SONY CORP
Form 6-K
June 02, 2010

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934
For the month of June 2010
Commission File Number: 001-06439
SONY CORPORATION
(Translation of registrant's name into English)
7-1, KONAN 1-CHOME, MINATO-KU, TOKYO 108-0075, JAPAN
(Address of principal executive offices)
The registrant files annual reports under cover of Form 20-F.

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

Form 20-F þ Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934,

Yes o No þ

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

Consolidated Financial Statements
For the year ended March 31, 2010

Sony Corporation
TOKYO, JAPAN

Contents

Management's Annual Report on Internal Control over Financial Reporting

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

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

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

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

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

Sony's management evaluated the effectiveness of Sony's internal control over financial reporting as of March 31, 2010 based on the criteria established in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the evaluation, management has concluded that Sony maintained effective internal control over financial reporting as of March 31, 2010.

Sony's independent registered public accounting firm, PricewaterhouseCoopers Aarata, has issued an audit report on our internal control over financial reporting as of March 31, 2010, presented on page 3.

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and changes in stockholders' equity present fairly, in all material respects, the financial position of Sony Corporation and its subsidiaries ("Sony") at March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Sony maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sony's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting". Our responsibility is to express opinions on these financial statements and on Sony's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, Sony changed the manner in which it accounts for uncertain income tax positions in the fiscal year ended March 31, 2008 and the manner in which it accounts for noncontrolling interests in the fiscal year ended March 31, 2010.

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

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

/s/ PricewaterhouseCoopers Aarata

Tokyo, Japan
May 31, 2010

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Consolidated Balance Sheets

Sony Corporation and Consolidated Subsidiaries - March 31

	Yen in millions	
	2009	2010
ASSETS		
Current assets:		
Cash and cash equivalents	660,789	1,191,608
Marketable securities	466,912	579,493
Notes and accounts receivable, trade	963,837	996,100
Allowance for doubtful accounts and sales returns	(110,383)	(104,475)
Inventories	813,068	645,455
Deferred income taxes	189,703	197,598
Prepaid expenses and other current assets	636,709	627,093
Total current assets	3,620,635	4,132,872
Film costs	306,877	310,065
Investments and advances:		
Affiliated companies	236,779	229,051
Securities investments and other	4,561,651	5,070,342
	4,798,430	5,299,393
Property, plant and equipment:		
Land	155,665	153,067
Buildings	911,269	897,054
Machinery and equipment	2,343,839	2,235,032
Construction in progress	100,027	71,242
	3,510,800	3,356,395
Less – Accumulated depreciation	2,334,937	2,348,444
	1,175,863	1,007,951
Other assets:		
Intangibles, net	396,348	378,917
Goodwill	443,958	438,869
Deferred insurance acquisition costs	400,412	418,525
Deferred income taxes	359,050	403,537
Other	511,938	475,985
	2,111,706	2,115,833
Total assets	12,013,511	12,866,114

(Continued on following page.)

Consolidated Balance Sheets

	Yen in millions	
	2009	2010
LIABILITIES		
Current liabilities:		
Short-term borrowings	303,615	48,785
Current portion of long-term debt	147,540	235,822
Notes and accounts payable, trade	560,795	817,118
Accounts payable, other and accrued expenses	1,036,830	1,003,197
Accrued income and other taxes	46,683	69,175
Deposits from customers in the banking business	1,326,360	1,509,488
Other	389,077	376,340
Total current liabilities	3,810,900	4,059,925
Long-term debt	660,147	924,207
Accrued pension and severance costs	365,706	295,526
Deferred income taxes	188,359	236,521
Future insurance policy benefits and other	3,521,060	3,876,292
Other	250,737	188,088
Total liabilities	8,796,909	9,580,559
Commitments and contingent liabilities		
EQUITY		
Sony Corporation's stockholders' equity:		
Common stock, no par value –		
2009– Shares authorized: 3,600,000,000, shares issued: 1,004,535,364	630,765	
2010– Shares authorized: 3,600,000,000, shares issued: 1,004,571,464		630,822
Additional paid-in capital	1,155,034	1,157,812
Retained earnings	1,916,951	1,851,004
Accumulated other comprehensive income –		
Unrealized gains on securities, net	30,070	62,337
Unrealized losses on derivative instruments, net	(1,584)	(36)
Pension liability adjustment	(172,709)	(148,989)
Foreign currency translation adjustments	(589,220)	(582,370)
	(733,443)	(669,058)
Treasury stock, at cost		
Common stock		
2009– 1,013,287 shares	(4,654)	
2010– 1,039,656 shares		(4,675)
	2,964,653	2,965,905
Noncontrolling interests	251,949	319,650
Total equity	3,216,602	3,285,555
Total liabilities and equity	12,013,511	12,866,114

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Sony Corporation and Consolidated Subsidiaries – Fiscal Year Ended March 31

	Yen in millions		
	2008	2009	2010
Sales and operating revenue:			
Net sales	8,201,839	7,110,053	6,293,005
Financial service revenue	553,216	523,307	838,300
Other operating revenue	116,359	96,633	82,693
	8,871,414	7,729,993	7,213,998
Costs and expenses:			
Cost of sales	6,290,022	5,660,504	4,892,563
Selling, general and administrative	1,714,445	1,686,030	1,544,890
Financial service expenses	530,306	547,825	671,550
(Gain) loss on sale, disposal or impairment of assets, net	(37,841)	38,308	42,988
	8,496,932	7,932,667	7,151,991
Equity in net income (loss) of affiliated companies	100,817	(25,109)	(30,235)
Operating income (loss)	475,299	(227,783)	31,772
Other income:			
Interest and dividends	34,272	22,317	13,191
Gain on sale of securities investments, net	5,504	1,281	9,953
Foreign exchange gain, net	5,571	48,568	–
Gain on initial public offering of Sony Financial Holdings	81,040	–	–
Other	23,060	26,659	20,690
	149,447	98,825	43,834
Other expenses:			
Interest	22,931	24,376	22,505
Loss on devaluation of securities investments	13,087	4,427	2,946
Foreign exchange loss, net	–	–	10,876
Other	21,594	17,194	12,367
	57,612	45,997	48,694
Income (loss) before income taxes	567,134	(174,955)	26,912
Income taxes:			
Current	183,438	80,521	48,698
Deferred	20,040	(153,262)	(34,740)
	203,478	(72,741)	13,958
Net income (loss)	363,656	(102,214)	12,954
Less - Net income (loss) attributable to noncontrolling interests	(5,779)	(3,276)	53,756
Net income (loss) attributable to Sony Corporation's stockholders	369,435	(98,938)	(40,802)

