Type of reporting person (see instructions)

IN

(1) Names of reporting persons

Phil Lakin, Jr.

(2) Check the appropriate box if a member of a group (see instructions)

(a) [ ]

(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

United States of America

Number of shares beneficially owned by each reporting person with:		
	(5)	Sole voting power 6,989,536
	(6)	Shared voting power 0
	(7)	Sole dispositive power 6,989,536
	(8)	Shared dispositive power 0

(9) Aggregate amount beneficially owned by each reporting person

6,989,536

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

[ ]

(11) Percent of class represented by amount in Row (9)

10.08%

(12) Type of reporting person (see instructions)

IN

(1) Names of reporting persons

Kenneth J. Levit

(2) Check the appropriate box if a member of a group (see instructions)

(a) [ ]

(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

United States of America

Number of shares beneficially owned by each reporting person with:		
	(5)	Sole voting power 6,989,536
	(6)	Shared voting power 1,264
	(7)	Sole dispositive power 6,989,536
	(8)	Shared dispositive power 1.264

(9) Aggregate amount beneficially owned by each reporting person

6,990,800

(10) Check if the aggregate amount in Row (9) excludes certain shares (see instructions)

[ ]

(11) Percent of class represented by amount in Row (9)

10.08%

(12) Type of reporting person (see instructions)

IN

Item 1 (a). Name of Issuer: BOK Financial Corporation

Item 1 (b). Address of Issuer's Principal Executive Offices:
Bank of Oklahoma Tower
P.O. Box 2300
Tulsa, OK 74192

Item 2 (a). Name of Person Filing: This schedule 13G/A with respect to the Common Stock is filed by the George Kaiser Family Foundation ("GKFF"), Mr. Frederic Dorwart, Mr. Phil Frohlich, Ms. Leah M. Kaiser, Mr. Phil Lakin, Jr., and Mr. Kenneth J. Levit. The five named individuals are trustees of GKFF (the "Trustees") and by virtue of such position may be deemed to have beneficial ownership of the Common Stock held by GKFF.

Item 2 (b). Address of Principal Business Office or, if none, Residence:

The address of the principal business office of GKFF is 7030 South Yale, Suite 600, Tulsa, OK, 74136.

The address of the principal business office of Mr. Dowart is 124 East Fourth Street, Tulsa, OK, 74103.

The address of the principal business office of Mr. Frohlich is 1924 South Utica, Suite 1120, Tulsa, OK, 74104.

The address of the principal business office of Ms. Kaiser is 7030 South Yale, Suite 600, Tulsa, OK, 74136.

The address of the principal business office of Mr. Lakin is 7030 South Yale, Suite 600, Tulsa, OK, 74136.

The address of the principal business office of Mr. Levit is 7030 South Yale, Suite 600, Tulsa, OK, 74136.

Item 2 (c). Citizenship: GKFF was organized, associated or formed under the laws of the State of Oklahoma. The Trustees are citizens of the United States of America.

Item 2 (d). Title of Class of Securities: Common Stock, par value $0.00006 per share

Item 2 (e). **Annual CompensationCompensation**

SecuritiesUnderlyingAll OtherOther AnnualOptions/CompensationName and Principal PositionYearSalary ($)Bonus ($)Compensation[1]($)SARs(#)($)

Joseph H Moglia[2]
2002 600,000 1,068,930 7,775,000 6,337
Chief Executive Officer
2001 350,769 1,533,320 4,515,890 1,816,132 141,360
J. Joe Ricketts
2002 650,000 1,008,755 4,697 753,443
Chairman and Founder
2001 631,251 353,749 30,000 2000 540,003 606,801 30,000 298,700

Vincent Passione
2002 350,000 354,700
President, Institutional
2001 329,135 125,000 617,500 350,000
Client Division
2000 300,000 425,000
John R. MacDonald(3)
2002 327,346 182,630 187,330 119,866
Executive Vice President,
2001 311,250 87,500 262,500 100,000
Chief Financial Officer
2000 155,770 58,414 175,241 87,200 23,895
and Treasurer

Phylis M. Esposito(4)
2002 300,000 313,080 227,865
Executive Vice President,
2001 75,000 75,000 50,000 23,318
Chief Strategy Officer

---

(1) The amounts shown in this column for Mr. Moglia represent deferred compensation earned pursuant to his employment agreement. The amounts in this column for Mr. J. Joe Ricketts represent employer contributions to the Company s Profit Sharing Plan in the form of Company Common Stock. In the cases of Mr. Passione, Mr. MacDonald and Ms. Esposito, the amounts shown include bonus payments that were deferred by the employee into a trust that holds shares of Common Stock pursuant to the Ameritrade Holding Corporation Executive Deferred Compensation Program and, in the cases of Mr. Passione and Mr. MacDonald, also include profit sharing contributions in the form of Company Common Stock.

(2) Mr. Moglia became an employee of the Company in March 2001. Amounts under Bonus for fiscal 2001 include Mr. Moglia s signing bonus pursuant to his employment agreement. Amounts under All Other Compensation for Mr. Moglia represent imputed interest resulting from payroll taxes paid on Mr. Moglia s behalf in fiscal 2002 and reimbursement of moving expenses in fiscal 2001.

(3) Mr. MacDonald became an employee of the Company in March 2000. The amount under All Other Compensation for Mr. MacDonald represents reimbursement of moving expenses.

(4) Ms. Esposito became an employee of the Company in July 2001. The amount under All Other Compensation for Ms. Esposito represents reimbursement of moving expenses.

Option Grants in Last Fiscal Year

The following table sets forth information regarding stock options granted to Named Executive Officers during fiscal 2002 pursuant to the Ameritrade Holding Corporation 1996 Long-Term Incentive Plan (the

Long-Term Incentive Plan). No grants of Stock Appreciation Rights were made to Named Executive Officers in fiscal 2002.

Name	Individual Grants: Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year(1)	Exercise or Base Price ($/share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for the Option Term(2)($): 5%	10%
Joseph H. Moglia		0.0%				
J. Joe Ricketts	753,443	2.9%	5.50	10/24/11	2,606,099	6,604,368
Vincent Passione		0.0%				
John R. MacDonald	119,866	0.5%	5.50	10/24/11	414,607	1,050,695
Phylis M. Esposito	227,865	0.9%	5.50	10/24/11	788,167	1,997,370

(1) Based on an aggregate of 26,407,500 options granted to employees during fiscal 2002, including 23,797,908 options granted to employees of Datek in connection with the Company s merger with Datek on September 9, 2002.

(2) Calculated on the assumption that the market value of the underlying stock increases at the stated values compounded annually for the ten-year term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

The following table sets forth information with respect to the Named Executive Officers concerning the exercise of options during fiscal 2002 and unexercised options held as of the end of fiscal 2002.

Name	Number of Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Sept. 27, 2002: Exercisable	Unexercisable	Value of Unexercised in-the-Money Options at Sept. 27, 2002(1): Exercisable	Unexercisable
Joseph H. Moglia			1,428,569	387,563	$	$
J. Joe Ricketts			1,039,750	902,793	$ 1,580,460	$
Vincent Passione			218,750	131,250	$	$
John R. MacDonald			307,066		$	$
Phylis M. Esposito			25,000	252,865	$	$

(1) Based on the market price of $3.90 per share, which was the closing price per share of the Company s Common Stock on the Nasdaq National Market on the last day of fiscal 2002, less the exercise price payable for such shares.

Employment and Severance Agreements

The Company currently has employment agreements with each of its Named Executive Officers.

Joseph H. Moglia. Mr. Moglia s employment agreement was entered into as of March 1, 2001 and has a two-year initial term. The agreement renews automatically for an additional two-year term unless either party provides written notice of non-renewal to the other at least 90 days before the last day of the initial term. Either party also may terminate the employment agreement with or without cause. Pursuant to the agreement, Mr. Moglia was paid a signing bonus of $1.3 million and was reimbursed for relocation costs. The agreement provides for the payment of a base salary of $600,000 per year, an annual bonus of not less than $600,000 plus an annual performance-based bonus of not more than $300,000, a one-time benefit of $15.6 million pursuant to a deferred compensation plan that generally vests as of March 1, 2003 and is

payable upon his termination, and participation in other employee benefits under the various benefit plans and programs maintained by the Company. In addition, the agreement provides that, if Mr. Moglia is still employed by the Company as of March 1, 2003, he will be awarded stock options with respect to 2 percent of the then outstanding shares of

Company Common Stock. If Mr. Moglia is discharged from employment by the Company without cause or terminates his employment under circumstances that constitute constructive dismissal, all of his stock options and amounts in the deferred compensation plan will vest and the grant of options described in the preceding sentence will be accelerated as described below. Under the deferred compensation plan established in connection with the agreement, Mr. Moglia is entitled to a deferred payment of cash compensation, as adjusted for earnings and losses based on investment performance. The balance in the deferred compensation account vests pro rata on a daily basis over the initial two-year term. Payments of the deferred compensation account balance begin as soon as practicable after Mr. Moglia s termination date and may be made in a lump sum or installments over a period of not more than 10 years, as elected by Mr. Moglia in accordance with the plan. If Mr. Moglia dies before the vested balance in his deferred compensation account is paid to him, the vested balance is paid in a lump sum to a beneficiary named by him.

The agreement provides that, if a change in control of the Company occurs, Mr. Moglia s employment will automatically terminate and he will be entitled to the payments and benefits to which he would otherwise be entitled under the agreement had he continued in employment with the Company through both the initial and additional two-year terms. If, during the initial two-year term of the agreement, a change of control occurs, Mr. Moglia s employment is terminated during that term by the Company without cause or if his employment is terminated during that term under circumstances that constitute a constructive dismissal, he will be awarded stock options that would have been awarded to him at the beginning of the additional two-year term, except that the options will be granted as of the date of the change of control or termination date, as applicable, with an exercise price equal to 80 percent of the fair market value of a share of Common Stock on the date of grant. The agreement contains covenants by Mr. Moglia not to compete with the Company during the term of employment and for a specified period after the term. He is generally entitled to receive noncompetition payments during the period subsequent to his termination in which the covenant not to compete is in effect.

The Company and Mr. Moglia entered into an addendum to the employment agreement as of March 30, 2002. Under the addendum, the Company and Mr. Moglia agreed that the merger with Datek would not constitute a change in control for the purpose of the employment agreement and Mr. Moglia waived the provisions of the agreement that would have been triggered by the merger. The Company and Mr. Moglia further agreed that if the Company terminates Mr. Moglia s employment within two years after the completion of the merger for any reason other than cause, Mr. Moglia will be entitled to the payments and benefits to which he would otherwise be entitled under the agreement had he continued in the employ of the Company until the fourth anniversary of the effective date of the employment agreement and he will be entitled to the noncompetition payments. In addition, if the Company terminates Mr. Moglia s employment before March 1, 2003, for any reason other than cause, Mr. Moglia will be entitled to the accelerated options, except that the grant date for the options will be the date of the termination with an exercise price equal to 80 percent of the fair market value of a share of Common Stock on the date of grant, and his account under the deferred compensation plan will become fully vested as of the termination date.

Under an agreement between the Company and Mr. Moglia, dated September 13, 2001, the Company is required to lend Mr. Moglia the Medicare tax amounts due from time to time resulting from his vesting in benefits under the deferred compensation plan. Mr. Moglia is required to repay the loan, which does not bear interest, at the time of termination of his employment. The Company may set off the amount of the loan against the amount that would otherwise be payable to Mr. Moglia under the deferred compensation plan. For periods prior to the termination of his employment, the Company will reimburse Mr. Moglia annually for all taxes imposed on the interest imputed to Mr. Moglia.

J. Joe Ricketts, Chairman and Founder. Mr. Ricketts employment agreement was entered into as of October 1, 2001 and has a seven-year term. Either party may terminate the agreement with or without cause. The agreement provides for the payment of a base salary of not less than $650,000 per year, an annual bonus with a target level for each of fiscal years 2002 and 2003 of not less than 75% of his base salary, grants of stock options pursuant to the Company s long term incentive plan with a target award value for each of fiscal years 2002 and 2003 of not less than $1,200,000, employee assistance program payments and tax payments, fully equipped home offices, participation in employee benefits plans and programs maintained by the Company,

and reimbursement for reasonable fees and expenses for legal, tax, accounting, financial and estate planning counseling and services and some insurance coverages. If the agreement is terminated due to Mr. Ricketts disability, Mr. Ricketts is entitled to payment of 50% of his base salary plus benefits until the earlier of the end of the agreement term or the fifth anniversary of the date of the disability. If Mr. Ricketts is discharged from employment by the Company without cause or terminates his employment following specified breaches of the agreement by the Company, he will be entitled to receive payments of his base salary, bonus, option awards and continuing benefits for the remainder of the agreement term; provided, that in no event will his payments under these circumstances be less than the sum of three times (1) his base salary, determined as of October 1, 2001, and (2) his annual cash bonus payable for 2002. If a termination described in the preceding sentence occurs, Mr. Ricketts will also be entitled to recover damages he incurs as a result of his inability to exercise his outstanding stock options. The agreement contains covenants by Mr. Ricketts not to compete with the Company during the term of the agreement and for a specified period after the term.

Vincent Passione, President, Institutional Client Division. Mr. Passione s employment agreement was entered into as of February 1, 2002 and has a term ending on June 30, 2003 with provisions for renewal for an additional twelve months. The agreement provides for the payment of a base salary of $350,000, an annual bonus with a target of 100% of his base salary, grants of stock options pursuant to the Company s long-term incentive plan, benefits pursuant to a deferred compensation plan and participation in other employee benefits under the various benefit plans and programs maintained by the Company. The agreement provides that it may be terminated by either party at any time. If Mr. Passione s employment is terminated by the Company for any reason other than cause or if he terminates his employment for good reason, Mr. Passione is entitled to receive continued payments of his base salary for a period of one year after termination or until the end of the term of the agreement, whichever is longer. Mr. Passione will also receive the amount of annual target bonus to which he was entitled for the year in which the termination occurs and he will be provided with continuing medical coverage, subject to limitations, for the severance period at the Company s cost. If, following a change in control, Mr. Passione s employment is terminated by the Company without cause or his employment is terminated for good reason, he is entitled to be paid a lump sum equal to his salary and bonus as described above. The agreement contains covenants by Mr. Passione not to compete with the Company during the term of employment and for a specified period after the term. All severance benefits payable under the agreement are conditional on Mr. Passione s execution of a release of claims and, if any payments under the agreement would subject Mr. Passione to an excise tax on parachute payments, the payments under the agreement will be reduced to the extent necessary to avoid the tax. On July 15, 2002, Mr. Passione entered into an employment agreement addendum with the Company, which specifies that the merger with Datek does not constitute a change in control for purposes of his employment agreement.

John R. MacDonald, Executive Vice President, Chief Financial Officer and Treasurer. Mr. MacDonald s employment agreement was entered into as of September 9, 2002 and has a three-year term. The agreement provides for the payment of a base salary of $350,000, an annual bonus target of 100% of his base salary, grants of stock options pursuant to the Company s long-term incentive plan, benefits pursuant to a deferred compensation plan and participation in other employee benefits under the various benefit plans and programs maintained by the Company. The agreement provides that it may be terminated by either party at any time and that if Mr. MacDonald is terminated by the Company for any reason other than cause or if he terminates his employment for good reason, he will be entitled to receive continued payments of his base salary for a period of one year after termination or until the end of the term of the agreement, whichever is longer. Mr. MacDonald will also receive the amount of annual target bonus to which he was entitled for the year in which the termination occurs and he will be provided with continuing medical coverage, subject to limitations, for the severance period at the Company s cost. If, following a change in control, Mr. MacDonald s employment is terminated by the Company without cause or his employment is terminated for good reason, he will be entitled to be paid a lump sum equal to his salary and bonus as described above. The agreement contains covenants by Mr. MacDonald not to compete with the Company during the term of employment and for a specified period after the term. All severance benefits payable under the agreement are conditional on Mr. MacDonald s execution of a release of claims and, if any payments under the agreement would subject Mr. MacDonald to an excise tax on parachute payments, the payments under the agreement will be reduced to the extent necessary to avoid the tax.

Table of Contents

Phylis M. Esposito, Executive Vice President and Chief Strategy Officer. Ms. Esposito s employment agreement was entered into as of February 1, 2002 and has a term ending on June 30, 2003 with provisions for renewal for an additional twelve months. The agreement provides for the payment of a base salary of $300,000, an annual bonus with a target of 100% of her base salary, grants of stock options pursuant to the Company s long-term incentive plan, benefits pursuant to a deferred compensation plan and participation in other employee benefits under the various benefit plans and programs maintained by the Company. The agreement provides that it may be terminated by either party at any time. If Ms. Esposito is terminated by the Company for any reason other than cause or if she terminates her employment for good reason, Ms. Esposito is entitled to receive continued payments of her base salary for a period of one year after termination or until the end of the term of the agreement, whichever is longer. Ms. Esposito will also receive the amount of annual target bonus to which she was entitled for the year in which the termination occurs and she will be provided with continuing medical coverage, subject to limitations, for the severance period at the Company s cost. If, following a change in control, Ms. Esposito s employment is terminated by the Company without cause or her employment is terminated for good reason, she is entitled to be paid a lump sum equal to her salary and bonus as described above. The agreement contains covenants by Ms. Esposito not to compete with the Company during the term of employment and for a specified period after the term. All severance benefits payable under the agreement are conditional on Ms. Esposito s execution of a release of claims and, if any payments under the agreement would subject Ms. Esposito to an excise tax on parachute payments, the payments under the agreement will be reduced to the extent necessary to avoid the tax. On June 25, 2002, Ms. Esposito entered into an employment agreement addendum with the Company, which specifies that the merger with Datek does not constitute a change in control for purposes of her employment agreement.

Report of the Compensation Committee on Executive Compensation

This report is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC s proxy rules or to the liabilities of Section 18 of the Securities Exchange Act of 1934 (the 1934 Act) and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933 (the 1933 Act) or the 1934 Act.

The Compensation Committee (the Committee) of the Board of Directors establishes and administers the Company s executive compensation programs. The Committee is currently composed of three non-employee directors of the Board, Messrs. Hutchins, Mitchell and Pagliuca. No member of the Committee during fiscal year 2002 was an employee of the Company or any of its subsidiaries. Each member qualifies as a non-employee director under rule 16b-3 of the Securities Exchange Act of 1934 and as an outside director under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

Compensation Philosophy and Policy Overview

The Committee s purpose is to develop and maintain compensation programs and policies reflective of the Company s strategy to provide strong performance incentive for achieving goals to maximize stockholder value. To accomplish this, the Committee constructs compensation determinations based upon the following goals:

1. Align executive compensation with stockholder interests; and

2. Attract, retain and motivate an effective executive team.

The Company s executive officers base salaries are determined by comparing individual responsibilities with industry survey data and responsibilities of the other Company executive officers. In addition, a target annual incentive bonus award is based on a percentage of salary and long-term incentive awards are based on a factor of salary. Both the incentive bonus and long-term incentives are at-risk pay, which serves to motivate the executive to perform, and comprises a large portion of total executive compensation. The Committee has utilized the services of an external executive compensation consultant to provide the utmost objective and competitive data to ensure stockholder-beneficial decision making consistent with the Company s compensation goals.

Table of Contents

The Committee and the Company strongly believe in executive ownership of Company stock. This benefits stockholders by meaningfully aligning executive goals and decision-making to stockholder needs. Executives are required to adhere to equity ownership guidelines that require a specific percentage of stock ownership, ranging from 100 to 500 percent of annual base salary, depending on executive level.

Fiscal Year 2002 Results

Under Mr. Moglia s leadership and the performance of the Executive Management Team, the Company:

Reported record net income from ongoing operations of $26.2 million, or $0.12 per share;

Added 284,000 new accounts opened and funded at an average cost per account of $215;

Reduced its debt-to-equity ratio to four percent as of September 27, 2002;

Increased operating margin 34 percent by controlling costs;

Completed the acquisition of National Discount Brokers Corporation;

Merged with Datek to become the leading brokerage firm in terms of number of online equity trades; and

Initiated a stock repurchase program.

Base Salaries

In order to remain competitive with the market, the Committee reviews executive salaries at least annually. Comparably sized general industry, technology and financial services competitors are selected for analysis and comparison. Executive officer salary adjustments are determined by objective and subjective evaluation of individual performance and by comparison with market data of external comparable positions, internal comparison, and applicable terms of existing employment agreements.

Annual Incentive Bonuses

Annual incentive bonuses are designed to promote strong Company performance and achievement of the Company s initiatives. Target incentive percentages are set at the beginning of the fiscal year and payout is earned according to achievement of Company goals. The Company s executive officers participate in the 2002 Management Incentive Plan. This plan is based on the achievement of key corporate performance metrics and is intended to be qualified under Section 162(m) of the Code in order to maximize tax deductibility for the Company, while providing strong incentive for goal achievement at the highest levels of the organization. For fiscal year 2002, 100 percent of annual incentive was based upon corporate performance.

Executives were able to defer all or part of annual incentive bonuses under a deferred compensation program in the form of Company stock.

Long-Term Incentives

The Company strongly supports stock ownership at all levels and maintains a broad based and executive stock option program. Long-term incentives are awarded to foster forward-looking motivation and long-term growth for stockholders.

Annual executive stock option awards were determined based on the Company s total stockholder return. This measurement compares Company stock performance with the stock performance of a peer group. The Company s relative performance against the peer group is applied to the target award level per individual executive.

The Committee also considers the award of stock options in specific cases based on individual performance or for purposes of retaining and attracting key executives.

Table of Contents

Although the long-term incentive plan also permits the award of stock appreciation rights, stock awards (including restricted stock) and performance units, no such awards have been made under the program. The Company granted replacement stock appreciation rights in fiscal 2002 to former Datek employees in connection with the Datek merger.

Deductibility of Compensation

Section 162(m) of the Code limits the Company s deduction for compensation paid to the executive officers named in the Summary Compensation Table to $1 million unless certain requirements are met. The policy of the Compensation Committee with respect to Section 162(m) is to establish and maintain a compensation program that will optimize the deductibility of compensation. However, the Committee must exercise its right to use judgment, where merited by the need to respond to changing business conditions or by an executive officer s individual performance, to authorize compensation, which may not, in a specific case, be fully deductible by the Company. For fiscal year 2002, the only executive officers to exceed $1 million in compensation for Section 162(m) purposes were Mr. J. Joe Ricketts and Mr. Moglia, due to Mr. Ricketts bonus paid for the successful expansion of the retail brokerage conducted by the Company and the provisions of Mr. Moglia s employment agreement. The Committee has reviewed these arrangements and the related Section 162(m) issues and given its approval.

Chief Executive Officer Compensation

In fiscal year 2002, Mr. Moglia served in the capacity of Chief Executive Officer. The determination of the Chief Executive Officer s salary, annual incentive, and grants of stock options followed the philosophy and policies set forth above for all other executive compensation, subject to any individual terms in the executive s employment agreement.

Given the fiscal year results described above and Mr. Moglia s focus on increasing stockholder value and commitment to sustained profitability, Mr. Moglia is a valuable asset to the Company. Mr. Moglia s vision, leadership and reputation are important to the Company. His departure would negatively affect stockholder value and his compensation has been designed to reflect this.

Glenn Hutchins
Mark L. Mitchell
Stephen G. Pagliuca

Compensation Committee Interlocks and Insider Participation

During fiscal 2002, there were no Compensation Committee interlocks and no insider participation in Compensation Committee decisions that were required to be reported under the rules and regulations of the 1934 Act.

Table of Contents

Performance Graph

The Company performance information is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC s proxy rules or to the liabilities of Section 18 of the 1934 Act and the Company performance information shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the 1933 Act or the 1934 Act.

The following graph and table set forth information comparing the cumulative total return from a $100 investment in the Company, a broad-based stock index and the stocks making up an industry peer group on September 26, 1997 through the end of the Company s most recent fiscal year.

	Period Ending					
Index	**9/26/97**	**9/25/98**	**9/24/99**	**9/29/00**	**9/28/01**	**9/27/02**
Ameritrade Holding Corporation	100.00	139.81	841.75	827.18	186.87	181.75
S&P 500	100.00	112.48	139.47	159.35	116.81	94.21
Peer Group	100.00	103.53	277.10	379.40	124.90	98.77

The Peer Group is comprised of the following companies whose primary business is online brokerage:

The Charles Schwab Corporation
E*TRADE Group, Inc.
CSFB*direct*[1]
TD Waterhouse Group, Inc.[2]

(1) Included in peer group until August 21, 2001, when the stock was acquired by Credit Suisse First Boston, Inc.

(2) Included in peer group until November 26, 2001, when the stock was acquired by The Toronto-Dominion Bank.

Certain Relationships and Related Transactions

On September 6, 2001, the Company acquired from National Discount Brokers Group, Inc. (NDB Group) all the outstanding stock of National Discount Brokers Corporation (NDB). Pursuant to the terms of the purchase agreement dated July 30, 2001, between the Company and NDB Group (the Purchase Agreement), the Company paid aggregate consideration of $154 million, consisting of 26,027,282 shares of its Common Stock issued to BT Investment Partners Inc., an affiliate of NDB Group and a subsidiary of

Table of Contents

Taunus Corporation (Taunus), a wholly owned subsidiary of Deutsche Bank AG, and $20,000 in cash paid to NDB Group. Taunus, primarily through its ownership of BT Investment Partners Inc., currently owns approximately 5.3% of the Company s Common Stock.

The Company entered into certain agreements with affiliates of Taunus prior to Taunus becoming a beneficial owner of greater than 5% of the Company s Common Stock. In April 2001, the Company entered into an agreement with Deutsche Banc Alex. Brown Inc. (DB Alex. Brown), an affiliate of Taunus, to provide financial advisory and investment banking services. The Company paid a one-time retainer fee of $150,000 to DB Alex. Brown. Under the agreement, the Company will pay additional fees if a merger with or acquisition of another company is completed, based on the amount of consideration paid, or if DB Alex. Brown renders a fairness opinion. In fiscal 2002, the Company paid fees of approximately $6.7 million to DB Alex. Brown in connection with the Datek merger and $0.5 million in connection with the acquisition of TradeCast Inc. In July 2001, the Company entered into an equity index swap arrangement with Deutsche Bank AG for the purpose of hedging the Company s obligation under its deferred compensation plan for its Chief Executive Officer. The Company paid interest and fees to Deutsche Bank AG of $0.7 million related to this arrangement. The swap arrangement was assigned from Deutsche Bank AG to an unaffiliated counterparty in November 2001.

In October 2001, the Company entered into an agreement with NDB Group, which in part amended the Purchase Agreement, relating to the occupancy and surrender of certain premises by NDB. The agreement provided, among other things, that NDB Group would purchase from the Company certain furniture, fixtures and building equipment for a price of $0.5 million. NDB Group completed the purchase in December 2001.

During fiscal 2002, the Company executed a portion of its clients securities transactions through subsidiaries of Taunus. Revenues earned by the Company related to such transactions totaled $0.2 million.

On September 9, 2002, the Company s Board of Directors authorized a program to repurchase up to 40 million shares of Company Common Stock from time to time over a two-year period beginning September 19, 2002. The Company has utilized Deutsche Bank Securities Inc., an affiliate of Taunus, to implement the repurchase program. Through September 27, 2002, the Company repurchased approximately 1.2 million shares at a cost of approximately $4.8 million, including commissions, through Deutsche Bank Securities Inc.

The Company believes that its transactions with affiliates of Taunus have been negotiated on an arms-length basis and have been entered into on terms no more or less favorable than those available in similar transactions with other unaffiliated third parties.

Gartner, Inc. provided professional consulting services to the Company under a two-year contract with an original term from October 2000 through October 2002. The Company renewed the contract for another two years in October 2002. The Company pays $105,000 in professional fees to Gartner, Inc. annually under the contract. Michael D. Fleisher, a Director of the Company, is Chairman and Chief Executive Officer of Gartner, Inc. Glenn H. Hutchins and Stephen G. Pagliuca, Directors of the Company, are directors of Gartner, Inc.

Certain Directors and executive officers, and members of their immediate families, maintain margin trading accounts with the Company. Margin loans to these individuals were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF AUDITOR

Deloitte & Touche LLP, which has been the independent auditor for the Company since 1975, has been appointed by the Audit Committee as auditor for the Company and its subsidiaries for the fiscal year ending

Table of Contents

September 26, 2003. This appointment is being presented to the stockholders for ratification. The ratification of the appointment of the independent auditor requires the affirmative vote of the holders of a majority of the total shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting; provided that a quorum of at least a majority of the outstanding shares are represented at the meeting. Abstentions will have the same effect as a vote against ratification. Broker non-votes will not be considered shares entitled to vote with respect to ratification of the appointment and will not be counted as votes for or against the ratification. Proxies submitted pursuant to this solicitation will be voted for the ratification of Deloitte & Touche LLP as the Company s auditors for the fiscal year ending September 26, 2003, unless specified otherwise.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE **FOR** THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY S AUDITOR FOR THE FISCAL YEAR ENDING SEPTEMBER 26, 2003.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting and will be provided an opportunity to make a statement and to respond to appropriate inquiries from stockholders.

Audit and All Other Fees

Audit Fees. Fees for the annual audit for the fiscal year ended September 27, 2002 were $420,100. Annual audit fees relate to services rendered in connection with the audit of the Company s consolidated financial statements and the quarterly reviews of financial statements included in the Company s Forms 10-Q.

Financial Information Systems Design and Implementation Fees. There were no fees for financial information systems design and implementation during the last fiscal year.

All Other Fees. All other fees were $861,681, including audit-related services of $391,628 and non-audit related services of $470,053. Audit related services include fees for SEC registration statement services, benefit plan audits, consultation on accounting standards or transactions, statutory audits, and business acquisitions. Non-audit related services were primarily tax services. The Audit Committee considers whether the provision of these services is compatible with maintaining the auditor s independence, and has determined such services for fiscal 2002 were compatible.

We have been advised by Deloitte & Touche LLP that neither the firm, nor any member of the firm, has any financial interest, direct or indirect, in any capacity in the Company or its subsidiaries.

Table of Contents

Report of the Audit Committee

The following report is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC s proxy rules or to the liabilities of Section 18 of the 1934 Act and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the 1933 Act or the 1934 Act.

The Audit Committee evidenced its completion of and compliance with the duties and responsibilities set forth in the adopted Audit Committee Charter (attached hereto as Appendix A) through a formal written report dated and executed as of December 11, 2002. The report will be submitted to the Board of Directors of the Company at the February 12, 2003 Board meeting. A copy of that report is set forth below.

December 11, 2002

The Board of Directors

Ameritrade Holding Corporation

Fellow Directors:

The primary purpose of the Audit Committee is to assist the Board of Directors in its general oversight of the Corporation s financial reporting process. The Audit Committee conducted its oversight activities for Ameritrade Holding Corporation and subsidiaries (Ameritrade) in accordance with the duties and responsibilities outlined in the audit committee charter included as Appendix A to this proxy statement. The Audit Committee annually reviews the NASD standard of independence for audit committees and its most recent review determined that the committee meets that standard.

Ameritrade management is responsible for the preparation, consistency, integrity and fair presentation of the financial statements, accounting and financial reporting principles, systems of internal control, and procedures designed to ensure compliance with accounting standards, applicable laws, and regulations. The Corporation s independent auditors, Deloitte & Touche LLP, are responsible for performing an independent audit of the financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the Unites States of America.

The Audit Committee, with the assistance and support of the Corporate Audit Department and management of Ameritrade Holding Corporation, has fulfilled its objectives, duties and responsibilities as stipulated in the audit committee charter and has provided adequate and appropriate independent oversight and monitoring of Ameritrade s systems of internal control for the fiscal year ended September 27, 2002.

These activities included, but were not limited to, the following significant accomplishments during the fiscal year ended September 27, 2002:

- Reviewed and discussed the audited financial statements with management and the external auditors.

- Discussed with the external auditors the matters requiring discussion by Statement on Auditing Standards No. 61, including matters related to the conduct of the audit of the financial statements.

- Received written disclosures and letter from the external auditors required by Independence Standards Board Standard No. 1, and discussed with the auditors their independence.

In reliance on the Committee s review and discussions of the matters referred to above, the Audit Committee recommends the audited financial statements be included in Ameritrade s Annual Report on Form 10-K for the fiscal year ended September 27, 2002, for filing with the Securities and Exchange Commission.

Respectfully submitted,

Ameritrade Holding Corporation Audit Committee

Michael D. Fleisher, Chairman

C. Kevin Landry

Mark L. Mitchell

Table of Contents

PROPOSAL 3

AMENDMENT TO THE COMPANY S 1996 DIRECTORS INCENTIVE PLAN

Introduction

The stockholders are being requested to consider and approve an amendment and restatement of the Company s 1996 Directors Incentive Plan, as previously amended and restated, to increase the maximum aggregate number of shares of the Common Stock reserved for issuance under the Plan from 960,000 to 1,460,000.

The purposes of the Directors Plan are to attract and retain as non-employee Directors persons whose abilities, experience and judgment can contribute to the continued progress of the Company and its subsidiaries and to facilitate the Directors ability to acquire a proprietary interest in the Company.

As of September 27, 2002, there were 139,455 shares available for future grants under the Directors Plan. The Board of Directors has proposed the amendments to the Directors Plan to ensure that a sufficient number of shares are available for future grants and awards under the Directors Plan.

At September 27, 2002, the closing sale price per share of Common Stock was $3.90.

The material features of the Directors Plan are outlined below. This summary of the Directors Plan is qualified in its entirety by reference to the Directors Plan, a copy of which is attached as Appendix B.

Plan Provisions

The Directors Plan is administered by the Compensation Committee. Under the Directors Plan, non-employee Directors are granted various equity awards and may make elections with respect to the payment of their retainers and fees. Specifically, the Directors Plan provides that, upon a non-employee Director s election to the Board for his first term, the Director will receive (a) a stock option to purchase such number of shares of the Company s Common Stock as determined by the Chairman of the Board and approved by the Board and (b) an award of restricted stock, the fair market value of which is equal to approximately $20,000 or such other amount determined by the Board from time to time. Non-employee Directors may also be awarded stock options other than upon their initial election to the Board as determined from time to time by the Board. Awards made pursuant to the Directors Plan will generally vest in substantially equal annual installments over a period of three years, beginning with the first anniversary of the grant date. Options granted under the Directors Plan are nonqualified stock options, which are not intended to be incentive stock options as that term is described in Section 422(b) of the Code. The exercise price of options granted under the Directors Plan may not be less than the fair market value of a share of the Company s Common Stock on the date of the grant of the option. The expiration date with respect to an award under the Directors Plan is the earlier of the ten-year anniversary of the date on which the award is granted or the one-year anniversary of the date on which the non-employee Director s service as a director of the Company terminates for cause. Options are not exercisable after the expiration date. Restricted stock that is not vested on the expiration date is forfeited.

Pursuant to the Directors Plan, non-employee Directors may elect whether to receive their retainers and other fees in cash or in shares of Common Stock and may elect to defer receipt of all or a portion of the retainer, meeting and Committee fees otherwise payable to the non-employee Director, including those amounts that would otherwise be payable to the non-employee Director in the form of Common Stock. Amounts deferred pursuant to a non-employee Director s election are credited to a bookkeeping account, which consists of a Cash Subaccount reflecting amounts that would otherwise have been payable to the non-employee Director in cash and a Stock Subaccount reflecting amounts that would otherwise have been payable to the non-employee Director in Common Stock. As of the first day of each fiscal quarter, the Cash Subaccount is adjusted to reflect contributions and distributions during the preceding fiscal quarter and is credited with interest computed at the prime rate as reported by the Wall Street Journal for that date (or, if that day is not a business day, the next preceding business day). The Stock Subaccount is credited with stock units as of each day that a deferred amount would otherwise have been payable to the non-employee Director

in Common Stock, is charged with stock units as of each day on which amounts are distributed from the Stock Subaccount and is credited with stock units as of each record date to reflect dividends paid on the Common Stock. For purposes of the adjustments to the Stock Subaccount, one stock unit corresponds to one share of the Common Stock.

Deferred amounts are payable to non-employee Directors as of a distribution date elected by the non-employee Director at the time of the deferral. If no distribution date is specified, payments begin as of the first business day of January of the year following the date on which the non-employee Director ceases to be a Director of the Company for any reason. Distributions of deferred amounts can be made in ten annual installments commencing on the distribution date elected. A non-employee Director may also elect to have payments in a lump sum or in any number of annual payments not exceeding ten. If a non-employee Director dies prior to the full payment of his deferral account, the balance will be paid in a lump sum to a beneficiary designated by the non-employee Director. The Compensation Committee may also distribute the full balance of a non-employee Director s deferral account in a lump sum at any time.

Federal Income Tax Consequences

The following summary generally describes the federal income tax consequences to participants and the Company of options granted under the Directors Plan and is based on current laws and regulations. The summary is general in nature and is not intended to cover all tax consequences that could apply to a particular participant or the Company.

No federal taxable income is recognized by a Directors Plan participant upon the grant of a nonqualified stock option. A holder of a nonqualified option will, however, recognize ordinary income in the year in which the option is exercised in the amount by which the fair market value of the purchased shares on the date of exercise exceeds the option exercise price. Additionally, any appreciation in the value of the purchased shares after the date of exercise will be taxed as capital gains when such stock is ultimately sold. The Company is generally entitled to a deduction at the time such option is exercised equal in amount to the ordinary income recognized by the participant.

If the option exercise price under any nonqualified stock option is paid for by surrendering shares of Common Stock previously acquired, then the participant will recognize ordinary income on the exercise as described above (any shares acquired under the option in excess of the number of shares surrendered being treated as having been acquired without consideration), but will not recognize any taxable gain or loss on the difference between the participant s basis in the surrendered shares and their current fair market value. For federal income tax purposes, newly acquired shares equal to the number of shares surrendered will have the same basis and holding period as the surrendered shares. Any additional newly acquired shares will have a basis equal to their fair market value at exercise and their holding period will begin at the date of exercise as described above.

Interest of Certain Persons in Matters to be Acted Upon

Each of the non-employee Directors of the Company has a direct interest in the approval of the Directors Plan, which will make additional shares of Common Stock available to non-employee Directors.

Table of Contents

Plan Benefits

The following table sets forth grants of options and stock awards made under the Directors Plan during the fiscal year ended September 27, 2002.

HISTORICAL PLAN BENEFITS

Name and Position	Dollar Value ($)(1)	Number of Shares Awarded and Underlying Options Granted (#)
All current executive officers, as a group		
All current directors who are not executive officers, as a group	$163,200	156,000
All employees who are not current executive officers, as a group		

(1) Based on the market price of $3.90 per share, which was the closing price per share of the Company s Common Stock on the Nasdaq National Market on the last day of fiscal 2002, less the exercise price payable for such shares, if any.

The Directors Plan was registered under the 1933 Act on Form S-8. Immediately following the Annual Meeting, the Company intends to amend the registration statement to include the additional shares issuable under the Directors Plan.

Information Regarding Plans And Other Arrangements Not Subject To Security Holder Action

The following table summarizes, as of September 27, 2002, information about compensation plans under which equity securities of the Company are authorized for issuance:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	30,466,438	$5.22	40,493,215(1)
Individual equity compensation arrangements (aggregated)	1,005,794	$4.51	N/A
Total	31,472,232	$5.20	40,493,215

(1) The Long-Term Incentive Plan and the Directors Plan authorize the issuance of shares of Common Stock as well as options. As of September 27, 2002, there were, in the aggregate, 11,256,804 shares remaining available for issuance pursuant to the Long-Term Incentive Plan and the Directors Plan.

Table of Contents

The table above includes the following options assumed in connection with the Company s merger with Datek in fiscal 2002:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)
Equity compensation plans approved by security holders	22,001,346	$3.99
Individual equity compensation arrangements (aggregated)	1,005,794	$4.51
Total	23,007,140	$4.01

The Company does not have any equity compensation plans that were not previously approved by stockholders. At September 27, 2002, the Company had in place individual compensation arrangements assumed in the Datek merger that were not approved by Datek s stockholders as follows:

Moishe Zelcer, a former employee of Datek, has an option to purchase 532,542 shares of Company Common Stock under a stock option agreement dated December 30, 1999. This option is fully vested and exercisable at an exercise price of $4.51 per share. This option expires on December 29, 2009.

Stern Investment Management LLC, a New Jersey limited liability company leasing premises to Datek, has an option to purchase 355,028 shares of Company Common Stock under a non-qualified stock option agreement dated April 25, 2000. This option is fully vested and exercisable at an exercise price of $4.51 per share. This option expires on April 24, 2010.

TMP Worldwide Executive Search, a Delaware company that has provided executive search services to Datek, has an option to purchase 118,224 shares of Company Common Stock under a nonqualified stock option agreement dated April 17, 2000. This option is fully vested and exercisable at an exercise price of $4.51 per share. This option expires on April 17, 2010.

Board Recommendation and Required Vote

Approval of the amendment to the Directors Plan requires the affirmative vote of the holders of a majority of the total shares of Common Stock present in person or represented by proxy at the Annual Meeting and entitled to vote thereat, provided that a quorum is present. Abstentions will have the same effect as a vote against approval. Broker non-votes will not be considered shares entitled to vote with respect to approval of the amendment and will not be counted as votes for or against approval. Proxies submitted pursuant to this solicitation will be voted for the approval of the Directors Plan amendment unless otherwise specified.

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE **FOR** APPROVAL OF THE AMERITRADE HOLDING CORPORATION 1996 DIRECTORS INCENTIVE PLAN, AS AMENDED AND RESTATED.

SUBMISSION OF STOCKHOLDER PROPOSALS

In order to be included in the Company s Proxy Statement relating to its next annual meeting, stockholder proposals must be received by the Company no later than September 12, 2003 by the Secretary of the Company at the Company s principal executive offices. Pursuant to the Company s Bylaws, stockholders who intend to present an item for business at the next annual meeting (other than a proposal submitted for inclusion in the Company s proxy materials) must provide notice to the Secretary no earlier than October 15, 2003 and no later than November 14, 2003. Stockholder proposals must set forth (1) a brief description of the business desired to be brought before the annual meeting and the reason for conducting such business at the

Table of Contents

annual meeting, (2) the name and address of the stockholder proposing such business, (3) the class and number of shares of the Common Stock beneficially owned by such stockholder and (4) any material interest of such stockholder in such business. The inclusion of any such proposal in such proxy material shall be subject to the requirements of the proxy rules adopted under the 1934 Act. The proxy solicited by the Board of Directors relating to the Company s next annual meeting will confer discretionary authority to vote on a stockholder proposal if the Secretary of the Company receives notice of that proposal after September 12, 2003.

OTHER MATTERS

Management does not now intend to bring before the Annual Meeting any matters other than those disclosed in the Notice of Annual Meeting of Stockholders and it does not know of any business which persons, other than the management, intend to present at the meeting. Should any other matters requiring a vote of the stockholders arise, the proxies in the enclosed form confer discretionary authority on the Board of Directors to vote on any other matter proposed by stockholders in accordance with their best judgment. Votes against proposals or abstentions from voting on proposals will not be used to adjourn or postpone the Annual Meeting.

The Company will bear the cost of soliciting proxies. To the extent necessary, proxies may be solicited by Directors, officers and employees of the Company in person, by telephone or through other forms of communication, but such persons will not receive any additional compensation for such solicitation. The Company will reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company s shares. In addition to solicitation by mail, the Company has made these materials available via the Internet at www.amtd.com. The Company will supply banks, brokers, dealers and other custodian nominees and fiduciaries with proxy materials to enable them to send a copy of such materials by mail to each beneficial owner of shares of the Common Stock which they hold of record and will, upon request, reimburse them for their reasonable expenses in so doing.

By Order of the Board of Directors

J. Peter Ricketts, *Secretary*

Omaha, Nebraska
January 10, 2003

APPENDIX A

AMERITRADE HOLDING CORPORATION

Audit Committee Charter
September 5, 2002

Introduction

Primary responsibility for Ameritrade Holding Corporation (the Corporation) accounting and financial reporting lies with senior management, with oversight by the Board of Directors. To help the Board of Directors carry out this oversight responsibility, an Audit Committee (the Committee) has been established.

The Committee will be comprised entirely of independent directors as defined under applicable statutes, rules and regulations. These independent directors must have broker/dealer or financial or management expertise, and at least one must be a financial expert as defined under applicable statutes, rules and regulations. The Committee has oversight responsibility of the Corporation s Audit Department and, in such capacity, the Chairman of the Committee (who shall be appointed by the Chairman of the Board of Directors) will maintain direct access and communications with the Managing Director Corporate Audit.

The Committee is authorized to engage independent legal counsel and other advisers as the Committee determines necessary to carry out its responsibilities. The Committee will be provided with appropriate funding by the Corporation as the Committee determines necessary to carry out its responsibilities, including the compensation of the public accounting firm (PA) employed by the Corporation to provide auditing services, render an audit report and perform related work and such advisers as the Committee may engage from time to time.

The Committee will meet on at least a quarterly basis and will hold special meetings as circumstances require.

The responsibilities of the Committee shall be in the following areas:

1. Oversee the Corporation s internal accounting and operational controls, including assessment of strategic, financial, operational and compliance risk management.

2. Appoint the PA, determine its compensation, oversee its work and assess its performance on an ongoing basis. Review appointment of the Managing Director Corporate Audit and assess his or her performance on an ongoing basis.

3. Review the Corporation s financial statements, review the PA s audit findings, review Corporate Audit s audit findings, and oversee the financial and regulatory reporting processes.

4. Perform other oversight functions as requested by the Board of Directors.

5. Report activities performed to the Board of Directors.

Responsibilities

1. Oversee the Corporation s Internal Accounting and Operational Controls, Including Assessment of Strategic, Financial, Operational and Compliance Risk Management.

A. The Committee will instruct management to establish and maintain an adequate internal control structure and procedures for accounting and financial reporting, and to assess the effectiveness of the internal control structure and procedures for financial reporting. The Committee will instruct management to evaluate the system of internal controls on at least a quarterly basis. The Committee will review reports from management prepared quarterly concerning the effectiveness of internal controls, all significant deficiencies in the design or operation of internal controls, any material weaknesses in internal controls, any fraud, whether or not material, that involves management or

Table of Contents

other employees who have a significant role in the Corporation s internal controls, and any significant changes in internal controls or other factors that could affect internal controls subsequent to management s evaluation, including any corrective actions regarding significant deficiencies and material weaknesses.

B. The Committee will instruct the Managing Director Corporate Audit to advise the Committee and the PA, and will instruct the PA to advise the Committee, if there are any areas that require special attention, including any significant deficiencies in the design or operation of the system of internal controls, any material weaknesses in the internal controls, any fraud, whether or not material, involving management or employees who have a significant role in internal controls, any significant changes in internal controls or other factors that could affect internal controls subsequent to management s evaluation, including any corrective actions regarding significant or any illegal acts by the Corporation, management or employees.

C. The Committee will meet privately with the Managing Director Corporate Audit and the PA to review their findings and management s plans to ensure internal control recommendations made by internal and external auditors have been appropriately implemented by management.

D. The Committee will review the assessment of risks as described in the Audit Risk Assessment and supporting Annual Audit Plan.

E. The Committee will review with the Managing Director Corporate Audit and the PA their integrated Annual Audit Plan, including the degree of coordination and integration between the respective parties. The Committee will inquire as to the extent to which the planned audit scope can be relied upon to detect fraud, non-compliance with State and Federal laws and regulations, non-compliance with SEC and NASD guidelines, or weaknesses in internal accounting and operational controls.

F. The Committee will discuss with the Managing Director Corporate Audit and the PA what steps are planned for providing an assessment of strategic, financial, operational and compliance risk management, as well as financial and regulatory reporting.

G. The Committee will discuss with the Managing Director Corporate Audit and the PA what steps are planned for a review of the Corporation s information technology procedures and controls, including computer systems and applications, the security of such systems and applications, the contingency plan for processing data in the event of a systems breakdown, as well as the specific programs to protect against computer fraud or misuse from both within and outside the Corporation.

H. The Committee will discuss with the Managing Director Corporate Audit and the PA what steps are planned for review of in-house policies and procedures, and compliance with such policies and procedures, for compliance with regulatory capital requirements and related dividend restrictions, for compliance with the Conflict of Interest and Code of Conduct policies, for compliance with officer travel and entertainment policies, and for compliance with Insider Trading policies by directors, officers and stockholders. The Committee will inquire as to the result of these reviews, and, if appropriate, review a summary of the exceptions identified for the period under review.

I. The Committee will instruct the Managing Director Corporate Audit and the PA to advise the Committee when the Corporation seeks a second opinion on a significant accounting issue.

J. The Committee will meet with the Corporation s in-house General Counsel and the Corporation s Director of Risk Management to discuss the Corporation s risk management policies, procedures and insurance coverage, including director and officer liability, property and casualty loss, errors and omissions, and surety bonds.

Table of Contents

2. Appoint the PA, Determine its Compensation, Oversee its Work and Assess its Performance on an Ongoing Basis. Review Appointment of Managing Director Corporate Audit, and Assess His or Her Performance on an Ongoing Basis.

A. The Committee will appoint the PA of the Corporation, will determine the fees paid to the PA and will oversee the work and assess the performance of the PA. The Committee will obtain assessments of the performance of the PA from the Managing Director Corporate Audit and other appropriate management representatives. Based upon the evaluation of the PA s performance, the Committee will determine whether to retain or replace the PA.

B. The Committee will instruct the PA to report directly to the Committee.

C. The Committee will inquire as to the extent to which auditors other than the principal auditors are to be used and understand the rationale for using them. The Committee will request that the work of all auditors be coordinated and the Committee and the Managing Director Corporate Audit will each perform an appropriate review of their work.

D. The Committee will discuss with the PA its independence. The Committee will ensure the PA complies with Independence Standard No. 1 and provides to the Committee the disclosures and letter required by such standard. The Committee will be responsible for reviewing any disclosed relationships that may impact the objectivity and independence of the PA. The Committee will be responsible for undertaking appropriate action, if necessary, in response to the PA s report to satisfy itself of the PA s independence. The Committee will also review management s evaluation of the factors related to the independence of the PA.

E. The Committee will discuss with the PA the matters required to be discussed by SAS 61.

F. The Committee will review management s plans for engaging the PA to perform all audit and non-audit services during the year. The engagement of the PA to perform any audit or non-audit services will be subject to the prior approval of the Committee. The Committee will take appropriate actions to ensure that the PA has not been engaged to perform any non-audit services that are prohibited under applicable statutes, rules and regulations. The Committee may delegate to one or more of its members the authority to grant the pre-approval of services, so long as any such approvals are presented to the Committee at its next meeting.

G. The Committee will review the appointment and any dismissal of the Managing Director Corporate Audit. The Committee will annually review and approve the performance evaluation of the Managing Director Corporate Audit after consulting with the Chairman, Chief Executive Officer and the Executive Management Team.

3. Review the Corporation s Financial Statements, Review the PA s Audit Findings, Review Corporate Audit s Audit Findings, and Oversee the Financial and Regulatory Reporting Processes.

A. The Committee will review and discuss the Corporation s annual and quarterly financial statements with management in conjunction with the Corporation filing its periodic reports containing such financial statements with the SEC.

B. The Committee will obtain from management explanations for all significant variances in the financial statements between periods. The Committee will consider whether the data is consistent with the Management s Discussion and Analysis section of the Annual Report and periodic reports.

C. The Committee will exercise oversight of the quarterly reporting process prior to the release of quarterly earnings and filing of periodic reports.

D. The Committee will inquire from management and the PA as to, and request an explanation of, any changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, Securities and Exchange Commission, NASD or other governing bodies and self-regulatory organizations that have an effect on, or oversight of, the financial statements of the Corporation.

Table of Contents

E. The Committee will inquire about the existence and substance of any significant accounting accruals, reserves or estimates made by management that had a material impact on the financial statements.

F. The Committee will meet regularly with the Corporation s in-house legal counsel, and outside counsel, when appropriate, to discuss legal matters that may have a significant impact on the financial statements and on risk management.

G. The Committee will review the significant reports to management prepared by the internal auditing department and management s responses.

H. The Committee will review the reports to the Committee prepared by the PA regarding critical accounting policies and practices, alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the PA, and other material written communications between the PA and management.

I. The Committee will meet privately with the PA to request its opinion of various matters, including the quality of financial and accounting personnel and the internal audit staff.

J. The Committee will meet privately with the PA to determine what the PA s greatest concerns are and if any matters should be discussed with the Committee that have not been raised or covered elsewhere.

K. The Committee will review the letter(s) of management representations given to the PA and inquire whether the PA encountered any difficulties in obtaining the letter(s) or any specific representations therein.

L. The Committee will discuss with management and the PA the substance of any significant issues rose by in-house and outside counsel concerning litigation, contingencies, claims or assessments. The Committee will assess the adequacy of the disclosure of such matters in the Corporation s financial statements and periodic reports.

M. The Committee will establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and for the confidential and anonymous submission, by employees of the Corporation, of concerns regarding questionable accounting or auditing matters.

N. The Committee will review the determination by the Corporation s Director of Corporate Tax of the status of the open years on federal and state income tax returns and whether there are any significant items that have been or might be challenged by the IRS or State(s), and review the status of the related tax reserves.

O. The Committee will review the section of the annual Proxy Statement describing fees paid to the PA and determine whether the provision of services described in such section is compatible with maintaining the independence of the PA.

P. The Committee will review with management and the PA the Corporation s Annual Report and Reports on Form 10-K and Form 10-Q, including the Management s Discussion and Analysis section of the reports.

Q. The Committee will inquire of management and the PA if there were any significant financial reporting issues discussed during the accounting period reported. The Committee will instruct the PA to advise the Committee of any disagreements between the PA and the Corporation s management regarding financial reporting issues. The Committee will resolve any such disagreements.

R. The Committee will instruct the PA to communicate to the Committee any other known matters that require the attention of the Committee or the Board of Directors.

S. The Committee will consider whether the PA should meet with the Board of Directors to discuss any matters relative to the financial statements and to answer any questions that other directors might have.

4. Perform Other Oversight Functions as Requested by the Board of Directors.

A. The committee will, if necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.

B. The Committee will recommend to the Board of Directors that the audited financial statements be included in the Annual Report and Report on Form 10-K for the last fiscal year for filing with the Securities and Exchange Commission.

C. The Committee will review and approve the report required by the Securities and Exchange Commission to be included in the Corporation s annual Proxy Statement.

D. The Committee will review any certifications made by management and required to be provided to the Securities and Exchange Commission under applicable rules and regulations.

5. Report Activities Performed to the Board of Directors.

A. The Committee will report its activities to the Board of Directors on a regular basis so that the Board is kept informed of its activities on a current basis.

B. The Chairman of the Committee will describe the Committee s significant activities during the year in a letter to the Board of Directors.

C. The Committee will review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board of Directors for approval.

Table of Contents

APPENDIX B

AMERITRADE HOLDING CORPORATION

1996 DIRECTORS INCENTIVE PLAN

(As Amended and Restated, Effective as of February 12, 2003)

AMERITRADE HOLDING CORPORATION

1996 DIRECTORS INCENTIVE PLAN

(As Amended and Restated, Effective as of February 12, 2003)

1. *History and Purpose.* Ameritrade Online Holdings Corp. (Old Ameritrade) established the Ameritrade Holding Corporation 1996 Directors Incentive Plan (the Plan) to attract and retain as non-employee directors persons whose abilities, experience and judgment can contribute to the continued progress of the company and its subsidiaries and to facilitate the directors ability to acquire a proprietary interest in the company. Old Ameritrade was known as Ameritrade Holding Corporation prior to the closing of the merger involving Old Ameritrade and Datek Online Holdings Corp. on September 9, 2002 (the Merger). As a result of the Merger, Old Ameritrade became a subsidiary of a newly formed corporation, Ameritrade Holding Corporation (Ameritrade or the Company) effective as of September 9, 2002 (the Merger Closing Date) and as of the Merger Closing Date Ameritrade assumed the Plan, and all outstanding obligations under the Plan. The following provisions constitute the amended and restated Plan.

2. *Administration.*

2.1 *Administration By Committee.* The Plan shall be administered by the Compensation Committee (the Committee) of the Board of Directors of the Company (the Board). Notwithstanding the foregoing, no member of the Committee shall act with respect to the administration of the Plan except to the extent consistent with the exempt status of the Plan under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (Rule 16b-3).

2.2 *Authority.* Subject to the provisions of the Plan, the Committee shall have the authority to (a) interpret the Plan and to adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan, (b) correct any defect or omission and to reconcile any inconsistency in the Plan or in any payment made hereunder, and (c) make all other determinations and to take all other actions necessary or advisable for the implementation and administration of the Plan. The determination of the Committee on matters within its authority shall be conclusive and binding on the Company and all other persons.

3. *Participation.* Only Non-Employee Directors shall be eligible to participate in the Plan. As of any applicable date, a Non-Employee Director is a person who is serving as a director of the Company and who is not an employee of the Company or any subsidiary of the Company as of that date.

4. *Definition of Fair Market Value.* For purposes of the Plan, the Fair Market Value of a share of common stock of the Company (Stock) as of any date shall be the closing market composite price for such Stock as reported on NASDAQ on that date or, if Stock is not traded on that date, on the next preceding date on which Stock was traded.

5. *Shares Subject to the Plan.*

5.1 *Number of Shares Reserved.* The shares of Stock with respect to which awards may be made under the Plan or which may be distributed pursuant to elections under Sections 9 or 10 of the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions. Subject to the provisions of subsection 5.3, the number of shares of Stock which may be issued with respect to awards under the Plan or distributed pursuant to elections made in accordance with Section 9 or 10 of the Plan shall not exceed 1,460,000 shares in the aggregate.

5.2 *Reusage of Shares.*

(a) In the event of the exercise or termination (by reason of forfeiture, expiration, cancellation, surrender or otherwise) of any award under the Plan, that number of shares of Stock that was subject to the award but not delivered shall again be available for awards under the Plan.

(b) In the event that shares of Stock are delivered under the Plan as a Stock Award (as defined in Section 7) and are thereafter forfeited or reacquired by the Company pursuant to rights reserved upon the award thereof, such forfeited or reacquired shares shall again be available for awards under the Plan.