	Yen		
	2008	2009	2010
Per share data:			
Common stock			
Net income (loss) attributable to Sony Corporation’s stockholders			
– Basic	368.33	(98.59)	(40.66)
– Diluted	351.10	(98.59)	(40.66)
Cash dividends	25.00	42.50	25.00

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Sony Corporation and Consolidated Subsidiaries – Fiscal Year Ended March 31

	Yen in millions		
	2008	2009	2010
Cash flows from operating activities:			
Net income (loss)	363,656	(102,214)	12,954
Adjustments to reconcile net income (loss) to net cash provided by operating activities –			
Depreciation and amortization, including amortization of deferred insurance acquisition costs	428,010	405,443	371,004
Amortization of film costs	305,468	255,713	277,665
Stock-based compensation expense	4,130	3,446	2,202
Accrual for pension and severance costs, less payments	(17,589)	16,654	(9,763)
(Gain) loss on sale, disposal or impairment of assets, net	(37,841)	38,308	42,988
(Gain) loss on sale or devaluation of securities investments, net	7,583	3,146	(7,007)
(Gain) loss on revaluation of marketable securities held in the financial service business for trading purpose, net	56,543	77,952	(49,837)
(Gain) loss on revaluation or impairment of securities investments held in the financial service business, net	60,107	101,114	(53,984)
Gain on initial public offering of Sony Financial Holdings	(81,040)	–	–
Deferred income taxes	20,040	(153,262)	(34,740)
Equity in net (income) losses of affiliated companies, net of dividends	(13,527)	65,470	36,183
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable, trade	185,651	218,168	(53,306)
(Increase) decrease in inventories	(140,725)	160,432	148,584
Increase in film costs	(353,343)	(264,412)	(296,819)
Increase (decrease) in notes and accounts payable, trade	(235,459)	(375,842)	262,032
Increase (decrease) in accrued income and other taxes	138,872	(163,200)	63,619
Increase in future insurance policy benefits and other	166,356	174,549	284,972
Increase in deferred insurance acquisition costs	(62,951)	(68,666)	(71,999)
Increase in marketable securities held in the financial service business for trading purpose	(57,271)	(26,088)	(8,335)
(Increase) decrease in other current assets	(24,312)	134,175	(32,405)
Increase (decrease) in other current liabilities	51,838	(105,155)	5,321
Other	(6,512)	11,422	23,578
Net cash provided by operating activities	757,684	407,153	912,907

(Continued on following page.)

Consolidated Statements of Cash Flows

	Yen in millions		
	2008	2009	2010
Cash flows from investing activities:			
Payments for purchases of long-lived assets	(474,552)	(496,125)	(338,050)
Proceeds from sales of long-lived assets	144,741	153,439	15,671
Payments for investments and advances by financial service business	(2,283,491)	(2,496,783)	(1,581,841)
Payments for investments and advances (other than financial service business)	(103,082)	(178,335)	(41,838)
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances by financial service business	1,441,496	1,923,264	1,128,500
Proceeds from maturities of marketable securities, sales of securities investments and collections of advances (other than financial service business)	51,947	11,569	54,324
Proceeds from sales of shares of Sony Financial Holdings	305,280	–	–
Other	7,219	1,629	17,230
Net cash used in investing activities	(910,442)	(1,081,342)	(746,004)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	31,093	72,188	510,128
Payments of long-term debt	(34,701)	(264,467)	(144,105)
Increase (decrease) in short-term borrowings, net	15,838	244,584	(250,252)
Increase in deposits from customers in the financial service business, net	485,965	261,619	276,454
Dividends paid	(25,098)	(42,594)	(25,085)
Proceeds from the issuance of shares under stock-based compensation plans	7,484	378	114
Proceeds from the issuance of shares of Sony Financial Holdings	28,800	–	–
Other	(3,863)	(4,250)	(2,240)
Net cash provided by financing activities	505,518	267,458	365,014
Effect of exchange rate changes on cash and cash equivalents	(66,228)	(18,911)	(1,098)
Net increase (decrease) in cash and cash equivalents	286,532	(425,642)	530,819
Cash and cash equivalents at beginning of the fiscal year	799,899	1,086,431	660,789
Cash and cash equivalents at end of the fiscal year	1,086,431	660,789	1,191,608
Supplemental data:			
Cash paid during the fiscal year for –			
Income taxes	126,339	242,528	60,022
Interest	18,817	22,729	19,821
Non-cash investing and financing activities –			
Obtaining assets by entering into capital lease	7,017	5,831	2,553

The accompanying notes are an integral part of these statements.

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Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2007	626,907	1,143,423	1,719,506	(115,493)	(3,639)	3,370,704	38,970	3,409,674
Exercise of stock acquisition rights	3,538	3,685				7,223	105	7,328
Conversion of convertible bonds	131	131				262		262
Stock-based compensation		4,192				4,192		4,192
Comprehensive income:								
Net income (loss)			369,435			369,435	(5,779)	363,656
Cumulative effect of an accounting change			(4,452)			(4,452)		(4,452)
Other comprehensive income, net of tax –								
Unrealized losses on securities				(15,167)		(15,167)	(7,259)	(22,426)
Unrealized losses on derivative instruments				(2,296)		(2,296)		(2,296)
Pension liability adjustment				(26,103)		(26,103)	602	(25,501)
Foreign currency translation adjustments				(212,468)		(212,468)	(1,821)	(214,289)
Total comprehensive income (loss)						108,949	(14,257)	94,692
Stock issue costs, net of tax			(48)			(48)		(48)
Dividends declared			(25,080)			(25,080)	(3,563)	(28,643)
					(1,231)	(1,231)		(1,231)

Purchase of treasury stock								
Reissuance of treasury stock		16			102	118		118
Transactions with noncontrolling interests shareholders and other							255,594	255,594
Balance at March 31, 2008	630,576	1,151,447	2,059,361	(371,527)	(4,768)	3,465,089	276,849	3,741,938

(Continued on following page.)

Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2008	630,576	1,151,447	2,059,361	(371,527)	(4,768)	3,465,089	276,849	3,741,938
Exercise of stock acquisition rights	189	189				378	18	396
Stock-based compensation		3,423				3,423		3,423
Comprehensive income:								
Net loss			(98,938)			(98,938)	(3,276)	(102,214)
Other comprehensive income, net of tax –								
Unrealized losses on securities				(40,859)		(40,859)	(15,992)	(56,851)
Unrealized gains on derivative instruments				1,787		1,787		1,787
Pension liability adjustment				(74,517)		(74,517)	(548)	(75,065)
Foreign currency translation adjustments				(247,697)		(247,697)	797	(246,900)
Total comprehensive loss						(460,224)	(19,019)	(479,243)
Stock issue costs, net of tax			(4)			(4)		(4)
Dividends declared			(42,648)			(42,648)	(6,056)	(48,704)
Purchase of treasury stock					(302)	(302)		(302)
Reissuance of treasury stock		(25)	(152)		416	239		239
Transactions with noncontrolling interests shareholders and							157	157

other								
Effects of changing the pension plan measurement date			(668)	(630)		(1,298)		(1,298)
Balance at March 31, 2009	630,765	1,155,034	1,916,951	(733,443)	(4,654)	2,964,653	251,949	3,216,602

(Continued on following page.)