(c) Notwithstanding the provisions of paragraphs (a) or (b), the following shares shall not be available for reissuance under the Plan: (i) shares with respect to which the Non-Employee Director has received the benefits of ownership (other than voting rights), either in the form of dividends or otherwise, and (ii) shares which are surrendered in payment of the Option Price (as defined in subsection 6.3) upon the exercise of an Option.

5.3 *Adjustments to Shares Reserved.* In the event of any merger, consolidation, reorganization, recapitalization, spinoff, stock dividend, stock split, reverse stock split, exchange or other distribution with respect to shares of Stock or other change in the corporate structure or capitalization affecting the Stock, the type and number of shares of stock which are or may be subject to awards under the Plan and the terms of any outstanding awards (including the price at which shares of stock may be issued pursuant to an outstanding award) shall be equitably adjusted by the Committee, in its sole discretion, to preserve the value of benefits awarded or to be awarded to Non-Employee Directors under the Plan. In determining what adjustment, if any, is appropriate pursuant to the preceding sentence, the Committee may rely on the advice of such experts as they deem appropriate, including counsel, investment bankers and the accountants of the Company.

6. *Options.*

6.1 *Definitions.* The grant of an Option under this Section 6 entitles the Non-Employee Director to purchase shares of Stock at the Option Price, subject to the terms of this Section 6. Options granted under this Section 6 shall be non-qualified stock options which are not intended to be incentive stock options as that term is described in section 422(b) of the Internal Revenue Code of 1986, as amended (the Code).

6.2 *Awards of Options.* Each Non-Employee Director shall be awarded Options under this Section 6 in accordance with the following:

(a) Upon his election to the Board for his first term, each Non-Employee Director shall be awarded an Option to purchase such number of shares of Stock as determined by the Chairman of the Board; provided, however, that such award shall be approved by the Board.

(b) At such times as the Board shall determine, each Non-Employee Director shall be awarded an Option to purchase that number of shares of Stock determined by the Board and approved by the members of the Board other than those receiving the grant of an Option pursuant to this paragraph (b). In determining the number of shares of Stock subject to an Option under this paragraph (b), the Board may take into account such objective or subjective factors as it determines appropriate.

6.3 *Option Price.* The price at which shares of Stock may be purchased upon the exercise of an Option (the Option Price) shall be not less than the greater of (i) the Fair Market Value of a share of Stock as of the date on which the Option is granted, or (ii) the par value of a share of Stock on such date.

6.4 *Exercise.* Except as otherwise provided in the Plan, each Option granted to a Non-Employee Director under this Section 6 shall become exercisable in substantially equal annual installments over a period of three years, beginning with the first anniversary of the date of grant and no Option shall be exercisable after the Expiration Date (as defined in Section 8). Notwithstanding a Non-Employee Director s termination of service as a director, Options shall continue to vest over a period of three years unless the Non-Employee Director terminates for cause. If a Non-Employee Director s service as a director terminates for Cause, Options shall continue to vest over a period of one year following such termination of service. The full Option Price of each share of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise and, as soon as practicable thereafter, a certificate representing the shares so purchased shall be delivered to the person entitled thereto. The Option Price shall be payable in cash or in shares of Stock (valued at Fair Market Value as of the day of exercise), or in any combination thereof.

Table of Contents

7. *Stock Awards.*

7.1 *Definition.* Subject to the terms of this Section 7, a Stock Award under the Plan is a grant of shares of Stock to a Non-Employee Director, the vesting of which is subject to the conditions described in subsection 7.3. The period beginning on the date of the grant of a Stock Award and ending on the vesting or forfeiture of such Stock (as applicable) is referred to as the Restricted Period .

7.2 *Non-Discretionary Awards.* Upon his election to the Board for his first term, each Non-Employee Director shall be awarded such number of shares of Stock pursuant to this Section 7 as determined by the Chairman of the Board; provided, however, that such award shall be approved by the Board; and provided further that, the Fair Market Value of the Stock awarded to a Non-Employee Director pursuant to this subsection 7.2 shall be approximately $20,000 or such other amount determined by the Board from time to time.

7.3 *Vesting.* Except as otherwise provided in the Plan, the shares of Stock subject to an award under this Section 7 shall become vested in substantially equal annual installments over a period of three years, beginning with the first anniversary of the date of grant and all shares of Stock awarded pursuant to this Section 7 which are not vested on the Expiration Date shall be forfeited.

7.4 *Rights with Respect to Stock.* Beginning on the date of the grant of shares of Stock comprising a Stock Award, and including any applicable Restricted Period, the Non-Employee Director, as owner of such shares, shall have the right to vote such shares; provided, however, that payment of dividends with respect to Stock Awards shall be subject to the following:

(a) On and after date that a Non-Employee Director has a fully earned and vested right to the shares comprising a Stock Award, and the shares have been distributed to the Non-Employee Director, the Non-Employee Director shall have all dividend rights (and other rights) of a stockholder with respect to such shares.

(b) Prior to the date that a Non-Employee Director has a fully earned and vested right to the shares comprising a Stock Award, the Committee, in its sole discretion, may award Dividend Rights (as defined below) with respect to such shares.

(c) On and after the date that a Non-Employee Director has a fully earned and vested right to the shares comprising a Stock Award, but before the shares have been distributed to the Non-Employee Director, the Non-Employee Director shall be entitled to Dividend Rights with respect to such shares, at the time and in the form determined by the Committee.

A Dividend Right with respect to shares comprising a Stock Award shall entitle the Non-Employee Director, as of each dividend payment date, to an amount equal to the dividends payable with respect to a share of Stock multiplied by the number of such shares. Dividend Rights shall be settled in the same form (either cash or in shares of Stock) as dividends paid to shareholders of the Company.

8. *Expiration of Awards.* The Expiration Date with respect to an award under the Plan means the earlier of the following dates:

(a) the ten-year anniversary of the date on which the award is granted; or

(b) the one-year anniversary of the date on which the Non-Employee Director s service as a director of the Company terminates for cause.

9. *Payment of Retainers; Elections.*

9.1 *Payment of Retainer.* Subject to the terms and conditions of the Plan, for each fiscal year of the Company (the Award Year), each individual who is a Non-Employee Director shall be paid a retainer in an

amount determined from time to time by the Board (the Retainer) in accordance with and subject to the following:

(a) For each Award Year, a Cash Retainer shall be payable to each individual who is a Non-Employee Director as of the first day of the Award Year in an amount equal to one-half of the Retainer for the Award Year; and

(b) For each Award Year, a Stock Retainer shall be payable to each individual who is a Non-Employee Director as of the first day of the Award Year in an amount equal to one-half of the Retainer for the Award Year, which Stock Retainer shall be payable in shares of Stock having a Fair Market Value equal to the Stock Retainer, with the Fair Market Value of any fractional share payable in cash.

(c) Notwithstanding the foregoing, if a Non-Employee Director has met the specified requirements of the Ameritrade Holding Corporation Equity Ownership and Disposition Guidelines, the Non-Employee Director may elect to receive all or any portion of the Stock Retainer in cash. The portion of a Non-Employee Director s retainer which is paid in cash pursuant to this paragraph (c) shall be treated as part of the Cash Retainer.

Notwithstanding the foregoing, (i) the Board, in its sole discretion, may determine that an Award Year of less than 12 months is appropriate, in which case, the amount of the Retainer and any other amounts payable to a Non-Employee Director for such Award Year to which any provision of the Plan applies shall be calculated and shall be payable as determined by the Board in its sole discretion, and (ii) in no event shall the Retainer for the Award Year commencing on September 28, 2002 (the 2003 Award Year) be payable prior to October 11, 2002.

9.2 *Elections to Receive Stock.* Subject to the terms and conditions of the Plan, each Non-Employee Director may elect to forego receipt of all or any portion of the Eligible Cash Payments (as defined below) payable to him in any Award Year beginning after the date of his election and instead to receive whole shares of Stock of equivalent value to the Eligible Cash Payments so foregone (determined in accordance with subsection 9.4). An election under this subsection 9.2 to have Eligible Cash Payments paid in shares of Stock shall be valid only if it is in writing, signed by the Non-Employee Director, and filed with the Committee in accordance with uniform and nondiscriminatory rules adopted by the Committee, including, but not limited to, rules required to cause the receipt of Stock pursuant to any such election to be exempt under Rule 16b-3. For purposes of the Plan, the term Eligible Cash Payments means the Cash Retainer and meeting fees and committee fees that would otherwise be payable to the Non-Employee Director by the Company in cash as established, from time to time, by the Board or any committee thereof. Notwithstanding the foregoing, in no event shall any Eligible Cash Payments for the 2003 Award Year be payable prior to October 11, 2002.

9.3 *Revocation of Election to Receive Stock.* Once effective, an election pursuant to subsection 9.2 to receive Stock shall remain in effect for successive Award Years until it is revised or revoked. Any such revision or revocation shall be in writing, signed by the Non-Employee Director, shall be effective for the Award Year next following the date on which it is received by the Committee, or such later date specified in such notice, and shall be filed with the Committee in accordance with uniform and nondiscriminatory rules established by the Committee, including, but not limited to, rules required to cause the receipt of Stock (or the receipt of cash in lieu of Stock as previously elected) to be exempt under Rule 16b-3.

9.4 *Equivalent Amount of Stock.* The number of whole shares of Stock to be distributed to any Non-Employee Director by reason of his election pursuant to subsection 9.2 to receive Stock in lieu of Eligible Cash Payments shall be equal to (rounded to the nearest whole number of shares):

(a) the amount of the Eligible Cash Payments which the Non-Employee Director has elected to have paid to him in shares of Stock;

DIVIDED BY

(b) the Fair Market Value of a share of Stock as of the date on which such Eligible Cash Payments would otherwise have been payable to the Non-Employee Director; provided, however, that in the case of Eligible Cash Payments which were payable (i) for the 2003 Award Year to individuals who were Non-

Employee Directors as of the first day of the 2003 Award Year and (ii) on or prior to October 11, 2002, Fair Market Value under this paragraph (b) shall be determined as of October 1, 2002.

10. *Deferred Compensation.*

10.1 *Deferral of Compensation.* Subject to the terms and conditions of the Plan, each Non-Employee Director, by filing a written Deferral Election with the Committee in accordance with uniform and nondiscriminatory rules adopted by the Committee, may elect to defer the receipt of all or any portion of the Eligible Deferral Amounts (as defined below) otherwise payable to him on or after the Effective Date until a future date (the Distribution Date) specified by the Non-Employee Director in his Deferral Election as of which payment of his Deferred Compensation Account (as defined in subsection 10.2) shall commence in accordance with subsection 10.3. If no Distribution Date is specified in a Non-Employee Director s Deferral Election, the Distribution Date shall be deemed to be the first business day in January of the year following the date on which the Non-Employee Director ceases to be a director of the Company for any reason. A Non-Employee Director s Deferral Election shall be effective with respect to Eligible Deferral Amounts otherwise payable to him for services rendered after the last day of the fiscal year in which such election is filed with the Committee; provided, however, that:

(a) a Deferral Election which is filed within 30 days of the date on which a director first becomes a Non-Employee Director shall be effective with respect to all Eligible Deferral Amounts otherwise payable to him for periods after the date on which the Deferral Election is filed; and

(b) by notice filed with the Committee in accordance with uniform and nondiscriminatory rules established by it, a director may terminate or modify any Deferral Election as to Eligible Deferral Amounts payable for services rendered after the last day of the fiscal year in which such notice is filed with the Committee; provided, however, that no modification may be made to the Distribution Date unless the Non-Employee Director shall file such notice with the Committee at least six months prior thereto.

Notwithstanding the provisions of paragraph (b) next above, the Committee may, in its sole discretion, after considering all of the pertinent facts and circumstances, approve a change to the Distribution Date which is requested by a Non-Employee Director less than six months prior thereto. For purposes of the Plan, the term Eligible Deferral Amounts shall mean the Retainer (including both the Cash Retainer and the Stock Retainer) and meeting fees and committee fees that would otherwise be payable to the Non-Employee Director by the Company, all as established from time to time by the Board or any committee thereof.

10.2 *Crediting and Adjustment of Deferred Amounts.* The amount of any Eligible Deferral Amounts deferred pursuant to a Non-Employee Director s Deferral Election in accordance with subsection 10.1 (Deferred Compensation) shall be credited to a bookkeeping account maintained by the Company in the name of the Non-Employee Director (the Deferred Compensation Account), which account shall consist of two subaccounts, one known as the Cash Subaccount and the other as the Company Stock Subaccount. Any portion of the Stock Retainer and any Eligible Cash Payments that the Non-Employee Director has elected to receive in Stock pursuant to subsection 9.2 and, in each case, with respect to which the Non-Employee Director has made a Deferral Election pursuant to subsection 10.1 shall be credited to his Company Stock Subaccount. Any other Deferred Compensation shall be credited to his Cash Subaccount. A Non-Employee Director s Deferred Compensation Account shall be adjusted as follows:

(a) As of the first day of each fiscal quarter occurring after the Effective Date (which dates are referred to herein as Accounting Dates), the Non-Employee Director s Cash Subaccount shall be adjusted as follows:

(i) first, the amount of any distributions from the Cash Subaccount made since the last preceding Accounting Date shall be charged to the Cash Subaccount;

(ii) next, the balance of the Cash Subaccount after adjustment in accordance with subparagraph (i) above shall be credited with interest since the last preceding Accounting Date computed at

the prime rate as reported by The Wall Street Journal for such date, or if such date is not a business day, for the next preceding business day; and

(iii) finally, after adjustment in accordance with the foregoing provisions of this subsection 10.2, the Cash Subaccount shall be credited with the Deferred Compensation otherwise payable to the Non-Employee Director since the last preceding Accounting Date which is to be credited to the Cash Subaccount.

(b) The Non-Employee Director s Company Stock Subaccount shall be adjusted as follows:

(i) as of any date on or after the Effective Date on which Eligible Deferral Amounts would have been payable to the Non-Employee Director in Stock but for his or her Deferral Election, the Non-Employee Director s Company Stock Subaccount shall be credited with that number of stock units (Stock Units) equal to the number of shares of Stock to which he would have been entitled as of the applicable date;

(ii) as of the date on which shares of Stock are distributed to the Non-Employee Director in accordance with subsection 10.3 below, the Company Stock Subaccount shall be charged with an equal number of Stock Units; and

(iii) as of the record date for any dividend paid on Stock, the Company Stock Subaccount shall be credited with that number of additional Stock Units which is equal to the number obtained by multiplying the number of Stock Units then credited to the Company Stock Subaccount by the amount of the cash dividend or the fair market value (as determined by the Board of Directors) of any dividend in kind payable on a share of Stock, and dividing that product by the then Fair Market Value of a share of Stock.

In the event of any merger, consolidation, reorganization, recapitalization, spinoff, stock split, reverse stock split, rights offering, exchange or other change in the corporate structure or capitalization of the Company affecting the Stock, each Non-Employee Director s Company Stock Subaccount shall be equitably adjusted in such manner consistent with subsection 5.3.

10.3 *Payment of Deferred Compensation Account.* Except as otherwise provided in this subsection 10.3 or subsection 10.4, the balances credited to a Non-Employee Director s Deferred Compensation Account shall each be payable to the Non-Employee Director in 10 annual installments commencing as of the Distribution Date and continuing on each annual anniversary thereof. Notwithstanding the foregoing, a Non-Employee Director may elect, by filing a notice with the Committee at least six months prior to the Distribution Date, to change the number of payments to a single payment or to any number of annual payments not in excess of ten. Each such payment shall include a cash portion, if applicable, and a Stock portion, if applicable, as follows:

(a) The cash portion to be paid as of the Distribution Date or any anniversary thereof and charged to the Cash Subaccount shall be equal to the balance of the Cash Subaccount multiplied by a fraction, the numerator of which is one and the denominator of which is the number of remaining payments to be made, including such payment.

(b) The Stock portion to be paid as of the Distribution Date or any anniversary thereof and charged to the Company Stock Subaccount shall be distributed in whole shares of Stock, the number of shares of which shall be determined by rounding to the next highest integer the product obtained by multiplying the number of Stock Units then credited to the Non-Employee Director s Company Stock Subaccount by a fraction, the numerator of which is one and the denominator of which is the number of remaining payments to be made, including such payment.

Notwithstanding the foregoing, the Committee, in its sole discretion, may distribute all balances in any Deferred Compensation Account to a Non-Employee Director (or former Non-Employee Director) in a lump sum as of any date.

10.4 *Payments in the Event of Death.* If a Non-Employee Director dies before payment of his Deferred Compensation Account commences, all amounts then credited to his Deferred Compensation Account shall be distributed to his Beneficiary (as described below), as soon as practicable after his death, in a lump sum. If a Non-Employee Director dies after payment of his Deferred Compensation Account has commenced but before the entire balance of such account has been distributed, the remaining balance thereof shall be distributed to his Beneficiary, as soon as practicable after his death, in a lump sum. Any amounts in the Cash Subaccount shall be distributed in cash and any amounts in the Stock Subaccount shall be distributed in whole shares of Stock determined in accordance with paragraph 10.3(b). For purposes of the Plan, the Non-Employee Director s Beneficiary is the person or persons the Non-Employee Director designates, which designation shall be in writing, signed by the Non-Employee Director and filed with the Committee prior to the Non-Employee Director s death. A Beneficiary designation shall be effective when filed with the Committee in accordance with the preceding sentence. If more than one Beneficiary has been designated, the balance in the Non-Employee Director s Deferred Compensation Account shall be distributed to each such Beneficiary per capita. In the absence of a Beneficiary designation or if no Beneficiary survives the Non-Employee Director, the Beneficiary shall be the Non-Employee Director s estate.

11. *Replacement Awards.* Each holder of an award related to the common stock of Old Ameritrade which was granted pursuant to the Plan prior to the Merger Closing Date and which was outstanding as of the Merger Closing Date after giving effect to the transactions contemplated by the Merger (the Existing Awards), will, as of the Merger Closing Date, be automatically granted a Replacement Award under the Plan and the Existing Awards shall be cancelled in exchange for the Replacement Awards. The number of shares of Stock and, if applicable, the Option Price per share of Stock, subject to a Replacement Award shall be equal to the same number of shares of common stock of Old Ameritrade and, if applicable, the same Option Price per share, subject to corresponding Existing Award. Except as provided in the preceding sentence, the Replacement Awards granted pursuant to this Section 11 shall be subject to the same terms and conditions as the corresponding Existing Awards.

12. *Miscellaneous.*

12.1 *Duration.* The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any awards under it are outstanding.

12.2 *Withholding Payments.* To the extent that any Non-Employee Director would incur an obligation for Nebraska state income taxes on account of an award or payment to him under the Plan or the exercise of any award under the Plan (referred to as the Withholding Obligation), the Company, in its sole discretion, may make a cash payment to such Non-Employee Director in an amount such that, after payment of all federal, state or local taxes on such cash payment, the Non-Employee Director retains a cash payment equal to the Withholding Obligation.

12.3 *Limit on Distribution.* Distribution of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of certificates to reflect the transfer of shares of Stock, the transfer of such shares may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

12.4 *Transferability.* Awards under the Plan are not transferable except as designated by a Non-Employee Director by will or by the laws of descent and distribution. To the extent that the Non-Employee Director who receives an award under the Plan has the right to exercise such award, the award may be exercised during the lifetime of the Non-Employee Director only by the Non-Employee Director.

12.5 *Notices.* Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee, in care of the Company, at its principal executive offices. The Committee may, by advance written notice to affected persons, revise such notice procedure from time to time. Any notice required under the Plan (other than a notice of election) may be waived by the person entitled to notice.

12.6 *Form and Time of Elections.* Unless otherwise specified herein, each election required or permitted to be made by any Non-Employee Director or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require. Any notice required under the Plan may be waived by the person entitled thereto.

12.7 *Agreement With the Company.* At the time of an award to a Non-Employee Director under the Plan, the Committee may require a Non-Employee Director to enter into an agreement with the Company in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

12.8 *Limitation of Implied Rights.*

(a) Neither a Non-Employee Director nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Non-Employee Director shall have only a contractual right to the amounts, if any, payable under the Plan, unsecured by any assets of the Company. Nothing contained in the Plan shall constitute a guarantee by the Company that the assets of such companies shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of continued service, and participation in the Plan shall not give any Non-Employee Director the right to be retained as a director of the Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no award under the Plan shall confer upon the holder thereof any right as a shareholder of the Company prior to the date on which he fulfills all service requirements and other conditions for receipt of such rights.

12.9 *Evidence.* Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

12.10 *Gender and Number.* Where the context admits, words in one gender shall include the other gender, words in the singular shall include the plural and the plural shall include the singular.

12.11 *Source of Payments.* The provisions of Sections 9 and 10 constitute only unfunded, unsecured promises of the Company to make payments to directors (or other persons) in the future in accordance with the terms of the Plan.

12.12 *Nonassignment.* Neither a director s nor any other person s rights to payments under the Plan are subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the director.

13. *Amendment and Termination.*

The Board may, at any time, amend or terminate the Plan, provided that, subject to subsection 5.3 (relating to certain adjustments to shares) and subsection 10.3 (relating to lump sum payments of amounts held in a Non-Employee Director s Deferred Compensation Account), no amendment or termination may, without the consent of the Non-Employee Director or beneficiary, if applicable, materially adversely affect the rights of any Non-Employee Director or beneficiary under any award made under the Plan or rights already accrued hereunder prior to the date such amendment is adopted by the Board.

Table of Contents

14. *Change in Control.* Notwithstanding any provision in the Plan to the contrary, upon a Change in Control, all outstanding Options will become fully exercisable and all outstanding Stock Awards shall become fully vested. For purposes of the Plan, the term Change in Control means a change the beneficial ownership of the Company s voting stock or a change in the composition of the Board which occurs as follows:

(a) Any person (as such term is used in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) is or becomes a beneficial owner, directly or indirectly, of stock of the Company representing 30 percent or more of the total voting power of the Company s then outstanding stock.

(b) A tender offer (for which a filing has been made with the Securities Exchange Commission (SEC) which purports to comply with the requirements of Section 14(d) of the Exchange Act and the corresponding SEC rules) is made for the stock of the Company, which has not been negotiated and approved by the Board. In case of a tender offer described in this paragraph (b), the Change in Control will be deemed to have occurred upon the first to occur of (i) any time during the offer when the person (using the definition in (a) above) making the offer owns or has accepted for payment stock of the Company with 25 percent or more of the total voting power of the Company s stock, or (ii) three business days before the offer is to terminate unless the offer is withdrawn first, if the person making the offer could own, by the terms of the offer plus any shares owned by this person, stock with 50 percent or more of the total voting power of the Company s stock when the offer terminates.

(c) Individuals who were the Board s nominees for election as directors of the Company immediately prior to a meeting of the shareholders of the Company involving a contest for the election of directors shall not constitute a majority of the Board following the election.

Table of Contents

REVOCABLE PROXY OF HOLDERS
OF COMMON STOCK

AMERITRADE HOLDING CORPORATION

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF AMERITRADE HOLDING CORPORATION FOR USE ONLY AT THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON FEBRUARY 12, 2003 AND AT ANY POSTPONEMENT OR ADJOURNMENT THEREOF.

The undersigned hereby authorizes the Board of Directors of Ameritrade Holding Corporation (the Company), or any successors in their respective positions, as proxy, with full powers of substitution, to represent the undersigned at the Annual Meeting of Stockholders of the Company to be held at the Joslyn Art Museum, on Wednesday, February 12, 2003, at 10:30 a.m., Central Standard Time and at any postponement or adjournment of said meeting and thereat to act with respect to all votes that the undersigned would be entitled to cast, if then personally present, in accordance with the instructions below and on the reverse hereof.

1. **ELECTION OF CLASS I DIRECTORS**

o FOR all nominees listed below for terms to expire in 2006 (except as marked to the contrary below)

o WITHHOLD AUTHORITY to vote for all nominees listed below

Michael D. Fleisher
Glenn H. Hutchins
Thomas S. Ricketts

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark FOR but write that nominee s name in the space provided below.)

____

2. **AUDITORS.** Ratification of the appointment of Deloitte & Touche LLP as independent auditors for the fiscal year ending September 26, 2003.

o FOR o AGAINST o ABSTAIN

3. **AMENDMENT OF DIRECTORS INCENTIVE PLAN.** Proposal to amend the Company s 1996 Directors Incentive Plan to increase the number of shares the Company may issue under the plan.

o FOR o AGAINST o ABSTAIN

4. To vote, in its discretion, upon any other business that may properly come before the Annual Meeting or any postponement or adjournment thereof. Management is not aware of any other matters which should come before the Annual Meeting.

o FOR o AGAINST o ABSTAIN

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ELECTION OF THE BOARD OF DIRECTORS NOMINEES FOR CLASS I DIRECTORS, FOR THE RATIFICATION OF THE APPOINTMENT OF AUDITORS AND FOR THE PROPOSAL TO AMEND THE 1996 DIRECTORS INCENTIVE PLAN.

Table of Contents

This proxy is revocable and the undersigned may revoke it at any time prior to the Annual Meeting by giving written notice of such revocation to the Secretary of the Company prior to the meeting or by filing with the Secretary of the Company prior to the meeting a later-dated proxy. Should the undersigned be present and want to vote in person at the Annual Meeting, or at any postponement or adjournment thereof, the undersigned may revoke this proxy by giving written notice of such revocation to the Secretary of the Company on a form provided at the meeting. The undersigned hereby acknowledges receipt of a Notice of Annual Meeting of Stockholders of the Company called for February 12, 2003 and the Proxy Statement for the Annual Meeting prior to the signing of this proxy.

Dated:

____

(Signature)

____

(Signature if held jointly)

Please sign exactly as name appears on this proxy. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If a corporation, please sign in full corporate name by authorized officer. If a partnership or LLC, please sign in firm name by authorized partner or member.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

an, Times, Serif"> 165 66 66 Transactions with noncontrolling interests shareholders and other (2,471) (2,471) 6,501 4,030 Balance at March 31, 2015 707,038 1,185,777 813,765 (385,283) (4,220) 2,317,077 611,392 2,928,469

The accompanying notes are an integral part of these statements.

Index to Notes to Consolidated Financial Statements

Sony Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements Page

		Page
1.	Nature of operations	15
2.	Summary of significant accounting policies	15
3.	Inventories	26
4.	Film costs	26
5.	Investments in affiliated companies	27
6.	Transfer of financial assets	28
7.	Marketable securities and securities investments	30
8.	Leases	33
9.	Goodwill and intangible assets	35
10.	Insurance-related accounts	38
11.	Short-term borrowings and long-term debt	39
12.	Housing loans and deposits from customers in the banking business	41
13.	Fair value measurements	42
14.	Derivative instruments and hedging activities	49
15.	Pension and severance plans	53
16.	Stockholders' equity	61
17.	Stock-based compensation plans	65
18.	Thai Floods	66
19.	Restructuring charges	67
20.	Supplemental consolidated statements of income information	70
21.	Income taxes	71
22.	Reconciliation of the differences between basic and diluted EPS	75
23.	Variable interest entities	75
24.	Acquisitions	77
25.	Divestitures	78
26.	Collaborative arrangements	79
27.	Commitments, contingent liabilities and other	79
28.	Business segment information	82
29.	Subsequent events	88

14

Notes to Consolidated Financial Statements

Sony Corporation and Consolidated Subsidiaries

1. Nature of operations

Sony Corporation and its consolidated subsidiaries (hereinafter collectively referred to as “Sony”) are engaged in the development, design, manufacture, and sale of various kinds of electronic equipment, instruments, and devices for consumer, professional and industrial markets as well as game consoles and software. Sony’s primary manufacturing facilities are located in Asia including Japan. Sony also utilizes third-party contract manufacturers for certain products. Sony’s products are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales via the Internet. Sony is engaged in the production, acquisition and distribution of motion pictures and television programming and the operation of television and digital networks. Sony is also engaged in the development, production, manufacture, and distribution of recorded music and the management and licensing of the words and music of songs. Further, Sony is also engaged in various financial services businesses, including life and non-life insurance operations through its Japanese insurance subsidiaries and banking operations through a Japanese Internet-based banking subsidiary. In addition to the above, Sony is engaged in a network services business and an advertising agency business in Japan.

2. Summary of significant accounting policies

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

(1) Significant accounting policies

Basis of consolidation and accounting for investments in affiliated companies -

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

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

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

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

Use of estimates -

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

Translation of foreign currencies -

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

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

Cash and cash equivalents -

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

Marketable debt and equity securities -

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

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

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

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

Equity securities in non-public companies -

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

Allowance for doubtful accounts -

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

Inventories -

Inventories in the Mobile Communications ("MC"), Game & Network Services ("G&NS"), Imaging Products & Solutions ("IP&S"), Home Entertainment & Sound ("HE&S"), Devices and Music segments as well as non-film inventories for the Pictures segment are valued at cost, not in excess of market, cost being determined on the "average cost" basis except for the cost of finished products carried by certain subsidiary companies which is determined on the "first-in, first-out" basis. The market value of inventory is determined as the net realizable value – i.e., estimated selling price in the

ordinary course of business less predictable costs of completion and disposal. Sony does not consider a normal profit margin when calculating the net realizable value.

Other receivables -

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

Film costs -

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

Property, plant and equipment and depreciation -

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

Goodwill and other intangible assets -

Goodwill and certain other intangible assets that are determined to have an indefinite useful life are not amortized and are tested annually for impairment during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. In assessing goodwill and indefinite lived intangible assets for impairment, Sony has the option to first perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit and indefinite lived intangible asset is less than its carrying amount. Reporting units are Sony’s operating segments or one level below the operating segments. If Sony determines that it is not more likely than not that the fair value of a reporting unit and indefinite lived intangible assets are less than its carrying amount, no additional tests to assess goodwill and indefinite lived intangible assets for impairment are required to be performed. However, if Sony concludes otherwise or elects not to perform the qualitative assessment, then it is required to perform the first step of a two-step impairment review process. In the fiscal year ended March 31, 2015, Sony elected not to perform the aforementioned qualitative assessment of goodwill and instead proceeded directly to the quantitative impairment test.

The first step of the two-step process involves a comparison of the estimated fair value of a reporting unit to its carrying amount to identify potential impairment. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit’s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The fair value of reporting units and indefinite lived intangible assets is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant estimates involved in the determination of fair value of the reporting units are the discount rates and the perpetual growth rates applied to terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing consider market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, are generally set after an initial three-year forecasted period, although certain reporting units utilized longer forecasted periods, and are based on historical experience, market and industry data.

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

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, customer relationships, trademarks, software to be sold, leased or otherwise marketed, internal-use software, music catalogs,

artist contracts and television carriage agreements (broadcasting agreements). Patent rights, know-how, license agreements, trademarks, software to be sold, leased or otherwise marketed and internal-use software are generally amortized on a straight-line basis, generally, over three to 10 years. Customer relationships, music catalogs, artist contracts and television carriage agreements (broadcasting agreements) are amortized on a straight-line basis, generally, over 10 to 40 years.

Capitalized software -

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

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

18

Deferred insurance acquisition costs -

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

Product warranty -

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

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

Future insurance policy benefits -

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

Policyholders' account in the life insurance business -

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

Impairment of long-lived assets -

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

Fair value measurement -

Sony measures fair value as an exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

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

Level 1 —	Inputs are unadjusted quoted prices for identical assets and liabilities in active markets.
Level 2 —	Inputs are based on observable inputs other than level 1 prices, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
Level 3 —	One or more significant inputs are unobservable.

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

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

Derivative financial instruments -

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

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

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

Fair value hedges

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

Cash flow hedges

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

Derivatives not designated as hedges

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

Assessment of hedges

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

Stock-based compensation -

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

Revenue recognition -

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

Revenue arrangements with customers may include multiple elements, including any combination of products, services and software. An example includes sales of electronics products with rights to receive promotional goods. For Sony’s multiple element arrangements where at least one of the elements is not subject to existing software revenue recognition guidance, elements are separated into more than one unit of accounting when the delivered element(s) have value to the customer on a standalone basis, and delivery of the undelivered element(s) is probable and substantially in the control of Sony. Revenue is then allocated to each unit of accounting based on the relative selling price of each unit of accounting based first on vendor-specific objective evidence of selling price (“VSOE”) if it exists,

based next on third-party evidence of selling price ("TPE") if VSOE does not exist, and, finally, if both VSOE and TPE do not exist, based on estimated selling prices ("ESP"). VSOE is limited to either the price charged for an element when it is sold separately or, for an element not yet being sold separately, the price established by management having the relevant authority; it must be probable that the price, once established, will not change before the separate introduction of the element into the market place. TPE is the price of Sony's or any competitor's largely interchangeable products or services in standalone sales to similarly situated customers. ESP is the price at which Sony would transact if the element were sold by Sony regularly on a standalone basis. When determining ESP, Sony considers all relevant inputs, including sales, cost and margin analysis of the product, targeted rate of return of the product, competitors' and Sony's pricing practices and customer perspectives.

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

Revenues from sales in the Pictures segment are recognized when persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured. Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of motion picture and television product for pay and free television exhibition and other markets are recognized when the product is available for exploitation by the licensee and when any restrictions regarding the use of the product lapse. For home entertainment distribution, revenues from the sale of DVDs and Blu-ray Disc™, net of anticipated returns and sales incentives, are recognized when the product is available for sale to the public, and revenues from electronic sell-through and video-on-demand are recognized when the product is made available for viewing via digital distribution platforms. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired. Revenues from subscription fees received by television networks are recognized when the service is provided.

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

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

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

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

Consideration given to a customer or a reseller -

Sales incentives or other cash consideration given to a customer or a reseller including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2013, 2014 and 2015, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expenses totaled 14,643 million yen, 12,112 million yen and 10,503 million yen, respectively.

Cost of sales -

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

Research and development costs -

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

Selling, general and administrative -

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

Financial services expenses -

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

Advertising costs -

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

Shipping and handling costs -

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

Income taxes -

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

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

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

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

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

23

(2) Recently adopted accounting pronouncements

Obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date -

In February 2013, the Financial Accounting Standards Board ("FASB") issued new accounting guidance for obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors, plus any additional amount the reporting entity expects to pay on behalf of its co-obligors. This guidance was effective for Sony as of April 1, 2014. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity -

In March 2013, the FASB issued new accounting guidance for the parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The guidance resolved diversity in practice and clarifies the applicable guidance for the release of the cumulative translation adjustment when the parent sells a part or all of its investment in a foreign entity, ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity, or obtains control in a business combination achieved in stages involving an equity method investment that is a foreign entity. After adoption of this guidance, any accumulated translation adjustments associated with a previously held equity interest are included in earnings in a business combination achieved in stages. This guidance was effective for Sony as of April 1, 2014. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists -

In July 2013, the FASB issued new accounting guidance for the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit to be presented as a reduction to a deferred tax asset for a net operating loss, a similar tax loss, or a tax credit carryforward if certain criteria are met. This guidance was effective for Sony as of April 1, 2014.

The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Repurchase-to-maturity transactions and repurchase financings -

In June 2014, the FASB issued new accounting guidance for the accounting and disclosure of repurchase-to-maturity transactions and repurchase financings. The guidance requires that repurchase-to-maturity transactions be accounted for as secured borrowings, and requires that a transfer of a financial asset and a repurchase agreement executed contemporaneously be accounted for separately. The guidance also requires additional disclosures about certain transferred financial assets accounted for as sales and certain transactions accounted for as secured borrowings. The guidance was effective for Sony as of January 1, 2015, except for the disclosure for transactions accounted for as secured borrowings, and did not have a material impact on Sony's results of operations and financial position. The guidance for the disclosure of transactions accounted for as secured borrowings is effective for Sony as of April 1, 2015. Since this guidance will only impact disclosures, the adoption will have no impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted

Reporting discontinued operations and disclosures of disposals of components of an entity -

In April 2014, the FASB issued new accounting guidance that changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations that has, or will have, a major effect on the entity's operations and financial results should be presented as discontinued operations. Additionally, the revised guidance requires additional disclosures for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. This guidance is effective for Sony as of April 1, 2015. The effect of this guidance will depend on the nature and significance of transactions after the adoption date.

Revenue from contracts with customers -

In May 2014, the FASB issued new accounting guidance addressing revenue recognition which will supersede the current revenue recognition requirements, including most industry-specific guidance. The guidance requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. The guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. This guidance will be effective for Sony as of April 1, 2017. The effect of this guidance is being evaluated for the impact it will have on Sony's results of operations and financial position.

Amendments to the consolidation analysis -

In February 2015, the FASB issued new accounting guidance that changes how companies evaluate entities for consolidation. The changes primarily relate to (i) the identification of variable interests related to fees paid to decision makers or service providers, (ii) how entities determine whether limited partnerships or similar entities are variable interest entities, (iii) how related parties and de facto agents are considered in the primary beneficiary determination, and (iv) the elimination of the presumption that a general partner controls a limited partnership. This guidance will be effective for Sony as of April 1, 2016. The effect of this guidance is being evaluated for the impact it will have on Sony's results of operations and financial position.

Simplifying the presentation of debt issuance costs -

In April 2015, the FASB issued new accounting guidance for the presentation of debt issuance costs. Under the new guidance, debt issuance costs related to a recognized debt liability are to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the new guidance. This guidance will be effective for Sony as of April 1, 2016. The adoption of this guidance is not expected to have a material impact on Sony's results of operations and financial position.

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

In April 2015, the FASB issued new accounting guidance for fee paid in a cloud computing arrangement. The guidance requires entities to account for a cloud computing arrangement that includes a software license element in a manner consistent with the acquisition of other software licenses. A cloud computing arrangement without a software

license element is to be accounted for as a service contract. This guidance does not affect the accounting for service contracts by a customer. This guidance will be effective for Sony as of April 1, 2016. The effect of this guidance is being evaluated for the impact it will have on Sony's results of operations and financial position.

Disclosures for investments in certain entities that calculate net asset value per share -

In May 2015, the FASB issued new accounting guidance removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient, and limits those disclosures to investments for which the entity has elected to measure fair value using that practical expedient. This guidance will be effective for Sony as of April 1, 2016. Since this guidance will only impact disclosures, the adoption will have no impact on Sony's results of operations and financial position.

Disclosures for short-duration insurance contracts -

In May 2015, the FASB issued new accounting guidance for disclosures relating to short-duration insurance contracts. This guidance requires additional information to be disclosed related to the liability for unpaid claims and claim adjustment expenses and significant changes in methodologies and assumptions used for annual reporting periods. This guidance will be effective for Sony as of April 1, 2016. Since this guidance will only impact disclosures, the adoption will have no impact on Sony's results of operations and financial position.

(4) Reclassifications

Certain reclassifications of the financial statements and accompanying footnotes for the fiscal years ended March 31, 2013 and 2014 have been made to conform to the presentation for the fiscal year ended March 31, 2015.

(5) Out-of-period adjustment

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

25

3. ***Inventories***

Inventories are comprised of the following:

	Yen in millions	
	March 31	
	2014	**2015**
Finished products	495,865	468,408
Work in process	85,361	96,700
Raw materials, purchased components and supplies	152,717	100,324
Inventories	733,943	665,432

4. ***Film costs***

Film costs are comprised of the following:

	Yen in millions	
	March 31	
	2014	**2015**
Motion picture productions:		
Released	98,645	89,993
Completed and not released	37,720	4,498
In production and development	63,910	106,240
Television productions:		
Released	56,461	78,510
In production and development	2,664	2,952
Broadcasting rights	48,798	69,223
Less: current portion of broadcasting rights included in inventories	(32,399)	(46,184)
Film costs	275,799	305,232

Sony estimates that approximately 91% of the unamortized film costs of released motion picture and television productions at March 31, 2015 will be amortized within the next three years. Approximately 107 billion yen of completed film costs are expected to be amortized during the next twelve months. Approximately 150 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

26

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

Sony accounts for its investments in affiliated companies over which Sony has significant influence under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than a minor influence over the operation of the investee exists (generally through more than 3-5% ownership).

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

Balance Sheets

	Yen in millions	
	March 31	
	2014	**2015**
Current assets	307,726	280,485
Noncurrent assets	716,159	770,847
Current liabilities	235,618	208,271
Noncurrent liabilities and noncontrolling interests	501,893	657,865
Percentage of ownership in equity investees	20%-50 %	20%-50 %

Statements of Income

	Yen in millions		
	Fiscal year ended March 31		
	2013	**2014**	**2015**
Net revenues	193,405	306,383	308,399
Operating income (loss)	(14,759)	(1,064)	34,962
Net income (loss) attributable to controlling interests	(26,026)	(15,195)	(5,461)
Percentage of ownership in equity investees	20%-50 %	20%-50 %	20%-50 %

On June 29, 2012, an investor group which included a wholly-owned subsidiary of Sony Corporation completed its acquisition of EMI Music Publishing. To effect the acquisition, the investor group formed DH Publishing, L.P. ("DHP") which acquired EMI Music Publishing for total consideration of 2.2 billion U.S. dollars. Sony invested 320 million

U.S. dollars in DHP, through Nile Acquisition LLC, for a 39.8% equity interest. Nile Acquisition LLC is a joint venture with the third party investor of Sony's U.S. based music publishing subsidiary in which Sony holds a 74.9% ownership interest. Sony accounts for its interest in DHP under the equity method. In addition, DHP entered into an agreement with Sony's U.S. based music publishing subsidiary in which the subsidiary provides administration services to DHP. DHP was determined to be a variable interest entity as described in Note 23.

On February 25, 2013, Sony sold 95,000 shares of its 886,908 shares in its consolidated subsidiary M3, Inc. ("M3") to a third party for cash consideration of 14,236 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony deconsolidated M3 as its share ownership fell to 49.8% of the issued and outstanding shares of M3 and recorded a gain of 122,160 million yen in other operating (income) loss, net in the consolidated statements of income for the fiscal year ended March 31, 2013. Of this gain, 117,216 million yen related to the remeasurement to fair value, using M3's closing stock price on the date of the sale, of Sony's remaining shares in M3. On September 17, 2013, Sony sold an additional 155,000 shares of M3 (9.75% of the issued and outstanding shares of M3) to a third party for cash consideration of 37,799 million yen, which is included within other in the investing activities section of the consolidated statements of cash flows. In connection with the sale, Sony recorded a gain of 12,793 million yen in other operating (income) expense, net in the consolidated statements of income for the fiscal year ended March 31, 2014. Although Sony's ownership has decreased to 39.38% due to the above-mentioned sales and M3's subsequent issuance of additional common stock, Sony remains a major shareholder of M3 and will continue to pursue opportunities to collaborate with M3 in certain business areas, including medical. Sony accounts for its remaining interest in M3 under the equity method.

27

The carrying value of Sony's investment in M3 exceeded its proportionate share in the underlying net assets of M3 by 88,559 million yen at March 31, 2015. The excess is substantially attributable to the remeasurement to fair value of the remaining shares of M3, and allocated to identifiable tangible and intangible assets. The intangible assets relate primarily to M3's medical web-portal. The unassigned residual value of the excess is recognized as goodwill as a component of the investment balance. The amounts allocated to intangible assets are amortized net of the related tax effects to equity in net income (loss) of affiliated companies over their respective estimated useful lives, principally 10 years, using the straight-line method.

With the exception of M3 as described above, there was no significant difference between Sony's proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2014 and 2015.

With the exception of the investment in M3, which is quoted on the Tokyo Stock Exchange and has a carrying value and fair value as of March 31, 2015 of 106,377 million yen and 324,950 million yen respectively, there were no affiliated companies accounted for under the equity method with a market quotation as of March 31, 2014 and 2015.

The number of affiliated companies accounted for under the equity method as of March 31, 2014 and 2015 were 107 and 98, respectively.

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

	Yen in millions March 31	
	2014	**2015**
Accounts receivable, trade	8,271	8,350
Accounts payable, trade	1,030	1,887
Capital lease obligations	71,345	50,001

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Sales	18,565	23,647	29,393
Purchases	1,725	1,533	1,498

Lease payments	25,523	38,919	36,642

Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFI Leasing Company, Limited ("SFIL"), a leasing company in Japan, in the fiscal years ended March 31, 2013, 2014 and 2015. SFIL is accounted for under the equity method and is 34% owned by Sony. Refer to Note 8.

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2013, 2014 and 2015 were 2,360 million yen, 2,840 million yen and 6,149 million yen, respectively.

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

The below transactions are accounted for as sales in accordance with the accounting guidance for transfers of financial assets, because Sony has relinquished control of the receivables. Gains and losses from these transactions, other than as described below, were insignificant, and although Sony continues servicing the receivables subsequent to being sold or contributed, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant. Other than the cash proceeds from the sales below, net cash flows related to these transactions, including servicing fees, for the fiscal years ended March 31, 2013, 2014 and 2015 were insignificant. Certain programs require that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. The portion of the sales proceeds held back and deferred are initially recorded at estimated fair value using a discounted cash flow model and are included in other current assets and other long term assets. The significant assumptions used in valuing the deferred proceeds are the discount rate, the timing and amount of the cash flows.

In August 2014, Sony terminated an accounts receivable sales program within the electronics business in the United States whereby a subsidiary could sell up to 150 million U.S. dollars of eligible trade accounts receivables in the aggregate at any one time to a commercial bank. The program required that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser. As of March 31, 2014, deferred proceeds totaled 6,405 million yen. Sony includes collections on deferred proceeds as cash flows within operating activities in the consolidated statements of cash flows when the receivables are the result of operating activities and the associated interest rate risk is insignificant due to their short term nature. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	**2014**	**2015**
Total trade receivables sold	355,872	247,863	50,400
Deferred proceeds	8,098	36,678	16,150
Collections of deferred proceeds	20,608	35,196	22,512

During the fiscal year ended March 31, 2014, Sony established an accounts receivable sales program in the United States whereby a subsidiary in the Pictures segment can sell up to 596 million U.S. dollars of eligible trade accounts receivables in the aggregate to a commercial bank. Sony recognized a gain within other income from sales of accounts receivable under this program for the fiscal year ended March 31, 2014 of 1,394 million yen. The program requires that a portion of the sales proceeds be held back and deferred until collection of the related receivables by the purchaser, and the deferred proceeds totaled 22,188 million yen and 30,893 million yen as of March 31, 2014 and 2015, respectively. Total trade receivables sold, deferred proceeds from those sales and collections of deferred proceeds during the fiscal years ended March 31, 2014 and 2015 were as follows:

	Yen in millions	
	Fiscal year ended March 31	
	2014	**2015**
Total trade receivables sold	53,720	4,237
Deferred proceeds	22,188	4,237
Collections of deferred proceeds	—	—

Sony has established several accounts receivable sales programs within the electronics business in Japan whereby Sony can sell up to 107,990 million yen of eligible trade accounts receivables in the aggregate at any one time. Through these programs, Sony can sell receivables to a commercial bank or a special purpose entity associated with a

sponsor bank. Sony can sell receivables in which the agreed upon original due dates are no more than 360 days after the sales of receivables. Total trade accounts receivable sold during the fiscal years ended March 31, 2013, 2014 and 2015 were 105,888 million yen, 75,808 million yen and 35,607 million yen, respectively.

Sony has established several accounts receivable sales programs in the Financial Services segment whereby a subsidiary can sell up to 24,000 million yen of eligible receivables in the aggregate at any one time. Through these programs, the subsidiary can sell receivables to special purpose entities owned and operated by commercial banks. The subsidiary can sell receivables in which the agreed upon original due dates are no more than 180 days after the sales of receivables. Total receivables sold during the fiscal years ended March 31, 2013 and 2014 were 89,700 million yen and 1,950 million yen respectively. During the fiscal year ended March 31, 2015, there were no receivables sold under these programs.

Sony has established several accounts receivable sales programs within the electronics business whereby Sony can sell eligible trade accounts receivables held by certain subsidiaries in Europe denominated in several currencies, primarily the euro, and held by certain subsidiaries in North America and Latin America denominated in several currencies, primarily the U.S. dollar and Brazilian real, respectively. Through these programs Sony can sell receivables on an uncommitted basis to a commercial bank or a special purpose entity associated with a sponsor bank. The maximum receivables that may be sold at any one time in the aggregate translates into approximately 222,000 million yen as of March 31, 2015. Sony can sell receivables in which the agreed upon original due dates are no more than 360 days after the date the receivables are sold. Total receivables sold during the fiscal years ended March 31, 2013, 2014 and 2015 were 66,020 million yen, 384,606 million yen and 542,946 million yen, respectively.

Certain of the accounts receivable sales programs above also involve variable interest entities (“VIEs”). Refer to Note 23.

29

7. ***Marketable securities and securities investments***

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

	Yen in millions							
	March 31, 2014				**March 31, 2015**			
	Cost	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	**Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Available-for-sale:								
Debt securities:								
Japanese national government bonds	1,130,397	113,684	(28)	1,244,053	1,074,900	147,274	(80)	1,222,094
Japanese local government bonds	62,670	468	(7)	63,131	66,442	465	(16)	66,891
Japanese corporate bonds	168,275	984	(8)	169,251	108,109	767	(7)	108,869
Foreign government bonds	27,587	3,684	(17)	31,254	34,168	7,397	(111)	41,454
Foreign corporate bonds	434,570	16,547	(182)	450,935	452,145	13,645	(942)	464,848
	1,823,499	135,367	(242)	1,958,624	1,735,764	169,548	(1,156)	1,904,156
Equity securities	84,074	91,977	(34)	176,017	73,411	127,322	(741)	199,992
Held-to-maturity securities:								
Japanese national government bonds	4,398,018	418,845	(3)	4,816,860	4,846,986	819,386	(103)	5,666,269
Japanese local government bonds	6,222	373	—	6,595	4,996	428	—	5,424
Japanese corporate bonds	28,030	2,705	—	30,735	26,848	4,501	—	31,349
Foreign government bonds	16,359	847	(1)	17,205	32,682	11,534	—	44,216
Foreign corporate bonds	56,284	19	—	56,303	57,783	25	—	57,808
	4,504,913	422,789	(4)	4,927,698	4,969,295	835,874	(103)	5,805,066
Total	6,412,486	650,133	(280)	7,062,339	6,778,470	1,132,744	(2,000)	7,909,214

30

The following table presents the cost and fair value of debt securities classified as available-for-sale securities and held-to-maturity securities by contractual maturity:

	Yen in millions March 31, 2015			
	Available-for-sale securities		**Held-to-maturity securities**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Due in one year or less	168,174	171,304	954	957
Due after one year through five years	379,776	385,098	19,527	20,206
Due after five years through ten years	255,909	277,295	206,023	234,478
Due after ten years	931,905	1,070,459	4,742,791	5,549,425
Total	1,735,764	1,904,156	4,969,295	5,805,066

Proceeds from sales of available-for-sale securities were 143,437 million yen, 207,574 million yen and 217,651 million yen for the fiscal years ended March 31, 2013, 2014 and 2015, respectively. On these sales, gross realized gains were 46,865 million yen, 9,015 million yen and 15,656 million yen and gross realized losses were 527 million yen, 703 million yen and 32 million yen, respectively.

Marketable securities classified as trading securities, which consist of debt and equity securities held primarily in the Financial Services segment, totaled 623,667 million yen and 764,473 million yen as of March 31, 2014 and 2015, respectively, and Sony recorded net unrealized gains of 72,793 million yen, 59,137 million yen and 100,312 million yen for the fiscal years ended March 31, 2013, 2014 and 2015, respectively. Changes in the fair value of trading securities are primarily recognized in financial services revenue in the consolidated statements of income.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies as of March 31, 2014 and 2015 totaled 54,808 million yen and 64,963 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

The following tables present the gross unrealized losses on, and fair value of, Sony's investment securities with unrealized losses, aggregated by investment category and the length of time that individual investment securities have been in a continuous unrealized loss position, at March 31, 2014 and 2015.

	Yen in millions March 31, 2014					
	Less than 12 months		**12 months or more**		**Total**	
	Fair value	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
Available-for-sale:						
Debt securities:						
Japanese national government bonds	52,299	(28)	377	—	52,676	(28)
Japanese local government bonds	2,342	(6)	655	(1)	2,997	(7)
Japanese corporate bonds	217	—	2,206	(8)	2,423	(8)
Foreign government bonds	6,601	(15)	30	(2)	6,631	(17)
Foreign corporate bonds	42,190	(167)	5,400	(15)	47,590	(182)
	103,649	(216)	8,668	(26)	112,317	(242)
Equity securities	192	(3)	73	(31)	265	(34)
Held-to-maturity securities:						
Japanese national government bonds	730	(3)	—	—	730	(3)
Japanese local government bonds	—	—	—	—	—	—
Japanese corporate bonds	140	—	—	—	140	—
Foreign government bonds	337	(1)	—	—	337	(1)
Foreign corporate bonds	—	—	—	—	—	—
	1,207	(4)	—	—	1,207	(4)
Total	105,048	(223)	8,741	(57)	113,789	(280)

	Yen in millions March 31, 2015					
	Less than 12 months		**12 months or more**		**Total**	
	Fair value	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**
Available-for-sale:						
Debt securities:						
Japanese national government bonds	24,699	(80)	372	—	25,071	(80)
Japanese local government bonds	3,772	(5)	1,702	(11)	5,474	(16)
Japanese corporate bonds	8,222	(7)	—	—	8,222	(7)
Foreign government bonds	4,607	(111)	—	—	4,607	(111)
Foreign corporate bonds	115,523	(887)	6,653	(55)	122,176	(942)
	156,823	(1,090)	8,727	(66)	165,550	(1,156)
Equity securities	4,636	(730)	9	(11)	4,645	(741)
Held-to-maturity securities:						

Japanese national government bonds	19,986	(103)	—	—	19,986	(103)
Japanese local government bonds	—	—	—	—	—	—
Japanese corporate bonds	—	—	—	—	—	—
Foreign government bonds	—	—	—	—	—	—
Foreign corporate bonds	—	—	—	—	—	—
	19,986	(103)	—	—	19,986	(103)
Total	181,445	(1,923)	8,736	(77)	190,181	(2,000)

32

For the fiscal years ended March 31, 2013, 2014 and 2015, total realized impairment losses were 8,554 million yen, 1,806 million yen and 949 million yen, respectively.

At March 31, 2015, Sony determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

8. *Leases*

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

(1) Capital leases

Leased assets under capital leases are comprised of the following:

	Yen in millions	
	March 31	
Class of property	2014	2015
Machinery, equipment and others	135,619	129,432
Film costs	9,348	8,647
Accumulated amortization	(59,352)	(89,470)
	85,615	48,609

The following is a schedule by fiscal year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2015:

Fiscal year ending March 31	Yen in millions
2016	33,873
2017	10,857

2018	4,670
2019	4,472
2020	3,727
Later fiscal years	2,765
Total minimum lease payments	60,364
Less - Amount representing interest	2,733
Present value of net minimum lease payments	57,631
Less - Current obligations	31,610
Long-term capital lease obligations	26,021

33

(2) Operating leases

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2015 are as follows:

Fiscal year ending March 31	Yen in millions
2016	60,082
2017	45,539
2018	33,290
2019	21,324
2020	17,584
Later fiscal years	108,645
Total minimum future rentals	286,464

Rental expenses under operating leases for the fiscal years ended March 31, 2013, 2014 and 2015 were 78,523 million yen, 101,410 million yen and 92,828 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2013, 2014 and 2015 were 904 million yen, 1,119 million yen and 1,180 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2015 were 1,432 million yen.

(3) Sale and leaseback transactions

Sony City Osaki sale and leaseback -

In February 2013, Sony sold its “Sony City Osaki” office building and premises (“Sony City Osaki”) to Nippon Building Fund Inc. and a Japanese institutional investor for 111,100 million yen, from which Sony received net cash proceeds of 110,175 million yen after deducting transaction costs. The sale was structured such that Sony placed Sony City Osaki in a trust and then sold the trust beneficiary rights. In connection with the sale, Sony entered into an agreement to lease Sony City Osaki for a period of five years after the sale. The leaseback is accounted for as an operating lease.

The transaction qualified for sale-leaseback accounting as all the risk and rewards of ownership were transferred to the buyer upon closing of the transaction and the leaseback did not include any form of continuing involvement, other

than a normal leaseback. As the leaseback represents more than a minor but less than substantially all of the use of the building, Sony recorded a gain upon the sale of 42,322 million yen in the fiscal year ended March 31, 2013, included in other operating (income) expenses, net. In addition to the gain recognized upon the sale, a gain of 24,982 million yen was deferred and is amortized on a straight-line basis and included in other operating (income) expense, net in the consolidated statements of income over the lease term. As of March 31, 2015, 4,914 million yen of the remaining deferred gain was recorded in other current liabilities and 9,829 million yen was recorded in other noncurrent liabilities in the consolidated balance sheets.

550 Madison sale and leaseback -

In March 2013, Sony exercised its option to purchase the headquarters building (the "U.S. headquarters building") of its U.S. subsidiary, which was leased from a VIE in which Sony was the primary beneficiary, for 255 million U.S. dollars. Concurrent with the exercise of the purchase option, Sony completed the sale of the U.S. headquarters building to a third party for 1,100 million U.S. dollars, from which Sony received net cash proceeds of 780 million U.S. dollars after deducting the cost of the purchase option and other transaction costs. In connection with the sale, Sony entered into an agreement to lease the U.S. headquarters building for a period of three years after the sale. The leaseback is accounted for as an operating lease.

The transaction qualified for sale-leaseback accounting as all the risk and rewards of ownership were transferred to the buyer upon closing of the transaction and the leaseback did not include any form of continuing involvement, other than a normal leaseback. As the leaseback represents more than a minor but less than substantially all of the use of the building, Sony recorded a gain upon the sale of 691 million U.S. dollars in the fiscal year ended March 31, 2013, included in other operating (income) expense, net in the consolidated statements of income. In addition to the gain recognized upon the sale, a gain of 166 million U.S. dollars was required to be deferred and is amortized on a straight-line basis and included in other operating (income) expense, net in the consolidated statements of income over the lease term. As of March 31, 2015, 55 million U.S. dollars of the remaining deferred gain is recorded in other current liabilities.