Consolidated Statements of Changes in Stockholders' Equity

	Yen in millions							
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Treasury stock, at cost	Sony Corporation's stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2009	630,765	1,155,034	1,916,951	(733,443)	(4,654)	2,964,653	251,949	3,216,602
Exercise of stock acquisition rights	57	57				114	6	120
Stock-based compensation		2,174				2,174		2,174
Comprehensive income:								
Net income (loss)			(40,802)			(40,802)	53,756	12,954
Other comprehensive income, net of tax –								
Unrealized gains on securities				32,267		32,267	16,527	48,794
Unrealized gains on derivative instruments				1,548		1,548	2	1,550
Pension liability adjustment				23,720		23,720	(27)	23,693
Foreign currency translation adjustments				6,850		6,850	(343)	6,507
Total comprehensive income						23,583	69,915	93,498
Dividends declared			(25,088)			(25,088)	(5,399)	(30,487)
Purchase of treasury stock					(139)	(139)		(139)
Reissuance of treasury stock			(57)		118	61		61
Transactions with noncontrolling interests shareholders		547				547	3,179	3,726
Balance at March 31, 2010	630,822	1,157,812	1,851,004	(669,058)	(4,675)	2,965,905	319,650	3,285,555

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

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 Japan, Europe, and Asia. Sony also utilizes third-party contract manufacturers for certain products. Sony's products are marketed throughout the world by sales subsidiaries and unaffiliated distributors as well as direct sales via the Internet. Sony is engaged in the development, production, manufacture, marketing, distribution and broadcasting of image-based software, including motion picture, home entertainment and television products. Sony is also engaged in the development, production, manufacture, and distribution of recorded music. Further, Sony is also engaged in various financial service businesses, including life and non-life insurance operations through its Japanese insurance subsidiaries, banking operations through a Japanese internet-based banking subsidiary and leasing and credit financing operations through a subsidiary in Japan. In addition to the above, Sony is engaged in a network service business and an advertising agency business in Japan.

2. Summary of significant accounting policies

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

(1) Significant accounting policies:

Basis of consolidation and accounting for investments in affiliated companies -

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

On occasion, a consolidated subsidiary or an affiliated company accounted for by the equity method may issue its shares to third parties in either a public or private offering or upon conversion of convertible debt to common stock at amounts per share in excess of or less than Sony's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in earnings for the year the change in interest transaction occurs. However, prior to Sony's adoption of the new guidance on the accounting for noncontrolling interests and equity method investments on April 1, 2009, where the sale of such shares was part of a broader corporate reorganization, the reacquisition of such shares was contemplated at the time of issuance or realization of such gain was not reasonably assured (i.e., the entity was newly formed, non-operating, a research and development or start-up/development stage entity, or where the entity's ability to continue in existence was in question), the transaction was accounted for as a capital transaction. In addition, subsequent to Sony's adoption of the new guidance on the accounting for noncontrolling interests on April 1, 2009, a change in interest of a consolidated subsidiary that does not result in a change in control is accounted for as a capital transaction and no gains or losses are recorded in earnings.

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

Use of estimates -

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of foreign currencies -

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current exchange rates and all income and expense accounts are translated at exchange rates that approximate those rates prevailing at the time of the transactions. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income.

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

Cash and cash equivalents -

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

Marketable debt and equity securities -

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

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

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

Sony adopted the accounting guidance for the recognition and presentation of other-than-temporary impairments for debt securities on April 1, 2009. When an other-than-temporary impairment of a debt security has occurred, the amount of the other-than-temporary impairment recognized in income depends on whether Sony intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost. If the debt security meets either of these two criteria, the other-than-temporary impairment recognized in income is the credit loss, 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 equal to the difference between the amortized cost of the debt security and its net present value calculated by discounting Sony’s best estimate of projected future cash flows at the effective interest rate implicit in the debt security prior to impairment. Any difference between the fair value and the net present value of the debt security at the impairment measurement date is recorded in accumulated other comprehensive income. Unrealized gains or losses on securities for which an other-than-temporary impairment has been recognized in income are presented as a separate component of accumulated other comprehensive income. Before the adoption of this guidance, an other-than-temporary impairment recognized in income for debt securities was equal to the total difference between amortized cost and fair value at the impairment measurement date.

Equity securities in non-public companies -

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

Allowance for doubtful accounts -

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

Inventories -

Inventories in the Consumer Products & Devices, Networked Products & Services, B2B & Disc Manufacturing 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.

Film costs -

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

Property, plant and equipment and depreciation -

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed on the declining-balance method for Sony Corporation and its Japanese subsidiaries, except for certain semiconductor manufacturing facilities and buildings whose depreciation is computed on the straight-line method over the estimated useful life of the assets. Property, plant and equipment for foreign subsidiaries is also computed on the straight-line method. Useful lives for depreciation range from two to 50 years for buildings and from one to 17 years for machinery and equipment. Significant renewals and additions are capitalized at cost. Maintenance and repairs, and minor renewals and betterments are charged to income as incurred.

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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. Impairment testing of goodwill is performed at a reporting unit level. Fair value of reporting units and indefinite lived intangible assets is generally determined using a discounted cash flow analysis. This approach uses significant estimates and assumptions including projected future cash flows, the timing of such cash flows, discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate comparable entities and the determination of whether a premium or discount should be applied to comparables. In addition to the estimates of future cash flows, two of the most significant estimates involved in the determination of fair value of the reporting units are the discount rates and perpetual growth rate applied to terminal values used in the discounted cash flow analysis. The discount rates used in the cash flow models for the goodwill impairment testing considers market and industry data as well as specific risk factors for each reporting unit. The perpetual growth rates for the individual reporting units, for purposes of the terminal value determination, are generally set after an initial three-year forecasted period, although certain reporting units utilized longer forecasted periods, and are based on historical experience, market and industry data.

Intangible assets with finite useful lives mainly consist of patent rights, know-how, license agreements, software to be sold, leased or otherwise marketed, music catalogs and artist contracts. Patent rights, know-how, license agreements and software to be sold, leased or otherwise marketed are generally amortized on a straight-line basis, generally, over three to eight years. Music catalogs and artist contracts are amortized on a straight-line basis, generally, over 10 to 40 years.