Sale and leaseback transactions with SFIL -

In the fiscal year ended March 31, 2013, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 11,789 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows. Additionally, a transaction with proceeds of 6,262 million yen and a seven year term was accounted for as a capital lease and included within proceeds from sale of fixed assets in the investing activities section of the consolidated statements of cash flows. There was no gain or loss recorded in either sale and leaseback transaction.

In the fiscal year ended March 31, 2014, Sony entered into sale and leaseback transactions regarding certain machinery and equipment with SFIL. Transactions with total proceeds of 6,810 million yen and terms which averaged two years, have been accounted for as financings and are included within proceeds from issuance of long-term debt in the financing activities section of the consolidated statements of cash flows. Additionally, a transaction with leasing companies including SFIL, with proceeds of 76,566 million yen, and terms which averaged three years, have been accounted for as a capital lease and are included within proceeds from sales of fixed assets in the investing activities section of the consolidated statements of cash flows. There was no gain or loss recorded in the sale and leaseback transactions.

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

9. *Goodwill and intangible assets*

Intangible assets acquired during the fiscal year ended March 31, 2015 totaled 96,938 million yen, of which 96,934 million yen is subject to amortization and are comprised of the following:

	Intangible assets acquired during the fiscal year	Weighted-average amortization period
		Years

	Yen in millions	
Patent rights, know-how and license agreements	14,815	6
Software to be sold, leased or otherwise marketed	18,478	3
Internal-use software	48,217	5
Television carriage contracts (broadcasting agreements)	8,368	20
Other	7,056	9

In the fiscal year ended March 31, 2015, additions to internal-use software primarily related to the capitalization of new software across several business platforms.

35

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2014		March 31, 2015	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	285,563	(151,089)	304,686	(190,151)
Customer relationships	28,573	(4,523)	29,401	(6,677)
Trademarks	31,697	(9,996)	31,903	(13,054)
Software to be sold, leased or otherwise marketed	127,359	(91,904)	114,333	(84,640)
Internal-use software	457,453	(289,561)	451,738	(295,854)
Music catalogs	200,475	(72,883)	225,623	(88,816)
Artist contracts	30,778	(23,681)	32,387	(27,174)
Television carriage contracts (broadcasting agreements)	45,158	(7,496)	60,036	(11,272)
Other	95,285	(67,036)	68,897	(52,067)
Total	1,302,341	(718,169)	1,319,004	(769,705)

Certain PC software titles in the G&NS segment were written down to net realizable value in the fiscal year ended March 31, 2014. The impairment charge of 6,165 million yen was recorded in cost of sales in the consolidated statements of income.

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2013, 2014 and 2015 was 122,787 million yen, 135,664 million yen and 132,228 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five fiscal years is as follows:

Fiscal year ending March 31	Yen in millions
2016	103,311
2017	88,821
2018	66,922
2019	43,275
2020	31,220

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

	Yen in millions	
	March 31	
	2014	2015
Trademarks	69,126	70,938
Distribution agreements	19,143	18,834
Other	3,222	3,290
Total	91,491	93,062

36

The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2014 and 2015 are as follows:

	Yen in millions									
	Mobile Communications	**Game & Network Services**	**Imaging Products & Solutions**	**Home Entertainment & Sound**	**Devices**	**Pictures**	**Music**	**Financial Services**	**All Other**	**Total**
Balance, March 31, 2013:										
Goodwill - gross	153,569	147,531	6,075	5,320	37,269	160,857	113,956	3,020	32,310	659,907
Accumulated impairments	—	—	(300)	(5,320)	—	—	(306)	(706)	(10,032)	(16,664)
Goodwill	153,569	147,531	5,775	—	37,269	160,857	113,650	2,314	22,278	643,243
Increase (decrease) due to:										
Acquisitions	—	—	—	—	—	10,205	38	—	—	10,243
Sales and dispositions*1	—	—	(9)	—	—	(903)	—	—	(5,292)	(6,204)
Impairments*2	—	—	—	—	—	—	—	—	(13,264)	(13,264)
Translation adjustments	26,610	3,041	205	—	131	17,148	9,245	—	1,323	57,703
Other*4	—	—	216	—	—	—	(153)	—	19	82
Balance, March 31, 2014:										
Goodwill - gross	180,179	150,572	6,487	5,320	37,400	187,307	123,086	3,020	28,360	721,731
Accumulated impairments	—	—	(300)	(5,320)	—	—	(306)	(706)	(23,296)	(29,928)
Goodwill	180,179	150,572	6,187	—	37,400	187,307	122,780	2,314	5,064	691,803
Increase (decrease) due to:										
Acquisitions*3	—	—	—	—	—	12,626	—	—	—	12,626
Sales and dispositions	—	(617)	—	—	—	(54)	(4)	—	—	(675)
Impairments	(176,045)	—	—	—	—	—	—	—	(1,090)	(177,135)
Translation adjustments	(4,134)	4,444	(128)	—	362	24,357	9,593	—	151	34,645
Other*4	—	—	—	—	—	3	—	—	(12)	(9)
Balance, March 31,										

2015:										
Goodwill - gross	176,045	154,399	6,359	5,320	37,762	224,239	132,675	3,020	28,499	768,318
Accumulated impairments	(176,045)	—	(300)	(5,320)	—	—	(306)	(706)	(24,386)	(207,063)
Goodwill	—	154,399	6,059	—	37,762	224,239	132,369	2,314	4,113	561,255

*1 Sales and dispositions in All Other for the fiscal year ended March 31, 2014 substantially all relate to the sale of Gracenote, Inc. Refer to Note 25.

*2 For the fiscal year ended March 31, 2014, the impairment loss recorded in All Other relates to the disc manufacturing business. Refer to Note 13.

*3 Acquisitions in the Pictures segment for the fiscal year ended March 31, 2015 mainly relate to the CSC Media Group Ltd. (“CSC Media Group”) acquisition. Refer to Note 24.

*4 Other primarily consists of purchase price adjustments for prior years and amounts reclassified as held for sale.

Impairment of goodwill related to mobile communications business -

During the fiscal year ended March 31, 2015, Sony recorded an impairment charge of 176,045 million yen in the MC segment. The goodwill impairment reflects a revision in the strategy for the MC business to concentrate on its premium lineup and reduce the number of models in the mid-range lineup as well as concentrating on certain selected markets due to continued increasingly competitive markets in various geographical areas, primarily resulting from rapid growth by Chinese smartphone competitors. The impairment charge is included in other operating (income) expenses, net in the consolidated statements of income, and is recorded entirely within the MC segment. Refer to Note 13.

In conjunction with Sony’s review for goodwill impairment, Sony also assessed whether the carrying amount of any of the tangible or definite-lived intangible assets of the MC segment was recoverable. As a result of the assessment, Sony determined that there were no tangible or definite-lived intangible assets within the MC segment that were impaired.

10. ***Insurance-related accounts***

Sony's Financial Services segment subsidiaries in Japan maintain their accounting records as described in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in some respects from U.S. GAAP.

Those differences are mainly that insurance acquisition costs for life and non-life insurance contracts are charged to income when incurred in Japan whereas in the U.S. those costs are deferred and amortized generally over the premium-paying period of the related insurance policies, and that future policy benefits for life insurance contracts calculated locally under the authorization of the supervisory administrative agencies are comprehensively adjusted to a net level premium method with certain adjustments of actuarial assumptions for U.S. GAAP purposes. For the purpose of preparing the consolidated financial statements, appropriate adjustments have been made to reflect the accounting for these items in accordance with U.S. GAAP.

The combined amounts of statutory net equity of the insurance subsidiaries, which is not measured in accordance with U.S. GAAP, as of March 31, 2014 and 2015 were 390,649 million yen and 457,268 million yen, respectively.

(1) Insurance policies

Life insurance policies that a subsidiary in the Financial Services segment underwrites, most of which are categorized as long-duration contracts, mainly consist of whole life, term life and accident and health insurance contracts. The life insurance revenues for the fiscal years ended March 31, 2013, 2014 and 2015 were 718,052 million yen, 670,506 million yen and 693,132 million yen, respectively. Property and casualty insurance policies that a subsidiary in the Financial Services segment underwrites are primarily automotive insurance contracts, which are categorized as short-duration contracts. The non-life insurance revenues for the fiscal years ended March 31, 2013, 2014 and 2015 were 81,974 million yen, 86,780 million yen and 90,431 million yen, respectively.

(2) Deferred insurance acquisition costs

Amortization of deferred insurance acquisition costs charged to income for the fiscal years ended March 31, 2013, 2014 and 2015 amounted to 54,700 million yen, 45,236 million yen and 56,530 million yen, respectively.

(3) Future insurance policy benefits

Liabilities for future policy benefits, which mainly relate to individual life insurance policies, are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.5% to 4.5% and are based on factors such as market conditions and expected investment returns. Morbidity, mortality and withdrawal assumptions for all policies are based on either the subsidiary's own experience or various actuarial tables. Generally these assumptions are locked-in throughout the life of the contract upon the issuance of new insurance, although significant changes in experience or assumptions may require Sony to provide for expected future losses. At March 31, 2014 and 2015, future insurance policy benefits amounted to 3,815,351 million yen and 4,111,894 million yen, respectively.

(4) Policyholders' account in the life insurance business

Policyholders' account in the life insurance business represents an accumulation of account deposits plus credited interest less withdrawals, expenses and mortality charges. Policyholders' account includes universal life insurance and investment contracts. Universal life insurance includes interest sensitive whole life contracts and variable contracts. The credited rates associated with interest sensitive whole life contracts range from 1.9% to 2.0%. For variable contracts, policy values are expressed in terms of investment units. Each unit is linked to an asset portfolio. The value of a unit increases or decreases based on the value of the linked asset portfolio. Investment contracts mainly include single payment endowment contracts, single payment juvenile contracts and policies after the start of annuity payments. The credited rates associated with investment contracts range from 0.1% to 6.3%.

Policyholders' account in the life insurance business is comprised of the following:

	Yen in millions	
	March 31	
	2014	**2015**
Universal life insurance	1,397,294	1,555,700
Investment contracts	509,880	591,951
Other	116,298	111,863
Total	2,023,472	2,259,514

11. ***Short-term borrowings and long-term debt***

Short-term borrowings are comprised of the following:

	Yen in millions	
	March 31	
	2014	**2015**
Unsecured loans:		
with a weighted-average interest rate of 4.22%	105,836	
with a weighted-average interest rate of 4.64%		56,008
Secured call money:		
with a weighted-average interest rate of 0.10%	6,000	
with a weighted-average interest rate of 0.10%		6,000
	111,836	62,008

At March 31, 2015, certain subsidiaries in the Financial Services segment pledged securities investments with a book value of 6,328 million yen as collateral for 6,000 million yen of call money. In addition, marketable securities and securities investments with an aggregate book value of 47,999 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes.

39

Long-term debt is comprised of the following:

	Yen in millions March 31	
	2014	**2015**
Unsecured loans, representing obligations principally to banks:		
Due 2014 to 2024, with interest rates ranging from 0.33% to 5.53% per annum	482,778	
Due 2015 to 2024, with interest rates ranging from 0.29% to 5.10% per annum		425,437
Unsecured 1.57% bonds, due 2015, net of unamortized discount	29,997	30,000
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,999	24,999
Unsecured 1.30% bonds, due 2014	110,000	
Unsecured 0.55% bonds, due 2016	10,000	10,000
Unsecured 0.66% bonds, due 2017	45,000	45,000
Unsecured 0.43% bonds, due 2018	10,000	10,000
Unsecured 0.86% bonds, due 2018	150,000	150,000
Unsecured 2.00% bonds, due 2018	16,300	16,300
Unsecured 2.07% bonds, due 2019	50,000	50,000
Unsecured 1.41% bonds, due 2022	10,000	10,000
Unsecured zero coupon convertible bonds, due 2017	118,780	
Secured 0.10% loans, due 2016	20,000	20,000
Capital lease obligations and other:		
Due 2014 to 2027, with interest rates ranging from 0.36% to 6.35% per annum	90,560	
Due 2015 to 2025, with interest rates ranging from 0.36% to 8.07% per annum		66,880
Guarantee deposits received	14,152	12,988
	1,182,566	871,604
Less - Portion due within one year	265,918	159,517
	916,648	712,087

At March 31, 2015, certain subsidiaries in the Financial Services segment pledged marketable securities and securities investments with a book value of 21,590 million yen as collateral for 20,000 million yen of long-term loans.

In March 2012, Sony executed a 1,365 million U.S. dollar unsecured bank loan with a group of lenders having six to ten year maturity terms in connection with acquiring Ericsson's 50% equity interest in Sony Ericsson. This bank loan utilizes the Japan Bank for International Cooperation ("JBIC") Facility, which was established to facilitate overseas mergers and acquisitions by Japanese companies as one of the countermeasures against yen appreciation. Of the 1,365 million U.S. dollar loan, 60% or 819 million U.S. dollars is from the JBIC Facility and 40% or 546 million U.S. dollars is from private banks. The terms of this U.S. dollar loan agreement require accelerated repayment of the loan if Sony Corporation or its wholly-owned subsidiaries discontinue the business of mobile devices featuring telephone functionality.

In January 2015, Sony executed its option to redeem all of its outstanding Zero Coupon Convertible Bonds due 2017 at 100% of their principal amount, as permitted under the conditions for early redemption, and the bonds were fully converted into common stock following exercise of the stock acquisition rights.

There are no significant adverse debt covenants or cross-default provisions related to the other short-term borrowings and long-term debt.

Aggregate amounts of annual maturities of long-term debt are as follows:

Fiscal year ending March 31	Yen in millions
2016	159,517
2017	201,497
2018	129,531
2019	200,923
2020	152,724
Later fiscal years	27,412
Total	871,604

At March 31, 2015, Sony had unused committed lines of credit amounting to 777,127 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2015, Sony has commercial paper programs totaling 860,510 million yen. Sony can issue commercial paper for a period generally not in excess of 270 days up to the size of the programs.

12. *Housing loans and deposits from customers in the banking business*

(1) Housing loans in the banking business

Sony acquires and holds certain financial receivables in the normal course of business. The majority of financing receivables held by Sony consists of housing loans in the banking business and no other significant financial receivables exist.

A subsidiary in the banking business monitors the credit quality of housing loans based on the classification set by the financial conditions and the past due status of individual obligors. Past due status is monitored on a daily basis and the aforementioned classification is reviewed on a quarterly basis.

The allowance for the credit losses is established based on the aforementioned classifications and the evaluation of collateral. The amount of housing loans in the banking business and the corresponding allowance for credit losses as of March 31, 2014 were 949,300 million yen and 1,083 million yen, respectively, and as of March 31, 2015 were 1,074,386 million yen and 1,037 million yen, respectively. During the fiscal years ended March 31, 2014 and 2015, charge-offs on housing loans in the banking business and changes in the allowance for credit losses were not significant.

The balance of housing loans placed on nonaccrual status or past due status were not significant as of March 31, 2014 and 2015.

(2) Deposits from customers in the banking business

All deposits from customers in the banking business within the Financial Services segment are interest bearing deposits. At March 31, 2014 and 2015, the balances of time deposits issued in amounts of 10 million yen or more were 250,965 million yen and 256,391 million yen, respectively. These amounts have been classified as current liabilities due to the ability of the customers to make withdrawals prior to maturity.

At March 31, 2015, aggregate amounts of annual maturities of time deposits with a remaining term of more than one year are as follows:

Fiscal year ending March 31	Yen in millions
2017	29,535
2018	11,118
2019	5,513
2020	9,512
2021	11,912
Later fiscal years	33,935
Total	101,525

41

13. *Fair value measurements*

As discussed in Note 2, assets and liabilities subject to the accounting guidance for fair value measurements held by Sony are classified and accounted for as described below.

(1) Assets and liabilities that are measured at fair value on a recurring basis

The following section describes the valuation techniques used by Sony to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Trading securities, available-for-sale securities and other investments

Where quoted prices are available in an active market, securities are classified in level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available for the specific security or the market is inactive, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and mainly classified in level 2 of the hierarchy. Level 2 securities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the fair value hierarchy. Level 3 securities primarily include certain hybrid financial instruments and certain private equity investments not classified within level 1 or level 2.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – i.e., parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, which are consistently applied. Where derivative products have been established for some time, Sony uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high

level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within level 2 of the fair value hierarchy.

In determining the fair value of Sony's interest rate swap derivatives, Sony uses the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of each instrument. For foreign currency derivatives, Sony's approach is to use forward contract and option valuation models employing market observable inputs, such as spot currency rates, time value and option volatilities. These derivatives are classified within level 2 since Sony primarily uses observable inputs in its valuation of its derivative assets and liabilities.

42

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2014 and 2015 are as follows:

	Yen in millions March 31, 2014				**Presentation in the consolidated balance sheets**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Marketable securities**	**Securities investments and other**	**Other current assets/ liabilities**	**Other noncurrent assets/ Liabilities**
Assets:								
Trading securities	348,832	274,835	—	623,667	623,667	—	—	—
Available-for-sale securities								
Debt securities								
Japanese national government bonds	—	1,244,053	—	1,244,053	24,822	1,219,231	—	—
Japanese local government bonds	—	63,131	—	63,131	1,491	61,640	—	—
Japanese corporate bonds	—	168,240	1,011	169,251	58,661	110,590	—	—
Foreign government bonds	3,027	28,227	—	31,254	1,134	30,120	—	—
Foreign corporate bonds	—	444,128	6,807	450,935	113,501	337,434	—	—
Equity securities	175,931	86	—	176,017	—	176,017	—	—
Other investments*1	8,031	3,612	75,837	87,480	—	87,480	—	—
Derivative assets*2	—	11,887	—	11,887	—	—	10,863	1,024
Total assets	535,821	2,238,199	83,655	2,857,675	823,276	2,022,512	10,863	1,024
Liabilities:								
Derivative liabilities*2	—	30,549	—	30,549	—	—	15,155	15,394
Total liabilities	—	30,549	—	30,549	—	—	15,155	15,394

	Yen in millions March 31, 2015				**Presentation in the consolidated balance sheets**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Marketable securities**	**Securities investments and other**	**Other current assets/ liabilities**	**Other noncurrent assets/ Liabilities**
Assets:								
Trading securities	452,830	311,643	—	764,473	764,473	—	—	—
Available-for-sale securities								

Debt securities								
Japanese national government bonds	—	1,222,094	—	1,222,094	3,124	1,218,970	—	—
Japanese local government bonds	—	66,891	—	66,891	1,474	65,417	—	—
Japanese corporate bonds	—	105,363	3,506	108,869	27,030	81,839	—	—
Foreign government bonds	2,861	38,593	—	41,454	136	41,318	—	—
Foreign corporate bonds	—	455,357	9,491	464,848	139,540	325,308	—	—
Equity securities	199,874	118	—	199,992	—	199,992	—	—
Other investments*1	9,306	4,606	74,641	88,553	—	88,553	—	—
Derivative assets*2	—	30,407	—	30,407	—	—	29,951	456
Total assets	664,871	2,235,072	87,638	2,987,581	935,777	2,021,397	29,951	456
Liabilities:								
Derivative liabilities*2	612	47,712	—	48,324	—	—	23,092	25,232
Total liabilities	612	47,712	—	48,324	—	—	23,092	25,232

*1 Other investments include certain hybrid financial instruments and certain private equity investments.

*2 Derivative assets and liabilities are recognized and disclosed on a gross basis.

43

Transfers into level 1 were 6,631 million yen and 3,460 million yen for the fiscal years ended March 31, 2014 and 2015, respectively, as quoted prices for certain trading securities and available-for-sale securities became available in an active market. Transfers out of level 1 were 2,250 million yen and 13,376 million yen for the fiscal years ended March 31, 2014 and 2015, respectively, as quoted prices for certain trading securities and available-for-sale securities were not available in an active market.

44

The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2014 and 2015 are as follows:

	Yen in millions Fiscal year ended March 31, 2014 Assets Available-for-sale securities Debt securities		
	Japanese corporate bonds	**Foreign corporate bonds**	**Other Investments**
Beginning balance	2,214	20,752	76,892
Total realized and unrealized gains (losses):			
Included in earnings*1	—	335	4,184
Included in other comprehensive income (loss)*2	—	15	2,699
Purchases	—	7,199	829
Settlements	—	(6,138)	(8,456)
Transfers into level 3*3	—	1,030	—
Transfers out of level 3*4	(1,203)	(12,698)	—
Other	—	(3,688)	(311)
Ending balance	1,011	6,807	75,837
Changes in unrealized gains (losses) relating to instruments still held at reporting date:			
Included in earnings*1	—	(70)	3,755

	Yen in millions Fiscal year ended March 31, 2015 Assets Available-for-sale securities Debt securities		
	Japanese corporate bonds	**Foreign corporate bonds**	**Other Investments**
Beginning balance	1,011	6,807	75,837
Total realized and unrealized gains (losses):			
Included in earnings*1	—	522	1,397
Included in other comprehensive income (loss)*2	(5)	593	153
Purchases	2,500	15,222	522

Settlements	—	(4,653)	(3,268)
Transfers out of level 3[*4]	—	(9,000)	—
Ending balance	3,506	9,491	74,641
Changes in unrealized gains (losses) relating to instruments still held at reporting date:			
Included in earnings[*1]	—	—	1,397

*1 Earning effects are included in financial services revenue in the consolidated statements of income.

*2 Unrealized gains (losses) are included in unrealized gains (losses) on securities in the consolidated statements of comprehensive income.

*3 Certain corporate bonds were transferred into level 3 because differences between fair value determined by indicative quotes from dealers and internally developed prices became significant and the observability of inputs decreased.

*4 Certain corporate bonds were transferred out of level 3 because quoted prices became available.

Level 3 assets include certain hybrid financial instruments for which the price fluctuates primarily based on the main stock index in Japan (Nikkei index), certain private equity investments, and certain domestic and foreign corporate bonds for which quoted prices are not available in a market and where there is less transparency around inputs. In determining the fair value of such assets, Sony uses third-party information such as indicative quotes from dealers without adjustment. For validating the fair values, Sony primarily uses internal models which include management judgment or estimation of assumptions that market participants would use in pricing the asset.

45

(2) Assets and liabilities that are measured at fair value on a nonrecurring basis

Sony also has assets and liabilities that are required to be remeasured to fair value on a nonrecurring basis when certain circumstances occur. During the fiscal years ended March 31, 2014 and 2015, such remeasurements to fair value related primarily to the following:

	During the fiscal year ended March 31, 2014			
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	57,236	(72,724)
Goodwill impairments	—	—	0	(13,264)
				(85,988)

	During the fiscal year ended March 31, 2015			
	Estimated fair value			Amounts included in earnings
	Level 1	Level 2	Level 3	
Assets:				
Long-lived assets impairments	—	—	768	(18,926)
Goodwill impairments	—	—	0	(177,135)
				(196,061)

Long-lived assets impairments

Sony recorded impairment losses of 7,617 million yen, 7,798 million yen and 4,929 million yen for the fiscal years ended March 31, 2013, 2014 and 2015, respectively, included within the HE&S segment, related to the LCD television asset group. These impairment losses primarily reflected a decrease in the estimated fair value of property, plant and equipment and certain intangible assets. For the LCD television asset group, the corresponding estimated future cash flows leading to the impairment charge reflected the continued deterioration in LCD television market conditions in Japan, Europe and North America, and unfavorable foreign exchange rates.

Sony recorded an impairment loss of 32,107 million yen for the fiscal year ended March 31, 2014, included within the Devices segment, related to long-lived assets in the battery business asset group. In light of a lack of progress towards achieving adequate operating results, Sony conducted a strategic review of the business and the evolving market trends. Following these developments, Sony reduced the corresponding estimated future cash flows and the estimated ability to recover the entire carrying amount of the long-lived assets within the period applicable to the impairment determination, resulting in an impairment charge.

Sony recorded impairment losses of 12,303 million yen for the fiscal year ended March 31, 2014, included within All Other, related to long-lived assets in the disc manufacturing business. In the fiscal year ended March 31, 2015, Sony recorded an impairment loss of 8,608 million yen related to long-lived assets in the disc manufacturing business. The long-lived asset impairments in the disc manufacturing business for fiscal years ended March 31, 2014 and 2015 related to lowered forecasts of cash flows outside of Japan and the United States, primarily attributable to the manufacturing and distribution operations in Europe, which began additional restructuring activities in March 2014 and March 2015, and reflects the faster than expected contraction of the physical media market.

Sony recorded impairment losses for long-lived assets relating to restructuring in the PC business during the fiscal year ended March 31, 2014. Refer to Notes 19 and 25.

These measurements are classified as level 3 because significant unobservable inputs, such as the conditions of the assets or projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. A discount rate of 10% and projected revenue growth rates ranging from zero to 15% were used in the fair value measurements related to the long-lived assets for the battery business, and a discount rate of 10% and projected declining revenue rates ranging from (6)% to (13)% were used in the fair value measurements related to the long-lived assets for the disc manufacturing business for the fiscal year ending March 31, 2014. For the fiscal year ended March 31, 2015, a discount rate of 10% and projected declining revenue rates ranging from (5)% to (9)% were used in the fair value measurements related to the long-lived assets for the disc manufacturing business.

Goodwill impairments

Sony recorded an impairment loss of 13,264 million yen for the fiscal year ended March 31, 2014, included within All Other, related to goodwill in the disc manufacturing business. The goodwill impairment in the disc manufacturing business related to lowered forecasts of cash flows outside of Japan and the United States, primarily attributable to the manufacturing and distribution operations in Europe, reflecting those factors noted above in the impairment of the long-lived assets for the disc manufacturing business which contributed to the lowered fair value estimate and goodwill impairment.

Sony recorded an impairment loss of 176,045 million yen for the fiscal year ended March 31, 2015 related to goodwill in the MC segment. Refer to Note 9. Sony’s determination of fair value of the MC reporting unit was based on the present value of expected future cash flows. These measurements are classified as a level 3 because significant unobservable inputs, such as the projections of future cash flows, the timing of such cash flows and the discount rate reflecting the risk inherent in future cash flows, were considered in the fair value measurements. A discount rate of 12% and projected revenue growth rates ranging from (3)% to 11% were used in the fair value measurements.

47

(3) Financial instruments

The estimated fair values by fair value hierarchy level of certain financial instruments that are not reported at fair value are summarized as follows:

	Yen in millions March 31, 2014				
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	1,041,166	—	1,041,166	949,300
Total assets	—	1,041,166	—	1,041,166	949,300
Liabilities:					
Long-term debt including the current portion	—	1,315,539	—	1,315,539	1,182,566
Investment contracts included in policyholders' account in the life insurance business	—	480,012	—	480,012	509,880
Total liabilities	—	1,795,551	—	1,795,551	1,692,446

	Yen in millions March 31, 2015				
	Estimated fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	Total
Assets:					
Housing loans in the banking business	—	1,181,554	—	1,181,554	1,074,386
Total assets	—	1,181,554	—	1,181,554	1,074,386
Liabilities:					
Long-term debt including the current portion	—	878,609	—	878,609	871,604
Investment contracts included in policyholders' account in the life insurance business	—	586,331	—	586,331	591,951
Total liabilities	—	1,464,940	—	1,464,940	1,463,555

The summary excludes cash and cash equivalents, call loans, time deposits, notes and accounts receivable, trade, call money, short-term borrowings, notes and accounts payable, trade and deposits from customers in the banking business because the carrying values of these financial instruments approximated their fair values due to their short-term nature. The summary also excludes held-to-maturity securities disclosed in Note 7.

Cash and cash equivalents, call loans and call money are classified in level 1. Time deposits, short-term borrowings, deposits from customers in the banking business are classified in level 2. Held-to-maturity securities, included in marketable securities and securities investments and other in the consolidated balance sheets, primarily include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds and are substantially all classified in level 2. The fair values of housing loans in the banking business, included in securities investments and other in the consolidated balance sheets, were estimated based on the discounted future cash flows using interest rates reflecting London InterBank Offered Rate base yield curves with certain risk premiums. The fair values of long-term debt including the current portion and investment contracts included in policyholders' account in the life insurance business were estimated based on either the market value or the discounted future cash flows using Sony's current incremental borrowing rates for similar liabilities.

48

14. Derivative instruments and hedging activities

Sony has certain financial instruments including financial assets and liabilities acquired in the normal course of business. Such financial instruments are exposed to market risk arising from the changes in foreign currency exchange rates and interest rates. In applying a consistent risk management strategy for the purpose of reducing such risk, Sony uses derivative financial instruments, which include foreign exchange forward contracts, foreign currency option contracts, and interest rate swap agreements (including interest rate and currency swap agreements). Certain other derivative financial instruments are entered into in the Financial Services segment for asset-liability management ("ALM") purposes. These instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major countries. These derivatives generally mature or expire within six months after the balance sheet date. Other than derivatives utilized in the Financial Services segment for ALM, Sony does not use derivative financial instruments for trading or speculative purposes. These derivative transactions utilized for ALM in the Financial Services segment are executed within a certain limit in accordance with an internal risk management policy.

Derivative financial instruments held by Sony are classified and accounted for as described below.

Fair value hedges

Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheets. Changes in the fair value of the derivatives designated as fair value hedges as well as offsetting changes in the carrying value of the underlying hedged items are recognized in income. For the fiscal years ended March 31, 2013, 2014 and 2015, these fair value hedges were fully effective. In addition, there were no amounts excluded from the assessment of hedge effectiveness of fair value hedges.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges are initially recorded in other comprehensive income ("OCI") and reclassified into earnings when the hedged transaction affects earnings. For the fiscal years ended March 31, 2013 and 2014, the effect of derivatives designated as cash flow hedges on income and other comprehensive income, and the ineffective portions of the hedging relationships were not significant. In addition, there were no amounts excluded from the assessment of hedge effectiveness for cash flow hedges. As of March 31, 2014 and 2015, there were no derivatives qualifying as cash flow hedges.

Derivatives not designated as hedges

Changes in the fair value of derivatives not designated as hedges are recognized in income.

A description of the purpose and classification of the derivative financial instruments held by Sony is as follows:

Foreign exchange forward contracts and foreign currency option contracts

Foreign exchange forward contracts and purchased and written foreign currency option contracts are utilized primarily to limit the exposure affected by changes in foreign currency exchange rates on cash flows generated by anticipated intercompany transactions and intercompany accounts receivable and payable denominated in foreign currencies. The majority of written foreign currency option contracts are a part of range forward contract arrangements and expire in the same month with the corresponding purchased foreign currency option contracts.

Sony also had foreign exchange forward contracts during the fiscal years ended March 31, 2013 and 2014 which effectively fixed the cash flows from foreign currency denominated debt. Accordingly, these derivatives were designated as cash flow hedges.

Foreign exchange forward contracts and foreign currency option contracts that do not qualify as hedges are marked-to-market with changes in value recognized in other income and expenses.

Foreign exchange forward contracts, foreign currency option contracts and currency swap agreements held by certain subsidiaries in the Financial Services segment are marked-to-market with changes in value recognized in financial service revenue.

Interest rate swap agreements (including interest rate and currency swap agreements)

Interest rate swap agreements are utilized primarily to lower funding costs, to diversify sources of funding and to limit Sony’s exposure associated with underlying debt instruments and available-for-sale debt securities resulting from adverse fluctuations in interest rates, foreign currency exchange rates and changes in fair values. Interest rate swap agreements entered into in the Financial Services segment are used for reducing the risk arising from the changes in the fair value of fixed rate available-for-sale debt securities. These derivatives are considered to be a hedge against changes in the fair value of available-for-sale debt securities in the Financial Services segment. Accordingly, these derivatives have been designated as fair value hedges.

Sony also had certain interest rate swap agreements during the fiscal years ended March 31, 2013 and 2014 for the purpose of reducing the risk arising from the changes in anticipated cash flows of variable rate debt and foreign currency denominated debt. These interest rate swap agreements, which effectively swapped foreign currency denominated variable rate debt for functional currency denominated fixed rate debt, were considered a hedge against changes in the anticipated cash flows of Sony’s foreign denominated variable rate obligations. Accordingly, these derivatives were designated as cash flow hedges.

Certain subsidiaries in the Financial Services segment have interest rate swap agreements as part of their ALM, which are marked-to-market with changes in value recognized in financial service revenue.

Any other interest rate swap agreements that do not qualify as hedges, which are used for reducing the risk arising from changes of variable rate debt, are marked-to-market with changes in value recognized in other income and expenses.

Other agreements

Certain subsidiaries in the Financial Services segment have equity future contracts, other currency contracts and hybrid financial instruments as part of their ALM, which are marked-to-market with changes in value recognized in financial services revenue. The hybrid financial instruments, disclosed in Note 7 as debt securities, contain embedded derivatives that are not required to be bifurcated because the entire instruments are carried at fair value.

The estimated fair values of Sony’s outstanding derivative instruments are summarized as follows:

	Yen in millions					
Derivatives designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
		March 31			March 31	
	Asset derivatives	2014	2015	Liability derivatives	2014	2015
Interest rate contracts	Prepaid expenses and other current assets	2	11	Current liabilities other	1,221	954
Interest rate contracts	Assets other	1,012	207	Liabilities other	13,941	23,899
Foreign exchange contracts	Prepaid expenses and other current assets	6	40	Current liabilities other	24	—
		1,020	258		15,186	24,853

	Yen in millions					
Derivatives not designated as hedging instruments	Balance sheet location	Fair value		Balance sheet location	Fair value	
		March 31			March 31	
	Asset derivatives	2014	2015	Liability derivatives	2014	2015
Interest rate contracts		—	—	Current liabilities other	18	—
Interest rate contracts	Assets other	—	222	Liabilities other	1,429	1,178
Foreign exchange contracts	Prepaid expenses and other current assets	10,855	29,899	Current liabilities other	13,892	21,526
Foreign exchange contracts	Assets other	12	28	Liabilities other	24	155
Equity contracts		—	—	Current liabilities other	—	612
		10,867	30,149		15,363	23,471
Total derivatives		11,887	30,407		30,549	48,324

50

Presented below are the effects of derivative instruments on the consolidated statements of income for the fiscal years ended March 31, 2013, 2014 and 2015.

	Yen in millions			
Derivatives under fair value hedging relationships	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative		
		Fiscal year ended March 31		
		2013	2014	2015
Interest rate contracts	Financial services revenue	(11,275)	131	(8,271)
Foreign exchange contracts	Foreign exchange gain or (loss), net	1	(1)	(9)
Total		(11,274)	130	(8,280)

	Yen in millions			
Derivatives not designated as hedging instruments	Location of gain or (loss) recognized in income on derivative	Amount of gain or (loss) recognized in income on derivative		
		Fiscal year ended March 31		
		2013	2014	2015
Interest rate contracts	Financial services revenue	(2,779)	(167)	(3,579)
Interest rate contracts	Foreign exchange gain or (loss), net	—	—	883
Foreign exchange contracts	Financial services revenue	7,202	1,198	(1,942)
Foreign exchange contracts	Foreign exchange gain or (loss), net	5,596	2,703	13,375
Equity contracts	Financial services revenue	—	—	(2,725)
Credit contracts	Financial services revenue	(3)	—	—
Total		10,016	3,734	6,012

The following table summarizes additional information, including notional amounts, for each type of derivative:

	Yen in millions			
	March 31, 2014		**March 31, 2015**	
	Notional amount	Fair value	Notional amount	**Fair value**
Foreign exchange contracts:				
Foreign exchange forward contracts	1,415,132	(3,737)	1,335,811	11,654
Currency option contracts purchased	14,988	137	9,920	202
Currency option contracts written	1,683	(6)	568	(3)
Currency swap agreements	515,300	221	754,056	(3,872)

Other currency contracts	67,043	319	83,980	305
Interest rate contracts:				
Interest rate swap agreements	413,572	(15,596)	402,049	(25,591)
Equity contracts:				
Equity future contracts	—	—	21,903	(612)

51

All derivatives are recognized as either assets or liabilities in the consolidated balance sheets on a gross basis, but certain subsidiaries have entered into master netting agreements or other similar agreements, which are mainly International Swaps and Derivatives Association (ISDA) Master Agreements. An ISDA Master Agreement is an agreement between two counterparties that may have multiple derivative contracts with each other, and such ISDA Master Agreement may provide for the net settlement of all or a specified group of these derivative contracts, through a single payment, in a single currency, in the event of a default on or affecting any one derivative contract, or a termination event affecting all or a specified group of derivative contracts. Presented below are the effects of offsetting derivative assets and derivative liabilities as of March 31, 2014 and 2015.

	Yen in millions As of March 31, 2014			
	Gross amounts presented in the consolidated balance sheet	**Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements**		**Net amounts**
		Financial instruments	**Cash collateral**	
Derivative assets subject to master netting agreements	9,386	5,619	—	3,767
Derivative assets not subject to master netting agreements	2,501			2,501
Total derivative assets	11,887	5,619	—	6,268
Derivative liabilities subject to master netting agreements	28,017	22,058	—	5,959
Derivative liabilities not subject to master netting agreements	2,532			2,532
Total derivative liabilities	30,549	22,058	—	8,491

	Yen in millions As of March 31, 2015			
	Gross amounts presented in the consolidated balance sheet	**Gross amounts not offset in the consolidated balance sheet that are subject to master netting agreements**		**Net amounts**
		Financial instruments	**Cash collateral**	
Derivative assets subject to master netting agreements	26,032	10,387	—	15,645
Derivative assets not subject to master netting agreements	4,375			4,375
Total derivative assets	30,407	10,387	—	20,020
	43,791	37,820	612	5,359

Derivative liabilities subject to master netting agreements				
Derivative liabilities not subject to master netting agreements	4,533			4,533
Total derivative liabilities	48,324	37,820	612	9,892

52

15. ***Pension and severance plans***

(1) Defined benefit and severance plans

Sony Corporation and certain of its subsidiaries' pension plans utilize a point-based plan under which a point is added every year reflecting the individual employee's performance over that year. Under the point-based plan, the amount of payment is determined based on the sum of cumulative points from past services and interest points earned on the cumulative points regardless of whether or not the employee is voluntarily retiring. Upon terminating employment, employees of Sony Corporation and its subsidiaries in Japan are entitled, under most circumstances, to lump-sum indemnities or pension payments as described below.

Under the plans, in general, the defined benefits cover 65% of the indemnities under existing regulations to employees. The remaining indemnities are covered by severance payments by the companies. The pension benefits are payable at the option of the retiring employee either in a lump-sum amount or monthly pension payments. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

From April 1, 2012, Sony Corporation and substantially all of its subsidiaries in Japan have modified existing defined benefit pension plans such that life annuities will no longer accrue additional service benefits, with those participants instead accruing fixed-term annuities. The defined benefit pension plans were closed to new participants and a defined contribution plan was also introduced.

In addition, several of Sony's foreign subsidiaries have defined benefit pension plans or severance indemnity plans, which cover substantially all of their employees. Under such plans, the related cost of benefits is currently funded or accrued. Benefits awarded under these plans are based primarily on the current rate of pay and length of service.

The components of net periodic benefit costs for the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

Japanese plans:

	Yen in millions **Fiscal year ended March 31**

	2013	**2014**	**2015**
Service cost	25,343	24,827	24,350
Interest cost	14,606	12,152	11,583
Expected return on plan assets	(16,389)	(17,822)	(19,252)
Recognized actuarial loss	12,853	11,480	9,867
Amortization of prior service costs	(10,271)	(10,176)	(9,614)
Net periodic benefit costs	26,142	20,461	16,934

Foreign plans:

	Yen in millions Fiscal year ended March 31		
	2013	**2014**	**2015**
Service cost	2,387	3,032	3,188
Interest cost	10,197	12,068	13,040
Expected return on plan assets	(9,245)	(11,480)	(12,993)
Amortization of net transition asset	117	12	10
Recognized actuarial loss	1,781	3,693	2,991
Amortization of prior service costs	(566)	(643)	(639)
Losses (gains) on curtailments and settlements	(405)	1,074	31
Net periodic benefit costs	4,266	7,756	5,628

The estimated net actuarial loss, prior service cost and obligation (asset) existing at transition for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit costs over the next fiscal year are 11,234 million yen, 9,996 million yen and 10 million yen, respectively.

The changes in the benefit obligation and plan assets as well as the funded status and composition of amounts recognized in the consolidated balance sheets were as follows:

	Japanese plans Yen in millions		Foreign plans Yen in millions	
	March 31		March 31	
	2014	2015	2014	2015
Change in benefit obligation:				
Benefit obligation at beginning of the fiscal year	827,044	847,446	274,928	313,698
Service cost	24,827	24,350	3,032	3,188
Interest cost	12,152	11,583	12,068	13,040
Plan participants' contributions	—	—	813	752
Amendments	—	—	(107)	(283)
Actuarial loss	14,138	48,061	3,392	74,801
Foreign currency exchange rate changes	—	—	36,867	7,214
Curtailments and settlements	—	—	(4,500)	(3,932)
Effect of changes in consolidated subsidiaries	(5)	(4)	—	—
Other	—	(2,696)	—	—
Benefits paid	(30,710)	(38,325)	(12,795)	(13,774)
Benefit obligation at end of the fiscal year	847,446	890,415	313,698	394,704
Change in plan assets:				
Fair value of plan assets at beginning of the fiscal year	608,004	654,792	188,019	225,024
Actual return on plan assets	53,476	74,447	17,979	54,928
Foreign currency exchange rate changes	—	—	26,167	5,752
Employer contribution	16,758	7,978	6,912	9,434
Plan participants' contributions	—	—	813	752
Curtailments and settlements	—	—	(3,334)	(2,989)
Effect of changes in consolidated subsidiaries	—	—	—	—
Other	—	(1,934)	—	—
Benefits paid	(23,446)	(24,681)	(11,532)	(12,685)
Fair value of plan assets at end of the fiscal year	654,792	710,602	225,024	280,216
Funded status at end of the fiscal year	(192,654)	(179,813)	(88,674)	(114,488)

Amounts recognized in the consolidated balance sheets consist of:

	Japanese plans Yen in millions		Foreign plans Yen in millions	
	March 31		March 31	
	2014	2015	2014	2015
Noncurrent assets	2,446	3,005	3,292	4,027

Current liabilities	—	—	(2,565)	(4,500)
Noncurrent liabilities	(195,100)	(182,818)	(89,401)	(114,015)
Ending balance	(192,654)	(179,813)	(88,674)	(114,488)

54

Amounts recognized in accumulated other comprehensive income, excluding tax effects, consist of:

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Prior service cost (credit)	(54,008)	(44,394)	(2,307)	(2,161)
Net actuarial loss	237,023	218,462	61,841	94,480
Obligation existing at transition	—	—	25	15
Ending balance	183,015	174,068	59,559	92,334

The accumulated benefit obligations for all defined benefit pension plans were as follows:

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Accumulated benefit obligations	842,978	885,479	290,014	364,094

The projected benefit obligations, the accumulated benefit obligations and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Japanese plans Yen in millions March 31		Foreign plans Yen in millions March 31	
	2014	2015	2014	2015
Projected benefit obligations	838,145	879,995	260,950	330,478
Accumulated benefit obligations	834,694	876,282	255,018	323,221
Fair value of plan assets	644,502	698,400	186,519	235,343

Weighted-average assumptions used to determine benefit obligations as of March 31, 2014 and 2015 were as follows:

	Japanese plans		Foreign plans	
	March 31		March 31	
	2014	2015	2014	2015
Discount rate	1.4%	1.0%	4.1%	3.1%
Rate of compensation increase	*	*	3.1	2.9

* Substantially all of Sony’s Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

55

Weighted-average assumptions used to determine the net periodic benefit costs for the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

	Japanese plans Fiscal year ended March 31			Foreign plans Fiscal year ended March 31		
	2013	2014	2015	2013	2014	2015
Discount rate	1.9%	1.5%	1.4%	4.7%	4.1%	4.1%
Expected return on plan assets	3.0	3.0	3.0	6.1	5.8	5.6
Rate of compensation increase	*	*	*	3.5	3.1	3.1

* Substantially all of Sony's Japanese pension plans were point-based. Point-based plans do not incorporate a measure of compensation rate increases.

Sony reviews these assumptions for changes in circumstances.

The weighted-average rate of compensation increase is calculated based only on the pay-related plans. The point-based plans discussed above are excluded from the calculation because payments made under the plan are not based on employee compensation.

To determine the expected long-term rate of return on pension plan assets, Sony considers the current and expected asset allocations, as well as the historical and expected long-term rates of returns on various categories of plan assets. Sony's pension investment policy recognizes the expected growth and the variability risk associated with the long-term nature of pension liabilities, the returns and risks of diversification across asset classes, and the correlation among assets. The asset allocations are designed to maximize returns consistent with levels of liquidity and investment risk that are considered prudent and reasonable. While the pension investment policy gives appropriate consideration to recent market performance and historical returns, the investment assumptions utilized by Sony are designed to achieve a long-term return consistent with the long-term nature of the corresponding pension liabilities.

The investment objectives of Sony's plan assets are designed to generate returns that will enable the plans to meet their future obligations. The precise amount for which these obligations will be settled depends on future events, including the retirement dates and life expectancy of the plans' participants. The obligations are estimated using actuarial assumptions, based on the current economic environment and other pertinent factors. Sony's investment strategy balances the requirement to generate returns, using potentially higher yielding assets such as equity securities, with the

need to control risk in the portfolio with less volatile assets, such as fixed-income securities. Risks include, among others, inflation, volatility in equity values and changes in interest rates that could negatively impact the funding level of the plans, thereby increasing its dependence on contributions from Sony. To mitigate any potential concentration risk, thorough consideration is given to balancing the portfolio among industry sectors and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency and other factors that affect investment returns. The target allocations as of March 31, 2015, are, as a result of Sony's asset liability management, 28% of equity securities, 52% of fixed income securities and 20% of other investments for the pension plans of Sony Corporation and most of its subsidiaries in Japan, and, on a weighted average basis, 36% of equity securities, 49% of fixed income securities and 15% of other investments for the pension plans of foreign subsidiaries.

The fair values of the assets held by Japanese and foreign plans, which are classified in accordance with the fair value hierarchy described in Note 2, are as follows:

	Japanese plans Yen in millions			
	Fair value at March 31,	**Fair value measurements using inputs considered as**		
Asset class	**2014**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	8,384	8,384	—	—
Equity:				
Equity securities*1	173,067	169,210	3,857	—
Fixed income:				
Government bonds*2	263,921	—	263,921	—
Corporate bonds*3	50,131	—	50,131	—
Asset-backed securities*4	2,930	—	2,930	—
Commingled funds*5	84,853	—	84,853	—
Commodity funds*6	1,767	—	1,767	—
Private equity*7	26,942	—	—	26,942
Hedge funds*8	41,108	—	—	41,108
Real estate	1,689	—	—	1,689
Total	654,792	177,594	407,459	69,739

	Japanese plans Yen in millions			
	Fair value at March 31,	**Fair value measurements using inputs considered as**		
Asset class	**2015**	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	5,789	5,789	—	—
Equity:				
	166,164	161,530	4,634	—

Equity securities[*1]				
Fixed income:				
Government bonds[*2]	217,359	—	217,359	—
Corporate bonds[*3]	54,639	—	54,639	—
Asset-backed securities[*4]	650	—	650	—
Commingled funds[*5]	122,798	—	122,798	—
Commodity funds[*6]	24,621	—	24,621	—
Private equity[*7]	32,584	—	—	32,584
Hedge funds[*8]	80,037	—	—	80,037
Real estate	5,961	—	—	5,961
Total	710,602	167,319	424,701	118,582

*1 Includes approximately 64 percent and 53 percent of Japanese equity securities, and 36 percent and 47 percent of foreign equity securities for the fiscal years ended March 31, 2014 and 2015, respectively.

*2 Includes approximately 56 percent and 48 percent of debt securities issued by Japanese national and local governments, and 44 percent and 52 percent of debt securities issued by foreign national and local governments for the fiscal years ended March 31, 2014 and 2015, respectively.

*3 Includes debt securities issued by Japanese and foreign corporation and government related agencies.

*4 Includes primarily mortgage-backed securities.

*5 Commingled funds represent pooled institutional investments, including primarily investment trusts. They include approximately 47 percent and 46 percent of investments in equity, 51 percent and 52 percent of investments in fixed income, and 2 percent and 3 percent of investments in other for the fiscal years ended March 31, 2014 and 2015, respectively.

*6 Represents commodity futures funds.

*7 Includes multiple private equity funds of funds that primarily invest in venture, buyout, and distressed markets in the U.S. and Europe.

*8 Includes primarily funds that invest in a portfolio of a broad range of hedge funds to diversify the risks and reduce the volatilities associated with a single hedge fund.

Asset class	Foreign plans Yen in millions Fair value at March 31, 2014	Fair value measurements using inputs considered as Level 1	Level 2	Level 3
Cash and cash equivalents	1,648	1,648	—	—
Equity:				
Equity securities*1	48,140	40,045	8,095	—
Fixed income:				
Government bonds*2	61,644	—	61,644	—
Corporate bonds*3	25,937	—	19,682	6,255
Asset-backed securities	332	—	332	—
Insurance contracts*4	11,364	—	11,364	—
Commingled funds*5	63,057	—	63,057	—
Real estate and other*6	12,902	—	3,970	8,932
Total	225,024	41,693	168,144	15,187

Asset class	Foreign plans Yen in millions Fair value at March 31, 2015	Fair value measurements using inputs considered as Level 1	Level 2	Level 3
Cash and cash equivalents	8,665	8,665	—	—
Equity:				
Equity securities*1	44,276	41,194	3,082	—
Fixed income:				
Government bonds*2	69,882	—	69,882	—
Corporate bonds*3	33,290	—	25,906	7,384
Asset-backed securities	328	—	328	—
Insurance contracts*4	1,936	—	1,936	—
Commingled funds*5	86,931	—	86,931	—
Real estate and other*6	34,908	—	19,386	15,522
Total	280,216	49,859	207,451	22,906

*1 Includes primarily foreign equity securities.
*2 Includes primarily foreign government debt securities.
*3 Includes primarily foreign corporate debt securities.
*4 Represents annuity contracts with or without profit sharing.

*5 Commingled funds represent pooled institutional investments including mutual funds, common trust funds, and collective investment funds. They are primarily comprised of foreign equities and fixed income investments.
*6 Includes primarily private real estate investment trusts.

Each level in the fair value hierarchy in which each plan asset is classified is determined based on inputs used to measure the fair values of the asset, and does not necessarily indicate the risks or rating of the asset.

The following is a description of the valuation techniques used to measure Japanese and foreign plan assets at fair value. The valuation techniques are applied consistently from period to period.

Equity securities are valued at the closing price reported in the active market in which the individual securities are traded. These assets are generally classified as level 1.

The fair value of fixed income securities is typically estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are generally classified as level 2.

Commingled funds are typically valued using the net asset value provided by the administrator of the fund and reviewed by Sony. The net asset value is based on the value of the underlying assets owned by the fund, minus liabilities and divided by the number of shares or units outstanding. These assets are classified as level 1, level 2 or level 3 depending on availability of quoted market prices.

Commodity funds are valued using inputs that are derived principally from or corroborated by observable market data. These assets are generally classified as level 2.

Private equity and private real estate investment trust valuations require significant judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. These assets are initially valued at cost and are reviewed periodically utilizing available and relevant market data to determine if the carrying value of these assets should be adjusted. These investments are classified as level 3.

Hedge funds are valued using the net asset value as determined by the administrator or custodian of the fund. These investments are classified as level 3.

The following table sets forth a summary of changes in the fair values of Japanese and foreign plans' level 3 assets for the fiscal years ended March 31, 2014 and 2015:

	Japanese plans Yen in millions Fair value measurement using significant unobservable inputs (Level 3)			
	Private equity	**Hedge funds**	**Real estate**	**Total**
Beginning balance at April 1, 2013	27,205	35,071	1,474	63,750
Return on assets held at end of year	1,123	1,514	215	2,852
Return on assets sold during the year	-	-	-	-
Purchases, sales, and settlements, net	(1,386)	4,523	-	3,137
Transfers, net	-	-	-	-
Ending balance at March 31, 2014	26,942	41,108	1,689	69,739
Return on assets held at end of year	5,642	5,796	(101)	11,337
Return on assets sold during the year	-	-	-	-
Purchases, sales, and settlements, net	-	33,133	4,373	37,506
Transfers, net	-	-	-	-
Ending balance at March 31, 2015	32,584	80,037	5,961	118,582

	Foreign plans Yen in millions Fair value measurement using significant unobservable inputs (Level 3)			
	Corporate bonds	**Commingled funds**	**Real estate and other**	**Total**
Beginning balance at April 1, 2013	4,773	-	6,957	11,730
Return on assets held at end of year	1,032	-	504	1,536
Return on assets sold during the year	-	-	(47)	(47)
Purchases, sales, and settlements, net	-	-	69	69
Transfers, net	-	-	-	-
Other*	450	-	1,449	1,899
Ending balance at March 31, 2014	6,255	-	8,932	15,187
Return on assets held at end of year	81	-	(408)	(327)
Return on assets sold during the year	-	-	-	-
Purchases, sales, and settlements, net	-	-	210	210
Transfers, net	-	-	-	-
Other*	1,048	-	6,788	7,836
Ending balance at March 31, 2015	7,384	-	15,522	22,906

* Primarily consists of translation adjustments.

Sony makes contributions to its defined benefit pension plans as deemed appropriate by management after considering the fair value of plan assets, expected return on plan assets and the present value of benefit obligations. Sony expects to contribute approximately 12 billion yen to the Japanese plans and approximately 5 billion yen to the foreign plans during the fiscal year ending March 31, 2016.

The expected future benefit payments are as follows:

Fiscal year ending March 31	Japanese plans Yen in millions	Foreign plans Yen in millions
2016	33,728	13,457
2017	34,297	14,003
2018	35,738	14,572
2019	39,062	15,296
2020	41,110	15,857
2021 – 2025	220,839	88,350

(2) Defined contribution plans

Total defined contribution expenses for the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Japanese plans	3,729	3,602	3,199
Foreign plans	13,070	12,703	13,857

16. *Stockholders' equity*

(1) Common stock

Changes in the number of shares of common stock issued and outstanding during the fiscal years ended March 31, 2013, 2014 and 2015 have resulted from the following:

	Number of shares
Balance at March 31, 2012	1,004,638,164

Stock issued under exchange offering	7,312,042
Balance at March 31, 2013	1,011,950,206
Exercise of stock acquisition rights	134,800
Conversion of zero coupon convertible bonds	32,622,761
Balance at March 31, 2014	1,044,707,767
Exercise of stock acquisition rights	948,500
Conversion of zero coupon convertible bonds	124,116,993
Balance at March 31, 2015	1,169,773,260

At March 31, 2015, 17,019,400 shares of common stock would be issued upon the exercise of all stock acquisition rights outstanding.

Conversions of convertible bonds into common stock are accounted for in accordance with the provisions of the Companies Act of Japan (*Kaishaho*) and related regulations (collectively the "Companies Act") by crediting approximately one-half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

Sony Corporation may purchase its own shares at any time by a resolution of the Board of Directors up to the retained earnings available for dividends to shareholders, in accordance with the Companies Act. No common stock had been acquired by the resolution of the Board of Directors during the fiscal years ended March 31, 2013, 2014 and 2015.

(2) Retained earnings

The amount of statutory retained earnings of Sony Corporation available for dividends to shareholders as of March 31, 2015 was 274,810 million yen. Sony Corporation decided, at the meeting of its Board of Directors held on September 17, 2014, that no cash dividends would be paid for the fiscal year ended March 31, 2015.

Retained earnings include Sony's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of 20,650 million yen and 20,986 million yen at March 31, 2014 and 2015, respectively.

(3) Other comprehensive income

Other comprehensive income for the fiscal year ended March 31, 2013 was comprised of the following:

	Yen in millions		
	Pre-tax amount	Tax benefit/(expense)	Net-of-tax amount
For the fiscal year ended March 31, 2013:			
Unrealized gains (losses) on securities, net -			
Unrealized holding gains arising during the period*1	114,599	(36,198)	63,596
Less : Reclassification adjustment included in net income	(34,686)	14,328	(20,358)
Unrealized gains (losses) on derivative instruments, net -			
Unrealized holding losses arising during the period	(69)	12	(57)
Less : Reclassification adjustment included in net income	615	(250)	365
Pension liability adjustment*1	(8,476)	1,853	(4,983)
Foreign currency translation adjustments -			
Translation adjustments arising during the period*1	160,425	(2,534)	159,149
Less : Reclassification adjustment included in net income*2	3,927	—	3,927
Other comprehensive income (loss)	236,335	(22,789)	201,639

62

Changes in accumulated other comprehensive income, net of tax, by component for the fiscal years ended March 31, 2014 and 2015 were as follows:

	Yen in millions				
	Unrealized gains (losses) on securities	Unrealized gains (losses) on derivative instruments	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2013	109,079	(742)	(191,816)	(556,016)	(639,495)
Other comprehensive income before reclassifications	24,388	103	6,896	158,884	190,271
Amounts reclassified out of accumulated other comprehensive income	(5,078)	639	4,987	—	548
Net current-period other comprehensive income	19,310	742	11,883	158,884	190,819
Less: Other comprehensive income attributable to noncontrolling interests	880	—	106	1,923	2,909
Balance at March 31, 2014	127,509	—	(180,039)	(399,055)	(451,585)

	Yen in millions			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Balance at March 31, 2014	127,509	(180,039)	(399,055)	(451,585)
Other comprehensive income before reclassifications	53,069	(22,552)	67,334	97,851
Amounts reclassified out of accumulated other comprehensive income*2	(14,351)	1,365	(1,544)	(14,530)
Net current-period other comprehensive income	38,718	(21,187)	65,790	83,321
Less: Other comprehensive income attributable to noncontrolling interests	12,074	(95)	5,040	17,019
Balance at March 31, 2015	154,153	(201,131)	(338,305)	(385,283)

*1 Amounts allocable to the noncontrolling interests in the equity of a subsidiary and other are deducted from the net-of-tax amount for unrealized holding gains on securities, pension liability adjustment and foreign currency translation adjustments arising during the period.

*2 Foreign currency translation adjustments were transferred from accumulated other comprehensive income to net income as a result of a complete or substantially complete liquidation or sale of certain foreign subsidiaries and affiliates.