Software to be sold, leased, or marketed -

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

Deferred insurance acquisition costs -

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

Product warranty -

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

Certain subsidiaries in the Consumer Products & Devices, Networked Products & Services and B2B & Disc Manufacturing segments offer extended warranty programs. The consideration received for extended warranty service is deferred and recognized as revenue on a straight-line basis over the term of the extended warranty.

Future insurance policy benefits -

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

Impairment of long-lived assets -

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

Derivative financial instruments -

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

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

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

Fair value hedges

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

Cash flow hedges

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

Derivatives not designated as hedges

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

Assessment of hedges

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

Stock-based compensation -

Sony accounts for stock-based compensation using the fair value based method in accordance with the accounting guidance for share-based payment. The expense is mainly included in selling, general and administrative expenses. The fair value is measured on the date of grant using the Black-Scholes option-pricing model. Sony recognizes this compensation expense, net of an estimated forfeiture rate, only for the rights expected to vest ratably over the requisite service period of the stock acquisition rights, which is generally a period of three years. Sony estimated the forfeiture rate for the fiscal years ended March 31, 2008, 2009 and 2010, based on its historical experience in the stock acquisition rights plans where the majority of the vesting terms have been satisfied.

Revenue recognition -

Revenues from sales in the Consumer Products & Devices, Networked Products & Services, B2B & Disc Manufacturing and Music segments are recognized when products are delivered or services are rendered. Delivery is considered to have occurred when the customer has taken title to the product and the risks and rewards of ownership have been substantively transferred. If the sales contract contains a customer acceptance provision, then sales are recognized after customer acceptance occurs or the acceptance provisions lapse. Revenues are recognized net of anticipated returns and sales incentives.

Certain software products published by Sony provide limited on-line features at no additional cost to the customer. Generally, such features are considered to be incidental to the overall software product and an inconsequential deliverable. Accordingly, revenue related to software products containing these limited on-line features is not deferred. In instances where the software products' on-line features or additional functionality is considered a substantive deliverable in addition to the software product, revenue and costs of sales are recognized ratably over an estimated service period, which is estimated to be six months.

Revenues from the theatrical exhibition of motion pictures are recognized as the customer exhibits the film. Revenues from the licensing of feature films and television programming are recorded when the material is available for telecast by the licensee and when any restrictions regarding the exhibition or exploitation of the product lapse. Revenues from the sale of DVDs and Blu-ray DiscTM, net of anticipated returns and sales incentives, are recognized upon availability of sale to the public. Revenues from the sale of broadcast advertising are recognized when the advertisement is aired. Revenues from subscription fees received by the television networks are recognized when the service is provided.

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

Amounts received as payment for non-traditional contracts such as interest sensitive whole life contracts, single payment endowment contracts, single payment juvenile contracts and other contracts without life contingencies are recognized as deposits to policyholder account balances and included in future insurance policy benefits and other. Revenues from these contracts are comprised of fees earned for administrative and contract-holder services, which are recognized over the period of the contracts, and included in financial service revenue. Property and casualty insurance policies that the non-life insurance subsidiary underwrites are primarily automotive insurance contracts which are categorized as short-duration contracts. Premiums from these policies are reported as revenue over the period of the contract in proportion to the amount of insurance protection provided.

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

Consideration given to a customer or a reseller -

In accordance with the accounting guidance for consideration given by a vendor to a customer or reseller of the vendor's products, sales incentives or other cash consideration given to a customer or a reseller including payments for buydowns, slotting fees and cooperative advertising programs, are accounted for as a reduction of revenue unless Sony receives an identifiable benefit (goods or services) in exchange for the consideration, the fair value of the benefit is reasonably estimated and documentation from the reseller is received to support the amounts paid to the reseller. Payments meeting these criteria are recorded as selling, general and administrative expenses. For the fiscal years ended March 31, 2008, 2009 and 2010, consideration given to a reseller, primarily for free promotional shipping and cooperative advertising programs included in selling, general and administrative expense totaled 37,018 million yen, 29,813 million yen and 23,591 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 theatrical and television products.

Research and development costs -

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

Selling, general and administrative -

Costs classified as selling expense relate to promoting and selling products and include items such as advertising, promotion, shipping, and warranty expenses.

General and administrative expenses include operating items such as officer's salaries, personnel expenses, depreciation of fixed assets, office rental for sales, marketing and administrative divisions, a provision for doubtful accounts and amortization of intangible assets.

Financial service expenses -

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

Advertising costs -

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

Shipping and handling costs -

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

Prepaid expenses and other current assets -

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

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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, Sony’s experience with operating loss carryforwards not expiring unused, as well as prudent and feasible tax planning strategies which would be employed by Sony, if necessary, to ensure the realizability of certain deferred tax assets including net operating loss carryforwards.

Sony accounts for uncertain tax positions in accordance with the accounting guidance for uncertain tax positions. Accordingly, Sony records assets and liabilities for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. Sony continues to recognize interest and penalties, if any, with respect to unrecognized tax benefits as interest expense and as income tax expense, respectively, in the consolidated statements of income. The amount of income taxes Sony pays is subject to ongoing audits by various taxing authorities, which may result in proposed assessments. In addition, several significant items related to intercompany transfer pricing are currently the subject of negotiations between tax 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 tax 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.

In connection with the adoption of the accounting guidance for uncertain tax positions on April 1, 2007, a charge against beginning retained earnings totaling 4,452 million yen was recorded.

Net income (loss) attributable to Sony Corporation’s stockholders per share (“EPS”) -

Basic EPS is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted EPS reflects the maximum possible dilution from conversion, exercise, or contingent issuance of securities including the conversion of contingently convertible debt instruments regardless of whether the conditions to exercise the conversion rights have been met. All potentially dilutive securities are excluded from the calculation in a situation where there is a net loss attributable to Sony Corporation’s stockholders.

(2) Recently adopted accounting pronouncements:

Fair value measurements -

In September 2006, the Financial Accounting Standards Board ("FASB") issued new accounting guidance for fair value measurements. This guidance establishes a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures about the use of fair value measurements. This guidance is applicable to other accounting guidance that requires or permits fair value measurements and does not require any new fair value measurements. In February 2008, the FASB issued supplemental guidance that partially delayed the effective date of the guidance for fair value measurements for Sony until April 1, 2009 for certain nonfinancial assets and liabilities and removed certain leasing transactions from the scope of the guidance. In addition, in October 2008, the FASB issued guidance which clarifies the application of fair value measurements in a market that is not active, and was effective upon issuance. On April 1, 2008, Sony adopted the new accounting guidance for fair value measurements with regards to financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of the guidance for fair value measurements did not have a material impact on Sony's results of operations and financial position.

Accounting for collaborative arrangements -

In December 2007, the FASB issued new accounting guidance for collaborative arrangements, which defines collaborative arrangements and establishes accounting and reporting requirements for transactions between participants in the arrangement and third parties. A collaborative arrangement is defined as a contractual arrangement that involves a joint operating activity. Sony adopted the provisions of this guidance, which are being applied retrospectively to all periods presented, for all collaborative arrangements on April 1, 2009. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Business combinations -

In December 2007, the FASB issued new accounting guidance for business combinations, which principally applies on a prospective basis to business combinations for which the acquisition date is on or after April 1, 2009. This guidance requires that the acquisition method of accounting be applied to a broader range of business combinations, amends the definition of a business combination, provides a definition of a business, requires an acquirer to recognize an acquired business at its fair value at the acquisition date, and requires the assets acquired and liabilities assumed in a business combination to be measured and recognized at their fair values as of the acquisition date, with limited exceptions. Also, under this guidance, changes in deferred tax asset valuation allowances and acquired income tax uncertainties after the acquisition date generally will affect income tax expense in periods subsequent to the acquisition date. Adjustments made to valuation allowances of deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to April 1, 2009 would also apply the provisions of this guidance with subsequent adjustments reflected through the results of operations. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

In April 2009, the FASB issued new accounting guidance for assets acquired and liabilities assumed in a business combination that arise from contingencies. This guidance addresses the initial recognition, measurement and subsequent accounting for assets and liabilities arising from contingencies in a business combination, and requires that such assets acquired or liabilities assumed be initially recognized at fair value at the acquisition date if fair value can be determined during the measurement period. If the acquisition-date fair value cannot be determined, the asset acquired or liability assumed arising from a contingency is recognized only if certain criteria are met. For Sony, this guidance is effective for assets acquired or liabilities assumed arising from contingencies in business combinations for which the acquisition date is on or after April 1, 2009. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Noncontrolling interests in consolidated financial statements -

In December 2007, the FASB issued new accounting guidance for noncontrolling interests in consolidated financial statements. This guidance requires that the noncontrolling interests in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interests and changes in ownership interests in a subsidiary and requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. As required, Sony adopted this guidance on April 1, 2009, via retrospective application of the financial statement presentation and related disclosure requirements. Upon the adoption of this guidance, noncontrolling interests, which were previously referred to as minority interest and classified between total liabilities and stockholders' equity on the consolidated balance sheets, are now included as a separate component of total equity. In addition, the net income (loss) on the consolidated statements of income now includes the net income (loss) attributable to noncontrolling interests. Consistent with the retrospective application required by this guidance, the prior year amounts in the consolidated financial statements have been reclassified or adjusted to conform to the current presentation. As a result of the reclassifications, the stockholders' equity on the consolidated balance sheet for the fiscal year ended at March 31, 2009 has increased by 251,949 million yen and the net income on the consolidated statement of income for the fiscal year ended March 31, 2008 has decreased by 5,779 million yen and the net loss on the consolidated statement of income for the fiscal year ended March 31, 2009 has increased by 3,276 million yen.

In January 2010, the FASB issued supplemental guidance clarifying the accounting for decreases in ownership interests and expanding the disclosure requirements about the deconsolidation of a subsidiary or deconsolidation of a group of assets. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Determination of the useful life of intangible assets -

In April 2008, the FASB issued new accounting guidance for the determination of the useful life of intangible assets, which amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies to (1) intangible assets that are acquired individually or with a group of other assets and (2) intangible assets acquired in both business combinations and asset acquisitions. Under this new guidance, entities estimating the useful life of a recognized intangible asset must consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension. For Sony, this new guidance applies to intangible assets acquired after March 31, 2009. The adoption of this new guidance did not have a material impact on Sony's results of operations and financial position.

Equity method investment accounting considerations -

In November 2008, the FASB issued new accounting guidance, which addresses certain effects that the guidance for business combinations and noncontrolling interests in consolidated financial statements has on an entity's accounting for equity-method investments. This guidance indicates, among other things, that transaction costs for an investment should be included in the cost of the equity-method investment (and not expensed) and shares subsequently issued by the equity-method investee that reduce the investor's ownership percentage should be accounted for as if the investor had sold a proportionate share of its investment, with gains or losses recorded through earnings. Sony adopted this guidance on April 1, 2009. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Postretirement benefit plan asset disclosures -

In December 2008, the FASB issued new disclosure guidance regarding postretirement benefit plan assets. This guidance requires additional disclosures about plan assets for sponsors of defined benefit pension and postretirement plans including expanded information regarding investment strategies, major classes of plan assets, and concentrations of risk within plan assets. Additionally, this guidance requires disclosures similar to those required for fair value measurements with respect to the fair value of plan assets such as the inputs and valuation techniques used to measure fair value and information with respect to classification of plan assets in terms of the hierarchy of the source of information used to determine their value. For Sony, the disclosures under this guidance are required beginning with the fiscal year ended March 31, 2010, but are not required for the earlier periods. Since this guidance impacts only disclosure, its adoption has no impact on Sony's results of operations and financial position. The additional disclosures are included in Note 15.

Recognition and presentation of other-than-temporary impairments for debt securities -

In April 2009, the FASB issued new accounting guidance for the recognition and presentation of other-than-temporary impairments for debt securities. This guidance is intended to provide greater clarity to investors about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. This guidance requires the separate display of losses related to credit deterioration and losses related to other market factors. When an entity does not intend to sell a debt security and it is more likely than not that the entity will not have to sell the debt security before recovery of its cost basis, it must recognize the credit component of an other-than-temporary impairment in earnings and the remaining portion in other comprehensive income. In addition, upon the adoption of this guidance, an entity is required to record a cumulative-effect adjustment as of the beginning of the period of adoption to reclassify the noncredit component of a previously recognized other-than-temporary impairment from retained earnings to accumulated other comprehensive income. Sony adopted this guidance on April 1, 2009. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Fair value measurements when there is no active market -

In April 2009, the FASB issued new accounting guidance for determining fair value when there is no active market for an asset or when the pricing inputs used in determining the fair value of an asset represent a distressed sale. This guidance also reaffirms that the objective of fair value measurement is to reflect an asset's sale price in an orderly transaction at the date of the financial statements. This guidance was effective for Sony as of April 1, 2009, and was applied prospectively. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Accounting Standards Codification -

In June 2009, the FASB issued the Accounting Standards Codification (the "Codification"). The Codification became the single source for all authoritative U.S. GAAP recognized by the FASB. The Codification is effective for financial statements issued for periods ending after September 15, 2009. The Codification does not change U.S. GAAP and did not have an affect on Sony's results of operations and financial position.