Reclassifications out of accumulated other comprehensive income for the fiscal years ended March 31, 2014 and 2015 were as follows:

Comprehensive income components	Yen in millions Amounts reclassified from accumulated other comprehensive income		Affected line items in consolidated statements of income
	2014	2015	
Unrealized gains (losses) on securities	(881)	(10,515)	Financial services revenue
	(7,801)	(7,942)	Gain on sale of securities investments, net
	461	—	Other
Total before tax	(8,221)	(18,457)	
Tax expense or (benefit)	3,143	4,106	
Net of tax	(5,078)	(14,351)	
Unrealized gains (losses) on derivative instruments	471	—	Interest
	348	—	Foreign exchange loss, net
Total before tax	819	—	
Tax expense or (benefit)	(180)	—	
Net of tax	639	—	
Pension liability adjustment	5,440	2,615	*
Tax expense or (benefit)	(453)	(1,250)	
Net of tax	4,987	1,365	
Foreign currency translation adjustments	—	(1,544)	Foreign exchange loss, net
Tax expense or (benefit)	—	—	
Net of tax	—	(1,544)	
Total amounts reclassified out of accumulated other comprehensive income, net of tax-	548	(14,530)	

* The amortization of pension and postretirement benefit components are included in the computation of net periodic pension cost. Refer to Note 15.

(4) Equity transactions with noncontrolling interests

Net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests for the fiscal years ended March 31, 2013, 2014 and 2015 were as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Net income (loss) attributable to Sony Corporation's stockholders	41,540	(128,369)	(125,980)
Transfers (to) from the noncontrolling interests:			
Decrease in additional paid-in capital for purchase of additional shares in consolidated subsidiaries	(57,364)	28	(2,483)
Change from net income (loss) attributable to Sony Corporation's stockholders and transfers (to) from the noncontrolling interests	(15,824)	(128,341)	(128,463)

In September 2012, Sony conducted a tender offer to purchase additional common shares of So-net Entertainment Corporation ("So-net"). As a result, Sony's equity ownership increased to 95.95%. On January 1, 2013, Sony acquired the remaining 4.05% equity ownership of So-net through a share exchange. The difference between cash consideration paid or the fair value of the shares of Sony delivered to the noncontrolling interests and the decrease in the carrying amount of the noncontrolling interests was recognized as a decrease to additional paid-in capital of 38,715 million yen. So-net subsequently changed its name to So-net Corporation, effective July 1, 2013.

64

In March 2013, Sony completed the acquisition of an additional 32.39% of the shares of Multi Screen Media Private Limited ("MSM"), which operates television networks in India. As a result of this transaction, Sony's total equity interest in MSM increased to 94.39%. The aggregate cash consideration for the additional shares was 271 million U.S. dollars, of which 145 million U.S. dollars was paid at the closing of the transaction. The remaining payments of 63 million U.S. dollars, 21 million U.S. dollars and 42 million U.S. dollars were made during the fiscal years ended March 31, 2014 and 2015, and on April 10, 2015, respectively. The difference between cash consideration paid and the decrease in the carrying amount of the noncontrolling interests was recognized as a decrease to additional paid-in capital of 18,450 million yen. In the fiscal year ended March 31, 2015, Sony acquired the remaining 5.61% equity ownership of MSM for aggregate cash consideration of 42 million U.S. dollars, 28 million U.S. dollars of which was paid during the fiscal year ended March 31, 2015 and 14 million U.S. dollars of which was paid on April 10, 2015.

17. *Stock-based compensation plans*

The stock-based compensation expense for the fiscal years ended March 31, 2013, 2014 and 2015 was 1,232 million yen, 1,068 million yen and 1,286 million yen, respectively. The total cash received from exercises under all of the stock-based compensation plans during the fiscal years ended March 31, 2014 and 2015 was 200 million yen and 1,637 million yen, respectively. Sony issued new shares upon exercise of these rights.

Sony has a stock-based compensation incentive plan for selected directors, corporate executive officers and employees in the form of a stock acquisition rights plan. The stock acquisition rights generally have three year graded vesting schedules and are exercisable up to ten years from the date of grant.

The weighted-average fair value per share at the date of grant of stock acquisition rights granted during the fiscal years ended March 31, 2013, 2014 and 2015 was 189 yen, 821 yen and 1,139 yen, respectively. The fair value of stock acquisition rights granted on the date of grant and used to recognize compensation expense for the fiscal years ended March 31, 2013, 2014 and 2015 was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Fiscal year ended March 31		
	2013	**2014**	**2015**
Weighted-average assumptions			
Risk-free interest rate	0.74 %	1.43 %	1.26 %
Expected lives	6.85 years	7.13 years	7.35 years
Expected volatility*	39.61 %	52.03 %	51.69 %
Expected dividends	3.25 %	1.55 %	1.24 %

* Expected volatility was based on the historical volatilities of Sony Corporation’s common stock over the expected life of the stock acquisition rights.

65

A summary of the activities regarding the stock acquisition rights plan during the fiscal year ended March 31, 2015 is as follows:

	Fiscal year ended March 31, 2015			
	Number of shares	Weighted-average exercise price	Weighted-average remaining life	Total intrinsic value
		Yen	Years	Yen in millions
Outstanding at beginning of the fiscal year	17,789,900	3,094		
Granted	1,892,400	2,336		
Exercised	948,500	1,726		
Forfeited or expired	2,324,600	3,514		
Outstanding at end of the fiscal year	16,409,200	3,358	5.14	7,889
Exercisable at end of the fiscal year	12,738,100	3,699	4.03	4,117

The total intrinsic value of shares exercised under the stock acquisition rights plan during the fiscal years ended March 31, 2014 and 2015 was 52 million yen and 1,463 million yen, respectively. During the fiscal year ended March 31, 2013, there were no exercises under the stock acquisition rights plan.

As of March 31, 2015, there was 2,039 million yen of total unrecognized compensation expense related to nonvested stock acquisition rights. This expense is expected to be recognized over a weighted-average period of 1.99 years.

18. *Thai Floods*

In October 2011, certain of Sony’s Thailand subsidiaries temporarily closed operations due to significant floods (the “Floods”). The Floods caused significant damage to certain fixed assets including buildings, machinery and equipment as well as inventories in manufacturing sites and warehouses located in Thailand. In addition, the Floods impacted the operations of certain Sony subsidiaries in Japan and other countries.

Sony has insurance policies which cover certain damage directly caused by the Floods for Sony Corporation and certain of its subsidiaries including manufacturing sites. The insurance policies cover the damage and costs associated with fixed assets, inventories and additional expenses including removal and cleaning costs and provide business

interruption coverage, including lost profits.

Insurance recoveries were recognized as follows:

	Yen in millions Fiscal year ended March 31 2013	2014	2015
Insurance recoveries for fixed assets, inventories and additional expenses	25,284	624	—
Insurance recoveries for business interruption	28,032	11,452	6,387
	53,316	12,076	6,387

Of the insurance recoveries for fixed assets, inventories and additional expenses for the fiscal years ended March 31, 2013 and 2014, 11,961 million yen and 314 million yen, respectively, represented the portion received in excess of the carrying value of assets damaged by the Floods. The excess received was recorded in cost of sales and other operating (income) expense, net in the consolidated statements of income. Business interruption insurance recoveries were recorded in other operating revenue in the consolidated statements of income.

The proceeds from insurance recoveries for fixed assets, inventories and additional expenses and for business interruption were included in investing activities and operating activities, respectively, in the consolidated statements of cash flows.

19. ***Restructuring charges***

As part of its effort to improve the performance of the various businesses, Sony has undertaken a number of restructuring initiatives. Sony defines restructuring initiatives as activities initiated by Sony, which are designed to generate a positive impact on future profitability. These activities include exiting a business or product category, implementing a headcount reduction program, realignment of its manufacturing sites to low-cost areas, utilizing the services of third-party original equipment and design manufacturers (OEMs and ODMs), a review of its development and design structure, and the streamlining of its sales and administrative functions. The restructuring activities are generally short term in nature and are generally completed within one year of initiation. For the fiscal years ended March 31, 2013, 2014 and 2015, Sony recorded total restructuring charges of 74,386 million yen, 75,570 million yen and 90,689 million yen, respectively.

The changes in the accrued restructuring charges for the fiscal years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions			
	Employee termination benefits	**Non-cash write-downs and disposals, net***	Other associated costs	Total
Balance at March 31, 2012	24,997	—	7,936	32,933
Restructuring costs	62,752	5,161	6,473	74,386
Non-cash charges	—	(5,161)	—	(5,161)
Cash payments	(58,518)	—	(9,722)	(68,240)
Adjustments	3,498	—	988	4,486
Balance at March 31, 2013	32,729	—	5,675	38,404
Restructuring costs	41,820	18,991	14,759	75,570
Non-cash charges	—	(18,991)	—	(18,991)
Cash payments	(46,017)	—	(7,177)	(53,194)
Adjustments	3,312	—	659	3,971
Balance at March 31, 2014	31,844	—	13,916	45,760
Restructuring costs	53,261	17,169	20,259	90,689
Non-cash charges	—	(17,169)	—	(17,169)
Cash payments	(48,787)	—	(19,937)	(68,724)
Adjustments	403	—	(42)	361
Balance at March 31, 2015	36,721	—	14,196	50,917

* Significant asset impairments excluded from restructuring charges are described in Note 13.

67

Total costs incurred in connection with these restructuring programs by segment for the fiscal years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions Fiscal year ended March 31, 2013				
	Employee termination benefits	**Other associated costs***	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	787	917	1,704	—	1,704
Game & Network Services	310	—	310	—	310
Imaging Products & Solutions	9,720	1,520	11,240	1,645	12,885
Home Entertainment & Sound	10,647	1,168	11,815	597	12,412
Devices	15,153	3,943	19,096	—	19,096
Pictures	1,081	—	1,081	—	1,081
Music	2,305	—	2,305	—	2,305
Financial Services	—	—	—	—	—
All Other and Corporate	22,749	4,086	26,835	879	27,714
Total	62,752	11,634	74,386	3,121	77,507

	Yen in millions Fiscal year ended March 31, 2014				
	Employee termination benefits	**Other associated costs***	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	440	3,171	3,611	—	3,611
Game & Network Services	58	313	371	—	371
Imaging Products & Solutions	3,309	113	3,422	—	3,422
Home Entertainment & Sound	1,160	377	1,537	34	1,571
Devices	2,917	2,547	5,464	3,451	8,915
Pictures	6,570	152	6,722	13	6,735
Music	576	—	576	—	576
Financial Services	—	—	—	—	—
All Other and Corporate	26,790	27,077	53,867	1,521	55,388
Total	41,820	33,750	75,570	5,019	80,589

	Yen in millions				
	Fiscal year ended March 31, 2015				
	Employee termination benefits	**Other associated costs***	Total net restructuring charges	Depreciation associated with restructured assets	Total
Mobile Communications	3,664	1,906	5,570	85	5,655
Game & Network Services	520	6,752	7,272	—	7,272
Imaging Products & Solutions	6,550	13	6,563	714	7,277
Home Entertainment & Sound	1,959	1	1,960	—	1,960
Devices	3,235	3,761	6,996	426	7,422
Pictures	1,918	—	1,918	—	1,918
Music	1,530	578	2,108	—	2,108
Financial Services	—	—	—	—	—
All Other and Corporate	33,885	24,417	58,302	6,122	64,424
Total	53,261	37,428	90,689	7,347	98,036

* Other associated costs includes non-cash write-downs and disposals, net

Depreciation associated with restructured assets as used in the context of the disclosures regarding restructuring activities refers to the increase in depreciation expense caused by revising the useful life and the salvage value of depreciable fixed assets to coincide with the earlier end of production under an approved restructuring plan. Any impairment of the assets is recognized immediately in the period it is identified.

Retirement programs

Sony has undergone several headcount reduction programs to further reduce operating costs primarily in an effort to improve the performance of certain segments related to the electronics business and reduce cost at the headquarters function. Through measures including the realignment of its manufacturing sites, a review of its development and design structure, and the streamlining of its sales and administrative functions, Sony has continued to implement a company-wide (including headquarters) rationalization. Sony intends to reallocate and optimize its workforce through programs including work reassignments and outplacements. The employee termination benefits costs in the above table are included in selling, general and administrative in the consolidated statements of income.

During the fiscal year ended March 31, 2013, these staff reductions were achieved worldwide mostly through the implementation of early retirement programs, including headcount reductions at Sony Corporation and major consolidated electronics subsidiaries in Japan and the closure of a production facility in Japan to streamline organizations of the electronics business operations and increase operational efficiency as announced on October 19, 2012.

During the fiscal year ended March 31, 2014, Sony announced its exit from the PC business resulting in a reduction in the scale of sales companies (refer to *All Other and Corporate* in this note), plans to operate the TV business in the HE&S segment as a wholly-owned subsidiary, and additional plans to optimize the sales and headquarters functions that indirectly support the electronics businesses.

During the fiscal year ended March 31, 2015, Sony substantially completed the activities for optimizing the functions of sales companies and headquarters described above, other than those for the Mobile Communication segment.

In the third quarter of the fiscal year ended March 31, 2015, Sony began restructuring plans regarding the Mobile Communication segment to reduce headcount by streamlining business operations, including closure and consolidation of manufacturing sites, and the consolidation of headquarters and administrative functions.

All Other and Corporate

Sony recorded restructuring charges resulting from exiting the PC business of 40,850 million yen and 19,635 million yen during the fiscal years ended March 31, 2014 and 2015, respectively. The amount for the fiscal year ended March 31, 2014 includes impairment losses of 12,817 million yen for long-lived assets and expenses of 8,019 million yen to compensate suppliers for unused components. The amounts above also include costs relating to a reduction in the scale of sales companies resulting from the decision to exit the PC business of 12,819 million yen and 8,278 million yen, for the fiscal years ended March 31, 2014 and 2015, respectively. Refer to Note 25.

In an effort to improve the performance of the disc manufacturing business, Sony has initiated a number of restructuring activities to reduce its operating costs. These activities resulted in restructuring charges primarily consisting of headcount reductions and the closure and consolidation of manufacturing sites totaling 6,923 million yen for the fiscal year ended March 31, 2015. Refer to Note 13 for the long-lived assets impairments related to the disc manufacturing business other than restructuring charges.

As a result of efforts to optimize the sales and headquarters functions that indirectly support the electronics businesses, which are described above, Sony recorded restructuring charges primarily consisting of headcount reductions totaling 22,345 million yen during the fiscal year ended March, 2015.

20. ***Supplemental consolidated statements of income information***

(1) Other operating (income) expense, net

Sony records transactions in other operating (income) expense, net due to either the nature of the transaction or in consideration of factors including the relationship to Sony's core operations.

Other operating (income) expense, net is comprised of the following:

	Yen in millions		
	March 31		
	2013	**2014**	**2015**
Gain on sale of the U.S. headquarters building*1	(65,516)	(5,462)	(5,991)
Gain on sale of Sony City Osaki*1	(42,322)	(4,914)	(4,914)
Gain on sales of music publishing catalog in Pictures segment	-	(10,307)	(1,871)
(Gain) loss on sale, remeasurement, and issuance of M3 shares*2	(122,160)	(13,758)	113
(Gain) loss on sale of interests in subsidiaries and affiliates, net*3	(10,399)	(7,753)	1,716
(Gain) loss on sale, disposal or impairment of assets, net*3,4	5,178	90,860	192,605
	(235,219)	48,666	181,658

*1 Refer to Note 8.

*2 Refer to Note 5.

*3 Refer to Note 25.

*4 Refer to Notes 9, 13 and 19.

(2) Research and development costs

Research and development costs charged to cost of sales for the fiscal years ended March 31, 2013, 2014 and 2015 were 473,610 million yen, 466,030 million yen and 464,320 million yen, respectively.

(3) Advertising costs

Advertising costs included in selling, general and administrative expenses for the fiscal years ended March 31, 2013, 2014 and 2015 were 354,981 million yen, 474,372 million yen and 444,444 million yen, respectively.

(4) Shipping and handling costs

Shipping and handling costs for finished goods included in selling, general and administrative expenses for the fiscal years ended March 31, 2013, 2014 and 2015 were 63,160 million yen, 62,871 million yen and 65,561 million yen, respectively, which included the internal transportation costs of finished goods.

21. ***Income taxes***

Domestic and foreign components of income (loss) before income taxes and the provision for current and deferred income taxes attributable to such income are summarized as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Income (loss) before income taxes:			
Sony Corporation and all subsidiaries in Japan	182,170	98,152	(88,855)
Foreign subsidiaries	59,914	(72,411)	128,584
	242,084	25,741	39,729
Income taxes - Current:			
Sony Corporation and all subsidiaries in Japan	34,288	41,339	40,321
Foreign subsidiaries	41,446	59,904	40,430
	75,734	101,243	80,751
Income taxes - Deferred:			
Sony Corporation and all subsidiaries in Japan	75,149	(6,330)	(3,306)
Foreign subsidiaries	(10,485)	(331)	11,288
	64,664	(6,661)	7,982
Total income tax expense	140,398	94,582	88,733

71

A reconciliation of the differences between the Japanese statutory tax rate and the effective tax rate is as follows:

	Fiscal year ended March 31		
	2013	2014	2015
Statutory tax rate	38.3%	38.3 %	36.0 %
Non-deductible expenses	1.3	8.9	16.1
Income tax credits	(1.4)	(2.1)	(1.4)
Change in statutory tax rate	(2.0)	3.6	(66.7)
Change in valuation allowances	23.2	365.7	221.1
Change in deferred tax liabilities on undistributed earnings of foreign subsidiaries and corporate joint ventures	(0.7)	0.2	17.4
Lower tax rate applied to life and non-life insurance business in Japan	(3.2)	(31.0)	(24.6)
Foreign income tax differential	3.3	25.7	(79.7)
Adjustments to tax reserves	(3.2)	58.3	(23.1)
Effect of equity in net income (loss) of affiliated companies	0.1	9.0	0.1
Tax benefit related to intraperiod tax allocation	—	(111.9)	(27.2)
Impairment of goodwill related to mobile communications business	—	—	159.5
Other	2.3	2.7	(4.2)
Effective income tax rate	58.0%	367.4 %	223.3%

In March 2014, the Japanese legislature enacted tax law changes which included lowering the national corporate tax rate. As a result, the statutory tax rate from fiscal year ended March 31, 2015 onward is approximately 36%. This tax law change did not have a material impact on Sony’s results of operations.

In March 2015, the Japanese legislature enacted tax law changes which included further lowering of the national corporate tax rate, limiting the annual use of net operating loss carryforwards to 65% of taxable income for the periods ending March 31, 2016 and 2017 and to 50% of taxable income for periods beginning on or after April 1, 2017, and increasing the net operating loss carryforward period from nine to ten years for losses incurred in the tax years beginning on or after April 1, 2017. As a result, the statutory tax rate from the fiscal year ending March 31, 2016 onward is approximately 33%. The limitation on the use of net operating loss carryforwards, however, may result in cash tax payments being due if there is taxable income in Japan even though Sony Corporation and its national tax filing group in Japan have significant net operating loss carryforwards available. In addition, the limitation on the use of losses, when combined with the relatively short carryforward period, increases the risk of some net operating loss carryforwards expiring unutilized. The impact of the tax law changes resulted in a net deferred tax benefit of 26,588 million yen for the fiscal year ended March 31, 2015, primarily due to a reduction to the deferred tax liabilities in the insurance business in Japan.

Under the accounting guidance for intraperiod tax allocation, Sony is required to consider all items of income (including items recorded in other comprehensive income) in determining the amount of tax benefit that should be allocated to a loss from continuing operations. During the fiscal years ended March 31, 2014 and 2015, Sony Corporation and its national tax filing group in Japan and certain other jurisdictions incurred a loss from continuing operations while also recording other comprehensive income. As a result, Sony allocated 28,797 million yen and 10,799 million yen of tax benefit to continuing operations, respectively, which was exactly offset by additional income tax expense in other comprehensive income. The total income tax provision did not change and these jurisdictions continue to be impacted by the full valuation allowance on deferred tax assets.

The significant components of deferred tax assets and liabilities are as follows:

	Yen in millions	
	March 31	
	2014	2015
Deferred tax assets:		
Operating loss carryforwards for tax purposes	601,065	550,824
Accrued pension and severance costs	87,657	89,797
Film costs	133,050	177,741
Warranty reserves and accrued expenses	88,409	103,695
Future insurance policy benefits	25,187	25,304
Inventory	32,762	35,478
Depreciation	52,994	57,140
Tax credit carryforwards	74,544	105,645
Reserve for doubtful accounts	6,590	9,455
Impairment of investments	34,663	22,444
Deferred revenue in the Pictures segment	26,826	24,438
Other	164,082	165,552
Gross deferred tax assets	1,327,829	1,367,513
Less: Valuation allowance	(1,027,530)	(1,077,622)
Total deferred tax assets	300,299	289,891
Deferred tax liabilities:		
Insurance acquisition costs	(154,474)	(150,677)
Future insurance policy benefits	(98,118)	(112,996)
Unbilled accounts receivable in the Pictures segment	(67,118)	(83,472)
Unrealized gains on securities	(75,467)	(94,065)
Intangible assets acquired through stock exchange offerings	(27,253)	(24,927)
Undistributed earnings of foreign subsidiaries and corporate joint ventures	(27,640)	(35,076)
Investment in M3	(38,049)	(37,342)
Other	(78,922)	(66,556)
Gross deferred tax liabilities	(567,041)	(605,111)
Net deferred tax liabilities	(266,742)	(315,220)

Based on the weight of the available positive and negative evidence, for the fiscal year ended March 31, 2015, Sony continued to maintain valuation allowances against the deferred tax assets at Sony Corporation and its national tax filing group in Japan, as well as at Sony Americas Holding Inc. (“SAHI”) and its consolidated tax filing group, Sony Mobile Communications in Sweden, Sony Europe Limited (“SEU”) in the U.K. and certain subsidiaries in other tax jurisdictions.

The net changes in the total valuation allowance were increases of 63,014 million yen, 96,283 million yen and 50,092 million yen for the fiscal years ended March 31, 2013, 2014 and 2015, respectively.

The increase in the valuation allowance during the fiscal year ended March 31, 2014 was primarily due to continuing losses at Sony Corporation and its national tax filing group in Japan and SAHI and its consolidated tax filing group in the U.S. In addition, certain other foreign subsidiaries recorded valuation allowances against their deferred tax assets.

The increase in the valuation allowance during the fiscal year ended March 31, 2015 was primarily due to increasing tax credit carryforwards at SAHI and its consolidated tax filing group in the U.S and continuing losses at Sony Corporation and its national tax filing group in Japan.

Net deferred tax assets (net of valuation allowance) and liabilities are included in the consolidated balance sheets as follows:

	Yen in millions	
	March 31	
	2014	2015
Current assets - Deferred income taxes	53,068	47,788
Other assets - Deferred income taxes	105,442	89,637
Current liabilities - Other	(14,356)	(6,769)
Long-term liabilities - Deferred income taxes	(410,896)	(445,876)
Net deferred tax liabilities	(266,742)	(315,220)

At March 31, 2015, deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries and corporate joint ventures not expected to be remitted in the foreseeable future totaling 472,418 million yen, and on the gain of 61,544 million yen on a subsidiary's sale of stock arising from the issuance of common stock of Sony Music Entertainment (Japan) Inc. ("SMEJ") in a public offering to third parties in November 1991, as Sony does not anticipate any significant tax consequences on the possible future disposition of its investment based on its tax planning strategies.

At March 31, 2015, Sony has operating loss carryforwards for tax purposes, the tax effect of which totaled 550,824 million yen, which will be available as an offset against future taxable income on tax returns to be filed in various tax jurisdictions. With the exception of 155,704 million yen with no expiration period, substantially all of the total operating loss carryforwards expire at various periods between the fiscal years ending March 31, 2016 and 2024, and the remaining amounts expire in periods up to 20 years depending on the jurisdiction.

Tax credit carryforwards for tax purposes at March 31, 2015 amounted to 105,645 million yen. With the exception of 16,075 million yen with no expiration period, total available tax credit carryforwards expire at various dates primarily between the fiscal year ending March 2016 and 2025 (a 10 year carryforward period).

A reconciliation of the beginning and ending gross amounts of unrecognized tax benefits is as follows:

	Yen in millions		
	March 31		
	2013	2014	2015
Balance at beginning of the fiscal year	288,311	191,886	214,795

Reductions for tax positions of prior years	(11,533)	(19,696)	(2,898)
Additions for tax positions of prior years	8,980	9,325	9,532
Additions based on tax positions related to the current year	27,849	21,877	3,740
Settlements	(140,813)	(6,687)	(75,272)
Lapse in statute of limitations	(7,495)	(4,643)	(4,320)
Foreign currency translation adjustments	26,587	22,733	11,768
Balance at end of the fiscal year	191,886	214,795	157,345
Total net amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate	72,947	93,098	93,538

The major changes, including settlements, in the total gross amount of unrecognized tax benefit balances relate to transfer pricing adjustments, including as a result of the Bilateral Advance Pricing Agreements (“APAs”) and competent authority requests filed for certain subsidiaries in the MC, G&NS IP&S, HE&S, and Devices segments and All Other, with respect to the intercompany cross-border transactions. The APAs include agreements between Sony and two taxing authorities under the authority of the mutual agreement procedure specified in income tax treaties. Sony reviews its estimated tax expense based on the progress made in these procedures, and the progress of transfer pricing audits generally, and makes adjustments to its estimates as necessary. In addition, the APA’s are government to government negotiations, and therefore it is possible that the final outcomes of the agreements may differ from Sony’s current assessment of the more-likely-than-not outcomes of such agreements.

During the fiscal year ended March 31, 2013, Sony reversed 3,935 million yen of interest expense and 367 million yen of penalties.

74

During the fiscal year ended March 31, 2014, Sony reversed 2,699 million yen of interest expense and recorded 352 million yen of penalties. At March 31, 2014, Sony had recorded liabilities of 6,553 million yen and 4,060 million yen for the payments of interest and penalties, respectively.

During the fiscal year ended March 31, 2015, Sony recorded 290 million yen of interest expense and reversed 376 million yen of penalties. At March 31, 2015, Sony had recorded liabilities of 6,843 million yen and 3,684 million yen for the payments of interest and penalties, respectively.

Sony operates in multiple jurisdictions throughout the world, and its tax returns are periodically audited by Japanese and foreign taxing authorities. As a result of audit settlements, the conclusion of current examinations, the expiration of the statute of limitations in several jurisdictions and other reevaluations of Sony's tax positions, it is expected that the amount of unrecognized tax benefits will change in the next twelve months. Accordingly, Sony believes it is reasonably possible that its existing unrecognized tax benefits may be reduced by an amount up to 4,787 million yen within the next twelve months.

Sony remains subject to examinations by Japanese taxing authorities for tax years from 2008 through 2014, and by the U.S. and other material foreign taxing authorities for tax years from 1998 through 2014.

22. ***Reconciliation of the differences between basic and diluted EPS***

Reconciliation of the differences between basic and diluted EPS for the fiscal years ended March 31, 2013, 2014 and 2015 is as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Net income (loss) attributable to Sony Corporation's stockholders for basic and diluted EPS computation	41,540	(128,369)	(125,980)
	Thousands of shares		
Weighted-average shares outstanding	1,005,417	1,027,024	1,114,424
Effect of dilutive securities:			
Stock acquisition rights	67	—	—
Zero coupon convertible bonds	65,308	—	—
Weighted-average shares for diluted EPS computation	1,070,792	1,027,024	1,114,424

	Yen		
Basic EPS	41.32	(124.99)	(113.04)
Diluted EPS	38.79	(124.99)	(113.04)

Potential shares of common stock which were excluded from the computation of diluted EPS for the fiscal years ended March 31, 2013, 2014 and 2015 were 17,272 thousand shares, 142,866 thousand shares and 17,019 thousand shares, respectively. The potential shares related to stock acquisition rights were excluded as anti-dilutive for the fiscal year ended March 31, 2013 as the exercise price for those shares was in excess of the average market value of Sony's common stock for the fiscal year. The zero coupon convertible bonds issued in November 2012 were included in the diluted EPS calculation for the fiscal year ended March 31, 2013 under the if-converted method beginning upon issuance. All potential shares were excluded as anti-dilutive for the fiscal years ended March 31, 2014 and 2015 due to Sony incurring a net loss attributable to Sony Corporation's stockholders for these fiscal years.

23. ***Variable interest entities***

Sony has, from time to time, entered into various arrangements with VIEs. These arrangements include several joint ventures in the recorded music business, the U.S. based music publishing business, the financing of film production and the outsourcing of manufacturing operations. In addition, Sony has entered into several accounts receivable sales programs that involve VIEs, which are described in Note 6. For the VIEs that are described below, it has been determined that Sony is the primary beneficiary and, accordingly, these VIEs are consolidated by Sony.

Sony's U.S. subsidiary that is engaged in the recorded music business has entered into several joint ventures with companies involved in the production and creation of recorded music. Sony has reviewed these joint ventures and determined that they are VIEs. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIEs' economic performance, as well as the obligation to absorb the losses of theses VIEs as Sony is responsible for providing funding to these VIEs, and in most cases absorbs all losses until the VIEs become profitable. As a result, it has been determined that Sony is the primary beneficiary. The assets of Sony are not available to settle the obligations of these VIEs. As of March 31, 2015, the total assets and liabilities for these VIEs, on an aggregate basis, were 32,236 million yen and 4,011 million yen, respectively.