Measuring liabilities at fair value -

In August 2009, the FASB issued new accounting guidance for measuring liabilities at fair value. This guidance clarifies how the fair value measurement principles should be applied to measuring liabilities carried at fair value. This guidance describes how to measure liabilities at fair value when quoted prices for identical liabilities in active markets are not available and clarifies that an entity should not make an adjustment to fair value for a restriction that prevents the transfer of the liability. This guidance was effective for interim and annual periods beginning after issuance. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Investments in certain entities that calculate net asset value per share (or its equivalent) -

In September 2009, the FASB issued new accounting guidance for investments in certain entities that calculate net asset value per share (or its equivalent). This guidance permits, as a practical expedient, an entity to measure the fair value of an investment using the net asset value per share of the investment (or its equivalent) provided by the investee without further adjustment if the investment companies do not have readily determinable fair values as is the case with certain alternative investment funds. This guidance was effective for interim and annual periods ended after December 15, 2009. The adoption of this guidance did not have a material impact on Sony's results of operations and financial position.

Fair value measurements disclosures -

In January 2010, the FASB issued new disclosure guidance regarding fair value measurements. This guidance adds new requirements for disclosures related to transfers into and out of level 1 and 2 in the fair value hierarchy, and separate disclosures about purchase, sales, issuances, and settlements relating to level 3 investment measurements. It also clarifies existing fair value disclosures about the level of disaggregation, as well as inputs and valuation techniques used to measure fair value. This guidance was effective for interim and annual periods beginning after December 15, 2009, except for the requirement to provide the level 3 activity of purchase, sales, issuance, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Since this guidance impacts disclosures only, its adoption has no impact on Sony's results of operations and financial position.

(3) Recent accounting pronouncements not yet adopted:

Multiple element arrangements and software deliverables -

In October 2009, the FASB issued new accounting guidance for arrangements with multiple deliverables. Specifically, the new standard requires an entity to allocate consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices. In the absence of the vendor-specific objective evidence or third-party evidence of the selling prices, consideration must be allocated to the deliverables based on management's best estimate of the selling prices. In addition, the guidance eliminates the use of the residual method of allocation. Also in October 2009, the FASB issued accounting guidance which changes revenue recognition for tangible products containing software and hardware elements. Specifically, tangible products containing software and hardware that function together to deliver the tangible products' essential functionality are scoped out of the existing software revenue recognition guidance and will be accounted for under the revenue recognition guidance for multiple element arrangements. While it is mandatory for Sony to adopt this new guidance prospectively for revenue arrangements entered into or materially modified in fiscal years beginning April 1, 2011, early adoption is permitted. Sony is currently evaluating the potential early adoption of this guidance. The adoption is not expected to have a material impact on Sony's results of operations and financial position.

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Transfers of financial assets -

In June 2009, the FASB issued new accounting guidance on accounting for transfers of financial assets. This guidance amends previous guidance by including: the elimination of the qualifying special-purpose entity (QSPE) concept; a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting; clarifications and changes to the derecognition criteria for a transfer to be accounted for as a sale; and a change to the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor. Additionally, the guidance requires new disclosures regarding an entity's involvement in a transfer of financial assets. Finally, existing QSPEs must be evaluated for consolidation in accordance with the applicable consolidation guidance upon the elimination of this concept. This guidance is effective for Sony as of April 1, 2010. The adoption of this guidance is not expected to have a material impact on Sony’s results of operations and financial position.

Variable interest entities -

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

(4) Reclassifications:

Certain reclassifications of the financial statements for the fiscal years ended March 31, 2008 and 2009 have been made to conform to the presentation for the fiscal year ended March 31, 2010.

3. Inventories

Inventories are comprised of the following:

	Yen in millions March 31	
	2009	2010
Finished products	573,952	456,698
Work in process	79,848	69,757
Raw materials, purchased components and supplies	159,268	119,000
	813,068	645,455

4. Film costs

Film costs are comprised of the following:

	Yen in millions March 31	
	2009	2010
Motion pictures:		
Released (including acquired film libraries)	112,425	114,069
Completed not released	23,778	9,307
In production and development	120,374	135,654
Television licensing:		
Released (including acquired film libraries)	37,935	40,518
In production and development	4,180	2,044
Broadcasting rights	18,632	23,927
Less: current portion of broadcasting rights included in inventories	(10,447)	(15,454)
Film costs	306,877	310,065

Sony estimates that approximately 89% of the unamortized costs of released films at March 31, 2010 will be amortized within the next three years. Approximately 98 billion yen of completed film costs are expected to be amortized during the next twelve months. At March 31, 2010, there was no remaining balance for unamortized acquired film libraries. Approximately 112 billion yen of accrued participation liabilities included in accounts payable, other and accrued expenses are expected to be paid during the next twelve months.

5. Related party transactions

Sony accounts for its investments in affiliated companies over which Sony has significant influence or ownership of 20% or more but less than or equal to 50% under the equity method. In addition, investments in general partnerships in which Sony does not have a controlling interest and limited partnerships are also accounted for under the equity method if more than minor influence over the operation of the investee exists (generally through more than 3-5% ownership). Significant investments at March 31, 2010 of this nature include, but are not limited to, Sony's interest in Sony Ericsson Mobile Communications AB ("Sony Ericsson") (50%) and S-LCD Corporation ("S-LCD") (50% minus 1 share).

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, 2009			
	Sony Ericsson	S-LCD	Others	Total
Current assets	421,910	107,243	204,841	733,994
Noncurrent assets	84,991	321,264	90,922	497,177
Total assets	506,901	428,507	295,763	1,231,171
Current liabilities	372,482	117,401	134,990	624,873
Long-term liabilities and noncontrolling interests	12,360	23,256	59,446	95,062
Stockholders' equity	122,059	287,850	101,327	511,236
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity investment and undistributed earnings of affiliated companies, before consolidating and reconciling adjustments	61,030	143,925		
Consolidation and reconciling adjustments:				
Other	(1,082)	(1,382)		
Investment in and advances to equity investees at cost plus equity in undistributed earnings since acquisition	59,948	142,543	34,288	236,779

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	Yen in millions			
	March 31, 2010			
	Sony Ericsson	S-LCD	Others	Total
Current assets	322,537	161,571	133,606	617,714
Noncurrent assets	98,375	300,206	127,237	525,818
Total assets	420,912	461,777	260,843	1,143,532
Current liabilities	341,087	102,538	100,829	544,454
Long-term liabilities and noncontrolling interests	23,837	22,443	54,306	100,586
Stockholders' equity	55,988	336,796	105,708	498,492
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity investment and undistributed earnings of affiliated companies, before consolidating and reconciling adjustments	27,994	168,398		
Consolidation and reconciling adjustments:				
Other	(1,088)	61		
Investment in and advances to equity investees at cost plus equity in undistributed earnings since acquisition	26,906	168,459	33,686	229,051

Statements of Income

	Yen in millions				
	Fiscal year ended March 31, 2008				
	Sony Ericsson	S-LCD	SONY BMG	Others	Total
Net revenues	2,031,078	670,745	445,697	615,240	3,762,760
Operating income (loss)	220,980	19,695	38,054	13,762	292,491
Other income (expense), net	4,262	(1,379)	(9,039)		
Income (loss) before income taxes	225,242	18,316	29,015		
Income tax (expense) benefit	(60,935)	(520)	(8,725)		
Noncontrolling interests (expense) benefit	(4,917)	-	(272)		
Net income (loss) attributable to controlling interests	159,390	17,796	20,018	(44,387)	152,817
Percentage of ownership in equity investees	50%	50%	50%	20%-50%	
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	79,695	8,898	10,009		

Consolidation and reconciling adjustments:					
Other	(214)	(1,479)	-		
Equity in net income (loss) of affiliated companies	79,481	7,419	10,009	3,908	100,817

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	Yen in millions			
	Fiscal year ended March 31, 2009			
	Sony Ericsson	S-LCD	Others	Total
Net revenues	1,459,259	670,311	550,691	2,680,261
Operating income (loss)	(92,762)	1,393	15,475	(75,894)
Other income (expense), net	12,599	11,191		
Income (loss) before income taxes	(80,163)	12,584		
Income tax (expense) benefit	23,888	(626)		
Noncontrolling interests (expense) benefit	(3,434)	-		
Net income (loss) attributable to controlling interests	(59,709)	11,958	4,898	(42,853)
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity in net income (loss) of affiliated companies, before consolidating and reconciling adjustments	(29,855)	5,979		
Consolidation and reconciling adjustments:				
Other	(400)	916		
Equity in net income (loss) of affiliated companies	(30,255)	6,895	(1,749)	(25,109)

	Yen in millions			
	Fiscal year ended March 31, 2010			
	Sony Ericsson	S-LCD	Others	Total
Net revenues	837,149	796,575	323,576	1,957,300
Operating income (loss)	(81,385)	3,825	29,686	(47,874)
Other income (expense), net	(4,676)	(4,055)		
Income (loss) before income taxes	(86,061)	(230)		
Income tax (expense) benefit	20,470	53		
Noncontrolling interests (expense) benefit	(3,318)	-		
Net income (loss) attributable to controlling interests	(68,909)	(177)	17,064	(52,022)
Percentage of ownership in equity investees	50%	50%	20%-50%	
Equity in net income (loss) of affiliated companies, before consolidating and				

reconciling adjustments	(34,455)	(89)		
Consolidation and reconciling adjustments:				
Other	(59)	476		
Equity in net income (loss) of affiliated companies	(34,514)	387	3,892	(30,235)

Sony Ericsson, a 50/50 joint venture with Telefonaktiebolaget LM Ericsson focused on mobile phone handsets, was established in October 2001 and is included in affiliated companies accounted for under the equity method. Sony Ericsson purchases several key components such as camera modules, memory, batteries and LCD panels from Sony. Sony received a return of capital of 17,353 million yen from Sony Ericsson during the fiscal year ended March 31, 2008. Sony received dividends of 44,194 million yen in May 2007, 37,045 million yen in March 2008 and 23,363 million yen in September 2008 from Sony Ericsson.

S-LCD, a joint venture with Samsung Electronics Co., LTD focused on manufacturing amorphous TFT panels, was established in April 2004 with Sony's ownership interest of 50% minus 1 share. Sony invested 25,992 million yen and 13,273 million yen in S-LCD during the fiscal years ended March 31, 2008 and 2009, respectively. S-LCD is strategic to Sony's television business as it provides a source of high quality large screen LCD panels to differentiate Sony's Bravia LCD televisions.

On October 1, 2008, Sony acquired Bertelsmann AG's 50% equity interest in SONY BMG MUSIC ENTERTAINMENT ("SONY BMG"). As a result of this acquisition, SONY BMG became a wholly owned subsidiary of Sony and its results are consolidated from the acquisition date. The summarized financial information for SONY BMG for the six months ended September 30, 2008 is included in Others in the table above. SONY BMG was established as a 50/50 joint venture on August 1, 2004 when Sony combined its recorded music business, except for the operations of its recorded music business in Japan, with the recorded music business of Bertelsmann AG. As a result, the operations of SONY BMG were accounted for under the equity method from August 1, 2004 until Sony's acquisition of the remaining 50% equity interest.

There was no significant difference between Sony's proportionate share in the underlying net assets of the investees and the carrying value of investments in affiliated companies at March 31, 2009 and 2010.

Affiliated companies accounted for under the equity method with an aggregate carrying value of 7,144 million yen at March 31, 2009 were quoted on established markets at an aggregate value of 26,909 million yen. There were no affiliated companies accounted for under the equity method with a market quotation at March 31, 2010.

The number of affiliated companies accounted for under the equity method at March 31, 2009 and 2010 were 85 and 73, respectively.

Account balances and transactions with affiliated companies accounted for under the equity method are presented below:

	Yen in millions March 31	
	2009	2010
Accounts receivable, trade	28,030	21,467
Accounts payable, trade	24,915	61,360

	Yen in millions Fiscal year ended March 31		
	2008	2009	2010
Sales	266,303	204,578	132,937
Purchases	542,075	332,286	309,550

Dividends from affiliated companies accounted for under the equity method for the fiscal years ended March 31, 2008, 2009 and 2010 were 87,290 million yen, 40,361 million yen and 5,948 million yen, respectively.

6. Transfer of financial assets

Sony has established several accounts receivable sales programs in Japan whereby Sony can sell up to 50,000 million yen of eligible trade accounts receivable in the aggregate at any one time. Through these programs, Sony can sell receivables to qualified special purpose entities owned and operated by banks. Sony can sell receivables in which the agreed upon original due dates are no more than 190 days after the sales of receivables. These transactions are accounted for as sales in accordance with the accounting guidance for transfers and servicing of financial assets and extinguishments of liabilities, because Sony has relinquished control of the receivables. Total trade accounts receivable sold during the fiscal years ended March 31, 2008, 2009 and 2010 were 181,412 million yen, 130,847 million yen and 109,271 million yen, respectively. Losses from these transactions were insignificant. In addition to the cash proceeds from the sales transactions above, net cash flows between the qualified special purpose entities and Sony, including servicing fees, in the fiscal years ended March 31, 2008, 2009 and 2010 related to these transactions were insignificant. Although Sony continues servicing the receivables subsequent to being sold, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant.