Sony's U.S. based music publishing subsidiary is a joint venture with a third-party investor and has been determined to be a VIE. The subsidiary owns and acquires rights to musical compositions, exploits and markets these compositions, and receives royalties or fees for their use. Under the terms of the joint venture, Sony has the obligation to fund any working capital deficits as well as any acquisition of music publishing rights made by the joint venture. In addition, the third-party investor receives a guaranteed annual dividend of up to 23.1 million U.S. dollars through December 15, 2016. Based on a qualitative assessment, it was determined that Sony has the power to direct the activities that most significantly impact the VIE's economic performance, as well as the obligation to absorb the losses of the VIE due to its obligation to provide funding to the joint venture. As a result, it has been determined that Sony is the primary beneficiary. As of March 31, 2015, the assets and liabilities of the VIE that were included in Sony's consolidated balance sheets were as follows:

	Yen in millions
Assets:	
Cash and cash equivalents	5,692
Account receivables, net	3,280
Other current assets	31,937
Property, plant and equipment, net	1,536
Intangibles, net	68,306
Goodwill	17,870
Other noncurrent assets	8,587
Total assets	137,208
Liabilities:	
Accounts payable and accrued expenses	48,126
Other current liabilities	9,723
Other noncurrent liabilities	5,366
Total liabilities	63,215

VIEs in which Sony holds a significant variable interest, but is not the primary beneficiary are described as follows:

In connection with the July 2013 refinancing of the debt obligations of the third-party investor in the music publishing subsidiary described above, Sony has issued a guarantee to a creditor of the third-party investor in which Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 276 million U.S. dollars to the creditor should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony’s music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor’s rights to the underlying collateral. The assets of the third-party investor that are being used as collateral were placed in a separate trust which is also a VIE in which Sony has significant variable interests. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the trust. The assets held by the trust consist solely of the third-party investor’s 50% ownership interest in the music publishing subsidiary. As of March 31, 2015, the fair value of the assets held by the trust exceeded 276 million U.S. dollars.

76

As described in Note 5, on June 29, 2012, an investor group which included a wholly-owned subsidiary of Sony Corporation completed its acquisition of EMI Music Publishing. To effect the acquisition, the investor group formed DH Publishing, L.P. ("DHP") which acquired EMI Music Publishing. In addition, DHP entered into an agreement with Sony's U.S. based music publishing subsidiary in which the subsidiary provides administration services to DHP (the "Administration Agreement"). DHP was determined to be a VIE as many of the decision making rights for the entity do not reside within the entity's equity interests, but rather are embedded in the Administration Agreement. Under the terms of the Administration Agreement, the largest non-Sony shareholder has approval rights over decisions regarding the activities that most significantly impact DHP, including the acquisition and retention of copyrights and the licensing of songs. These approval rights result in Sony and the largest non-Sony shareholder sharing the power to direct the activities of DHP, and as such, Sony is not the primary beneficiary of the VIE. At March 31, 2015, the only amounts recorded on Sony's consolidated balance sheet that relate to the VIE is Sony's net investment of 231.5 million U.S. dollars and a net receivable balance of 0.5 million U.S. dollars. Sony's maximum exposure to losses as of March 31, 2015 is the aggregate amounts recorded on its balance sheet of 232 million U.S. dollars.

Sony's subsidiary in the Pictures segment entered into a distribution agreement with and made an investment in a production company that will develop, produce and finance feature-length motion pictures and television programming. The investment is accounted for under the cost method. The production company is a VIE as many of the decision making rights for the entity reside within the equity interests held by the management of the production company which are not at risk of economic loss. Based on a qualitative assessment, it was determined that Sony is not the primary beneficiary as Sony does not have the power to direct the activities of the production company. Sony's maximum exposure to losses as of March 31, 2015 is the amount of investment and the future funding commitments, which total 50 million U.S. dollars.

As described in Note 6, certain accounts receivable sales programs also involve VIEs. These VIEs are all special purpose entities associated with the sponsor banks. Based on a qualitative assessment, Sony is not the primary beneficiary and therefore does not consolidate these entities as Sony does not have the power to direct the activities, an obligation to absorb losses, or the right to receive the residual returns of these VIEs. Sony's maximum exposure to losses from these VIEs is considered insignificant.

24. *Acquisitions*

(1) Game Show Network acquisition

In March 2011, Sony obtained a controlling interest in the Game Show Network ("GSN"). At that time, Sony also granted a put right and received a call right for an additional 18% interest in GSN. In September 2012, the other investor in GSN (the "Current Investor") exercised its put right to sell the 18% interest in GSN to Sony for 234 million U.S. dollars (the "GSN Share Purchase"). The GSN Share Purchase received regulatory approval and closed on December 7, 2012 (the "Closing Date"). After exercise, the 234 million U.S. dollars owed to the Current Investor was

payable to the Current Investor in two payments of 117 million U.S. dollars each plus interest thereon at 10% per annum from the Closing Date to each payment date. Sony paid to the Current Investor the first payment of 117 million U.S. dollars plus interest of 4 million U.S. dollars on April 2, 2013 and the second payment of 117 million U.S. dollars plus interest of 12 million U.S. dollars on December 13, 2013. A buy/sell provision also applies to the equity interests in GSN owned by Sony and the Current Investor and may be exercised annually for a 60 business day window beginning April 1, 2015.

(2) Sony Semiconductor acquisitions

On March 31, 2014, SCK acquired from Renesas Electronics Corporation ("Renesas") semiconductor fabrication equipment and certain related assets ("Transferred Assets") for 7,510 million yen. SCK is utilizing the Transferred Assets to establish a new technology center and further strengthen its production capacity for CMOS image sensors. The purchase price was allocated and recorded primarily to machinery and equipment. SCK also entered into a supply arrangement with Renesas to manufacture and supply system LSIs for a certain period following the acquisition. In connection with this, SCK also acquired related inventories from Renesas.

As the purchase prices were fully allocated to identifiable tangible and intangible assets and no liabilities were assumed, no goodwill was recorded as part of the acquisitions. The unaudited supplemental pro forma results of operations have not been presented because the effects of the acquisitions were not material.

(3) Other acquisitions

During the fiscal year ended March 31, 2013, Sony completed other acquisitions for total consideration of 39,022 million yen which were paid for primarily in cash and included the August 10, 2012, acquisition of Gaikai for total cash consideration of 28,167 million yen. Gaikai has developed a high quality, fast interactive cloud-streaming platform that enables streaming of a broad array of content ranging from immersive core games with rich graphics to casual content to a wide variety of devices via the internet. There was no material contingent consideration subject to future change. As a result of Sony's acquisition of Gaikai and other businesses, Sony recorded 27,699 million yen of goodwill and 11,511 million yen of intangible assets.

During the fiscal year ended March 31, 2014, Sony completed other acquisitions for total consideration of 19,373 million yen which were paid for primarily in cash and there was no material contingent consideration subject to future change. As a result of the acquisitions, Sony recorded 10,243 million yen of goodwill and 10,965 million yen of intangible assets.

During the fiscal year ended March 31, 2015, Sony completed other acquisitions for total consideration of 23,103 million yen which were paid for primarily in cash and included the August 14, 2014 acquisition of CSC Media Group for total cash consideration of 18,900 million yen. CSC Media Group is one of the United Kingdom's largest independent cable and satellite TV channel groups. There was no material contingent consideration subject to future change. As a result of the acquisitions, Sony recorded 12,626 million yen of goodwill and 10,731 million yen of intangible assets.

No significant amounts have been allocated to in-process research and development and all of the entities described above have been consolidated into Sony's results of operations since their respective acquisition dates. Pro forma results of operations have not been presented because the effects of other acquisitions, individually and in aggregate, were not material.

25. ***Divestitures***

(1) Chemical products related business

On September 28, 2012, Sony sold the chemical products related business, which was included in the Devices segment, to the Development Bank of Japan ("DBJ"). As a result of the transaction, the transfer of Sony's domestic and overseas operations of the chemical products related business, including all shares in Sony Chemical & Information Device Corporation, to DBJ has been completed. The sale resulted in net cash proceeds of 52,756 million yen, and a gain of 9,050 million yen, recorded in other operating (income) expense, net in the consolidated statements of income.

(2) Gracenote

On January 31, 2014, Sony sold all the shares of Gracenote, Inc., a wholly-owned subsidiary within All Other, to the Tribune Company for 170 million U.S. dollars subject to certain adjustments. The sale resulted in net cash proceeds of 156 million U.S. dollars and a gain of 54 million U.S. dollars, recorded within other operating (income) expense, net in the consolidated statements of income.

(3) PC business

On February 6, 2014, Sony announced an updated strategic plan to concentrate the mobile business on smartphones and tablets and ultimately exit the PC business, which was included in All Other, following continued challenges in the PC market. As a result, Sony recorded an impairment loss of 12,817 million yen for long-lived assets in the fiscal year ended March 31, 2014, based on the present value of estimated net cash flows. Additionally, for the fiscal year ended March 31, 2014, Sony recorded charges of 8,019 million yen in cost of sales in the consolidated statements of income for expenses to compensate suppliers for unused components reflecting the termination of future manufacturing and charges of 7,278 million yen primarily for employee termination benefits which are included in selling, general and administrative expenses in the consolidated statements of income. These incremental costs directly resulted from Sony's decision to exit the PC business and were recorded as restructuring charges. Sony also recorded charges of 17,391 million yen for the fiscal year ended March 31, 2014, primarily for the write-down of excess components in inventory which are included in cost of sales in the consolidated statements of income. In All Other, Sony recorded restructuring charges of 12,819 million yen primarily in selling, general and administrative expenses in the consolidated statements of income for the fiscal year ended March 31, 2014 relating to a reduction in the scale of sales companies resulting from Sony's decision to exit the PC business.

In addition, on February 6, 2014, Sony and Japan Industrial Partners, Inc. ("JIP") entered into a memorandum of understanding to sell Sony's PC business to a new company to be established by JIP. As of March 31, 2014, the corresponding assets and liabilities were not classified as held for sale because significant terms and conditions were still under negotiation.

On July 1, 2014, Sony completed the sale of its PC business and certain related assets to VAIO Corporation, which was established by JIP, in accordance with the definitive agreements reached on May 2, 2014. Although Sony continued to incur certain costs related to exiting the PC business, no further significant gain or loss was recorded as a direct result of the sale.

26. ***Collaborative arrangements***

Sony's collaborative arrangements primarily relate to arrangements entered into, through a subsidiary in the Pictures segment, with one or more active participants to jointly finance, produce and/or distribute motion pictures or television programming under which both the subsidiary and the other active participants share in the risks and rewards of ownership. These arrangements are referred to as co-production and distribution arrangements.

Sony typically records an asset for only the portion of the motion pictures or television programming it owns and finances. Sony and the other participants typically distribute the product in different media or markets. Revenues earned and expenses incurred for the media or markets in which Sony distributes the product are typically recorded on a gross basis. Sony typically does not record revenues earned and expenses incurred when the other participants distribute the product. Sony and the other participants typically share in the profits from the distribution of the product in all media or markets. For motion pictures, if Sony is a net receiver of (1) Sony's share of the profits from the media or markets distributed by the other participants less (2) the other participants' share of the profits from the media or markets distributed by Sony then the net amount is recorded as net sales. If Sony is a net payer then the net amount is recorded in cost of sales. For television programming, Sony records its share of the profits from the media or markets distributed by the other participants as sales, and the other participants' share of the profits from the media or markets distributed by Sony as cost of sales.

For the years ended March 31, 2013, 2014 and 2015, 12,538 million yen, 17,291 million yen and 23,741 million yen, respectively, were recorded as net sales for amounts due from the other participants and 31,587 million yen, 16,359 million yen and 22,983 million yen, respectively, were recorded as cost of sales for amounts owed to the other participants in these collaborative arrangements.

27. ***Commitments, contingent liabilities and other***

(1) Loan commitments

Subsidiaries in the Financial Services segment have entered into loan agreements with their customers in accordance with the condition of the contracts. As of March 31, 2015, the total unused portion of the lines of credit extended under these contracts was 25,440 million yen. The aggregate amounts of future year-by-year payments for these loan commitments cannot be determined.

(2) Purchase commitments and other

Purchase commitments and other outstanding as of March 31, 2015 amounted to 389,341 million yen. The major components of these commitments are as follows:

Certain subsidiaries in the Pictures segment have entered into agreements with creative talent for the development and production of motion pictures and television programming as well as agreements with third parties to acquire completed motion pictures, or certain rights therein, and to acquire the rights to broadcast certain live action sporting events. These agreements cover various periods mainly within three years. As of March 31, 2015, these subsidiaries were committed to make payments under such contracts of 126,925 million yen.

Certain subsidiaries in the Music segment have entered into long-term contracts with recording artists, songwriters and companies for the future production, distribution and/or licensing of music product. These contracts cover various periods mainly within five years. As of March 31, 2015, these subsidiaries were committed to make payments of 63,481 million yen under such long-term contracts.

Sony has entered into long-term sponsorship contracts related to advertising and promotional rights. These contracts cover various periods mainly within five years. As of March 31, 2015, Sony has committed to make payments of 26,779 million yen under such long-term contracts.

The schedule of the aggregate amounts of year-by-year payment of purchase commitments during the next five fiscal years and thereafter is as follows:

Fiscal year ending March 31	Yen in millions
2016	207,105
2017	88,658
2018	45,698
2019	24,860
2020	9,226
Later fiscal years	13,794
Total	389,341

(3) Litigation

In October 2009, Sony Corporation's U.S. subsidiary, Sony Optiarc America Inc., received a subpoena from the U.S. Department of Justice ("DOJ") seeking information about its optical disk drive business. Sony understands that the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the optical disk drives market. The DOJ has notified Sony that it has closed its investigation, and Sony understands that the investigations by several other agencies have now ended, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser lawsuits, including class actions, were filed in certain jurisdictions, including the United States, in which the plaintiffs alleged that Sony Corporation and certain of its subsidiaries violated antitrust laws and sought recovery of damages and other remedies. In October 2014, the United States District Court hearing the U.S. class actions denied motions for class certification in both the direct and indirect purchaser class actions. The class plaintiffs filed petitions to appeal these rulings, and in January 2015, the appellate court denied the petitions to appeal. However, in February 2015 the district court gave the plaintiffs an opportunity to seek certification of narrower classes, and the civil actions continue. Based on the investigations and cases, it is not possible to estimate the amount of loss or range of possible loss, if any, that might ultimately result from adverse judgments, settlements or other resolution of all of these matters.

In May 2011, Sony Corporation's U.S. subsidiary, Sony Electronics Inc., received a subpoena from the DOJ Antitrust Division seeking information about its secondary batteries business. Sony understands that the European Commission and certain other governmental agencies outside the United States also opened investigations of competition in the secondary batteries market. The DOJ has notified Sony that it has closed its investigation, but the European Commission and one other agency continue to investigate. A number of direct and indirect purchaser class action lawsuits have been filed in certain jurisdictions, including the United States, in which the plaintiffs allege that Sony Corporation and certain of its subsidiaries violated antitrust laws and seek recovery of damages and other remedies. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if

any, that might result from adverse judgments, settlements or other resolution of all of these matters.

Beginning in early 2011, the network services of PlayStation®Network, Qriocity™, Sony Online Entertainment LLC and websites of other subsidiaries came under cyber-attack. As of May 25, 2015, Sony has not received any confirmed reports of customer identity theft issues or misuse of credit cards from such cyber-attacks. However, in connection with certain of these matters, Sony has received inquiries from authorities in a number of jurisdictions, including formal and/or informal requests for information from Attorneys General from a number of states in the United States. Additionally, Sony Corporation and/or certain of its subsidiaries were named in a number of purported class actions in certain jurisdictions, including the United States. The U.S. class action suits have been settled, and the settlement has received the final approval of the court. A non-U.S. class action suit remains pending. Based on the stage of these inquiries and proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of all of these matters.

In the fall of 2014, Sony Corporation's U.S. subsidiary, Sony Pictures Entertainment Inc. ("SPE"), was subject to a cyberattack that resulted in unauthorized access to, and theft and disclosure of SPE business information, including employee information and other information. In connection with the theft and disclosure of information, SPE has been named in a number of purported class action suits in the United States brought by former employees of SPE. Based on the stage of these proceedings, it is not possible to estimate the amount of loss or range of possible loss, if any, that might result from adverse judgments, settlements or other resolution of these proceedings.

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

(4) Guarantees

Sony has issued guarantees that contingently require payments to guaranteed parties if certain specified events or conditions occur. The maximum potential amount of future payments under these guarantees as of March 31, 2015 amounted to 44,631 million yen. The major components of these guarantees are as follows:

As discussed in Note 23, Sony has agreed to repay the outstanding principal plus accrued interest up to a maximum of 276 million U.S. dollars to the creditor of the third-party investor of Sony's U.S. based music publishing subsidiary should the third-party investor default on its obligation. The obligation of the third-party investor is collateralized by its 50% interest in Sony's music publishing subsidiary. Should Sony have to make a payment under the terms of the guarantee, Sony would assume the creditor's rights to the underlying collateral. As of March 31, 2015, the fair value of the collateral exceeded 276 million U.S. dollars.

In addition to the above, Sony issues contractual product warranties under which it generally guarantees the performance of products delivered and services rendered for a certain period or term. The changes in product warranty liability for the fiscal years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Balance at beginning of the fiscal year	67,860	66,776	79,718
Additional liabilities for warranties	55,880	83,959	87,902
Settlements (in cash or in kind)	(55,327)	(72,230)	(78,356)
Changes in estimate for pre-existing warranty reserve	(8,198)	(6,070)	(13,731)
Translation adjustment	6,561	7,283	(404)
Balance at end of the fiscal year	66,776	79,718	75,129

28. ***Business segment information***

The reportable segments presented below are the segments of Sony for which separate financial information is available and for which operating profit or loss amounts are evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The CODM does not evaluate segments using discrete asset information. Sony's CODM is its Chief Executive Officer and President.

Sony realigned its business segments for the first quarter of the fiscal year ended March 31, 2015, to reflect modifications to its organizational structure as of April 1, 2014, primarily repositioning the operations of the previously reported Mobile Products & Communications ("MP&C") and Game segments. In connection with this realignment, the previously reported operations of the network business which were included in All Other are now integrated with the previously-reported Game segment and are reported as the G&NS segment. The previously reported Mobile Communications category which was included in the MP&C segment has been reclassified as the newly established MC segment, while the other categories in the previously reported MP&C segment are now included in All Other. This includes the reclassification of the PC business into All Other. In addition, certain businesses previously included in the Devices segment have been integrated into All Other as a result of changes in Sony's organizational structure. In connection with these realignments, the sales and operating revenue and operating income (loss) of each segment for the comparable period have been reclassified to conform to the current fiscal year's presentation.

The MC segment includes the manufacture and sale of mobile phones. The G&NS segment includes the manufacture and sales of home gaming products, software and network services business. The IP&S segment includes Digital Imaging Products, and Professional Solutions. The HE&S segment includes Televisions, and Audio and Video. The Devices segment includes Semiconductors and Components. The Pictures segment includes Motion Pictures, Television Productions and Media Networks. The Music segment includes Recorded Music, Music Publishing and Visual Media and Platform. The Financial Services segment primarily represents individual life insurance and non-life insurance businesses in the Japanese market and a bank business in Japan. All Other consists of various operating activities, including an Internet-related service business, the PC business, the medical business and the disc manufacturing business. Sony's products and services are generally unique to a single operating segment.

82

Sales and operating revenue:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Sales and operating revenue:			
Mobile Communications -			
Customers	733,622	1,191,787	1,323,205
Intersegment	37,103	22	75
Total	770,725	1,191,809	1,323,280
Game & Network Services -			
Customers	646,421	946,479	1,292,146
Intersegment	103,446	97,379	95,883
Total	749,867	1,043,858	1,388,029
Imaging Products & Solutions -			
Customers	752,603	737,474	716,258
Intersegment	3,598	3,729	3,712
Total	756,201	741,203	719,970
Home Entertainment & Sound -			
Customers	993,822	1,166,007	1,204,922
Intersegment	1,005	2,572	2,371
Total	994,827	1,168,579	1,207,293
Devices -			
Customers	558,027	583,089	756,724
Intersegment	248,125	189,890	201,120
Total	806,152	772,979	957,844
Pictures -			
Customers	732,127	828,668	876,314
Intersegment	612	916	2,367
Total	732,739	829,584	878,681
Music -			
Customers	431,719	492,058	533,986
Intersegment	9,989	11,230	10,625
Total	441,708	503,288	544,611
Financial Services -			
Customers	999,276	988,944	1,077,604
Intersegment	3,113	4,902	6,025
Total	1,002,389	993,846	1,083,629
All Other -			
Customers	899,749	780,749	395,066
Intersegment	73,268	77,295	96,043
Total	973,017	858,044	491,109
Corporate and elimination	(432,121)	(335,924)	(378,566)
Consolidated total	6,795,504	7,767,266	8,215,880

G&NS intersegment amounts primarily consist of transactions with All Other. Devices intersegment amounts primarily consist of transactions with the MC segment, the G&NS segment and the IP&S segment. All Other intersegment amounts primarily consist of transactions with the Pictures segment, the Music segment and the G&NS segment. Corporate and elimination includes certain brand and patent royalty income.

83

Segment profit or loss:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Operating income (loss):			
Mobile Communications	(41,112)	12,601	(220,436)
Game & Network Services	(3,695)	(18,845)	48,104
Imaging Products & Solutions	1,442	26,327	54,684
Home Entertainment & Sound	(84,315)	(25,499)	20,054
Devices	45,573	(12,420)	93,079
Pictures	47,800	51,619	58,527
Music	37,218	50,208	58,959
Financial Services	142,209	170,292	193,307
All Other	49,503	(136,053)	(103,364)
Total	194,623	118,230	202,914
Corporate and elimination	31,880	(91,735)	(134,366)
Consolidated operating income	226,503	26,495	68,548
Other income	68,656	42,453	25,076
Other expenses	(53,075)	(43,207)	(53,895)
Consolidated income before income taxes	242,084	25,741	39,729

Operating income (loss) is sales and operating revenue less costs and expenses, and includes equity in net income (loss) of affiliated companies.

All Other includes the gains on sale and remeasurement related to the shares in M3, as well as the results of the PC business and the disc manufacturing business (Refer to Notes 5, 13, and 25). For the fiscal year ended March 31, 2015, the PC business results include sales company fixed costs which were allocated based on historical results.

Corporate and elimination includes headquarters restructuring costs, restructuring costs related to the reduction in scale of sales companies following the decision to exit from the PC business (Refer to Notes 19 and 25), and certain other corporate expenses, including the amortization of certain intellectual property assets such as the cross-licensing of intangible assets acquired from Ericsson at the time of the Sony Mobile Communications acquisition, which are not allocated to segments. In addition, Corporate and elimination includes gains on the sale of the U.S. headquarters building and Sony City Osaki (Refer to Note 8).

Within the HE&S segment, the operating income (loss) of Televisions, which primarily consists of LCD televisions, for the fiscal years ended March 31, 2013, 2014 and 2015 were (69,602) million yen, (25,705) million yen and 8,286 million yen, respectively. The operating income (loss) of Televisions excludes restructuring charges which are included in the overall segment results and are not allocated to product categories.

Other significant items:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Equity in net income (loss) of affiliated companies:			
Mobile Communications	—	—	—
Game & Network Services	—	—	—
Imaging Products & Solutions	743	188	(70)
Home Entertainment & Sound	—	—	—
Devices	—	—	—
Pictures	(601)	(1,829)	(742)
Music	(4,766)	2,338	3,471
Financial Services	(2,303)	(2,336)	(782)
All Other	(21)	(5,735)	2,044
Consolidated total	(6,948)	(7,374)	3,921
Depreciation and amortization:			
Mobile Communications	19,165	22,073	22,067
Game & Network Services	12,324	16,529	18,336
Imaging Products & Solutions	39,605	38,080	31,775
Home Entertainment & Sound	26,968	25,806	25,238
Devices	112,486	106,472	87,795
Pictures	15,428	18,078	19,980
Music	13,209	14,414	13,632
Financial Services, including deferred insurance acquisition costs	62,633	54,348	66,223
All Other	30,348	29,825	15,427
Total	332,166	325,625	300,473
Corporate	44,569	51,070	54,151
Consolidated total	376,735	376,695	354,624

85

The following table includes a breakdown of sales and operating revenue to external customers by product category for certain segments. Sony management views each segment as a single operating segment.

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Sales and operating revenue:			
Mobile Communications	733,622	1,191,787	1,323,205
Game & Network Services	646,421	946,479	1,292,146
Imaging Products & Solutions			
Digital Imaging Products	481,609	442,723	432,594
Professional Solutions	253,813	277,417	271,903
Other	17,181	17,334	11,761
Total	752,603	737,474	716,258
Home Entertainment & Sound			
Televisions	581,475	754,308	835,068
Audio and Video	405,024	400,828	366,050
Other	7,323	10,871	3,804
Total	993,822	1,166,007	1,204,922
Devices			
Semiconductors	301,915	336,845	496,694
Components	245,713	243,751	253,020
Other	10,399	2,493	7,010
Total	558,027	583,089	756,724
Pictures			
Motion Pictures	446,254	422,255	434,253
Television Productions	159,794	247,568	252,456
Media Networks	126,079	158,845	189,605
Total	732,127	828,668	876,314
Music			
Recorded Music	307,788	347,684	383,350
Music Publishing	52,764	66,869	70,959
Visual Media and Platform	71,167	77,505	79,677
Total	431,719	492,058	533,986
Financial Services	999,276	988,944	1,077,604
All Other	899,749	780,749	395,066
Corporate	48,138	52,011	39,655
Consolidated total	6,795,504	7,767,266	8,215,880

86

Geographic Information:

Sales and operating revenue attributed to countries based on location of external customers for the fiscal years ended March 31, 2013, 2014 and 2015 and property, plant and equipment, net as of March 31, 2014 and 2015 are as follows:

	Yen in millions		
	Fiscal year ended March 31		
	2013	2014	2015
Sales and operating revenue:			
Japan	2,197,881	2,199,099	2,233,776
United States	1,064,765	1,302,052	1,528,097
Europe	1,362,488	1,753,526	1,932,941
China	464,784	520,539	546,697
Asia-Pacific	806,205	1,013,635	1,052,453
Other Areas	899,381	978,415	921,916
Total	6,795,504	7,767,266	8,215,880

	Yen in millions	
	March 31	
	2014	2015
Property, plant and equipment, net:		
Japan	526,472	495,502
United States	74,302	85,412
Europe	48,055	38,637
China	45,346	69,854
Asia-Pacific	39,815	41,096
Other Areas	16,020	8,784
Total	750,010	739,285

Major areas in each geographic segment excluding Japan, United States and China are as follows:

(1) Europe: United Kingdom, France, Germany, Russia, Spain and Sweden

(2) Asia-Pacific: India, South Korea and Oceania

(3) Other Areas: The Middle East/Africa, Brazil, Mexico and Canada

There are no individually material countries with respect to sales and operating revenue or property, plant and equipment, net included in Europe, Asia-Pacific and Other Areas.

Transfers between reportable business segments or geographic areas are made at amounts which Sony's management believes approximate arms-length transactions.

There were no sales and operating revenue with any single major external customer for the fiscal years ended March 31, 2013, 2014 and 2015.

87

29. ***Subsequent events***

(1) Orchard Media, Inc. acquisition

In April 2015, Sony Music Entertainment ("SME"), a wholly owned subsidiary of Sony, closed the transaction pursuant to which it increased its shareholding in an equity method investment, Orchard Media, Inc. ("The Orchard"), to 100% by acquiring shares from the current holder, Orchard Asset Holdings, LLC. Sony expects to recognize a gain of approximately 150 million U.S. dollars, subject to transaction costs and other adjustments on the remeasurement of SME's 51% equity interest in The Orchard that it owned prior to the acquisition at fair value, in other operating (income) expense, net in the consolidated statement of income for the first quarter of the fiscal year ending March 31, 2016.

(2) Sale of the logistics business

On April 1, 2015, in connection with the formation of a logistics joint venture, Sony sold a part of the logistics business in Japan, Thailand, and Malaysia, which was in All Other to MITSUI-SOKO HOLDINGS Co., Ltd. with a total sales price of approximately 18,000 million yen. The sale proceeds are subject to the finalization of certain post-closing conditions and adjustments. In connection with the sale, Sony expects to recognize a gain on sale totaling approximately 13,000 million yen in other operating (income) expense, net in the consolidated statement of income for the first quarter of the fiscal year ending March 31, 2016.

(3) Sale of certain Olympus shares held by Sony Corporation

On April 1, 2015, Sony sold 17,243,950 shares of its 34,487,900 shares of Olympus Corporation to a third party to strengthen its financial resources and obtain funds for growth-oriented strategic investments. In connection with the sale, Sony expects to recognize a gain on the sale of approximately 46,757 million yen in gain on sale of securities investments, net in the consolidated statement of income for the first quarter of the fiscal year ending March 31, 2016.