A subsidiary of the Financial Services segment has established several receivables sales programs whereby the subsidiary can sell up to 23,000 million yen of eligible receivables in the aggregate at any one time. Through these programs, the subsidiary can sell receivables to qualified special purpose entities owned and operated by banks. The subsidiary can sell receivables in which the agreed upon original due dates are no more than 180 days after the sales of receivables. These transactions are accounted for as sales in accordance with the accounting guidance for transfers and servicing of financial assets and extinguishments of liabilities, since the subsidiary has relinquished control of the receivables. Total receivables sold during the fiscal years ended March 31, 2008, 2009 and 2010 were 113,755 million yen, 166,077 million yen and 183,805 million yen, respectively. Losses from these transactions were insignificant. In addition to the cash proceeds from the sales transactions above, net cash flows between the qualified special purpose entities and Sony, including servicing fees, in the fiscal years ended March 31, 2008, 2009 and 2010 related to these transactions were insignificant. Although the subsidiary continues servicing the receivables subsequent to being sold, no servicing liabilities are recorded as the costs of collection of the sold receivables are insignificant.

During the fiscal year ended March 31, 2010, Sony established an accounts receivable sales program in the United States. Through this program, a newly created special purpose entity, which is consolidated by a U.S. subsidiary, can sell up to 450 million U.S. dollars of eligible trade accounts receivables in the aggregate at any one time to a commercial bank. These transactions are accounted for as a sale in accordance with the accounting guidance for transfers and servicing of financial assets and extinguishments of liabilities, because Sony has relinquished control of the receivables. Total trade accounts receivables sold during the fiscal year ended March 31, 2010 were 258,085 million yen (2,893 million U.S. dollars). Losses from these transactions were insignificant. In addition to the cash proceeds from the sales transactions above, net cash flows between the special purpose entity which is consolidated by Sony and the commercial bank, including servicing fees, in the fiscal year ended March 31, 2010 related to these transactions were insignificant. 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 or contributed receivables are insignificant.

7. Marketable securities and securities investments

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

	Yen in millions							
	March 31, 2009				March 31, 2010			
	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	1,399,125	46,815	(6,494)	1,439,446	1,264,725	29,496	(3,397)	1,290,824
Japanese local government bonds	95,752	2,209	(7)	97,954	27,750	1,097	(5)	28,842
Japanese corporate bonds	622,904	2,911	(507)	625,308	360,554	3,773	(106)	364,221
Foreign corporate bonds	283,078	934	(20,922)	263,090	281,003	4,818	(6,492)	279,329
Other	34,987	625	(312)	35,300	11,141	83	(123)	11,101
	2,435,846	53,494	(28,242)	2,461,098	1,945,173	39,267	(10,123)	1,974,317
Equity securities	114,910	11,254	(8,974)	117,190	99,753	74,430	(3,437)	170,746
Held-to-maturity Securities:								
Japanese national government bonds	1,384,423	31,919	(4,421)	1,411,921	2,248,230	3,318	(30,740)	2,220,808
Japanese local government bonds	28,419	304	(1)	28,722	23,617	346	-	23,963
Japanese corporate bonds	10,207	120	(28)	10,299	32,041	150	(321)	31,870
Foreign corporate bonds	42,360	16	(4)	42,372	50,831	18	(7)	50,842
	1,465,409	32,359	(4,454)	1,493,314	2,354,719	3,832	(31,068)	2,327,483
Total	4,016,165	97,107	(41,670)	4,071,602	4,399,645	117,529	(44,628)	4,472,546

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, 2010			
	Available-for-sale securities		Held-to-maturity securities	
	Cost	Fair Value	Cost	Fair Value
Due in one year or less	224,531	222,474	7,746	7,807
Due after one year through five years	583,230	590,563	45,941	46,520
Due after five year through ten years	469,253	493,692	9,051	9,506
Due after ten years	668,159	667,588	2,291,981	2,263,650
Total	1,945,173	1,974,317	2,354,719	2,327,483

Proceeds from sales of available-for-sale securities were 1,296,797 million yen, 1,165,451 million yen and 785,698 million yen for the fiscal years ended March 31, 2008, 2009 and 2010, respectively. On these sales, gross realized gains computed on the average cost basis were 36,832 million yen, 41,860 million yen and 39,622 million yen and gross realized losses were 8,418 million yen, 30,554 million yen and 37,537 million yen, respectively.

Marketable securities classified as trading securities at March 31, 2009 and 2010 were 286,323 million yen and 353,353 million yen, respectively, which consist of debt and equity securities.

In the ordinary course of business, Sony maintains long-term investment securities, included in securities investments and other, issued by a number of non-public companies. The aggregate carrying amounts of the investments in non-public companies at March 31, 2009 and 2010, totaled 60,400 million yen and 70,705 million yen, respectively. Non-public equity investments are primarily valued at cost as fair value is not readily determinable.

With respect to trading securities, primarily in the Financial Services segment, Sony recorded net unrealized losses of 57,003 million yen and 79,476 million yen for the fiscal years ended March 31, 2008 and 2009, respectively, and net unrealized gains of 50,992 million yen for the fiscal year ended March 31, 2010. Changes in the fair value of trading securities are primarily recognized in Financial service revenue in the consolidated statements of income.

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, 2009 and 2010.

	Yen in millions					
	March 31, 2009					
	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	198	-	95,493	(6,494)	95,691	(6,494)
Japanese local government bonds	3,444	(7)	-	-	3,444	(7)
Japanese corporate bonds	32,542	(101)	12,067	(406)	44,609	(507)
Foreign corporate bonds	131,305	(9,968)	89,475	(10,954)	220,780	(20,922)
Other	20,223	(205)	787	(107)	21,010	(312)
	187,712	(10,281)	197,822	(17,961)	385,534	(28,242)
Equity securities	38,745	(5,704)	10,778	(3,270)	49,523	(8,974)
Held-to-maturity Securities:						
Japanese national government bonds	492,521	(4,421)	-	-	492,521	(4,421)
Japanese local government bonds	789	(1)	273	-	1,062	(1)
Japanese corporate bonds	3,140	(28)	-	-	3,140	(28)
Foreign corporate bonds	606	(4)	-	-	606	(4)
	497,056	(4,454)	273	-	497,329	(4,454)
Total	723,513	(20,439)	208,873	(21,231)	932,386	(41,670)

	Yen in millions					
	March 31, 2010					
	Less than 12 months		12 months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Available-for-sale:						
Debt securities:						
Japanese national government bonds	139,613	(891)	53,704	(2,506)	193,317	(3,397)
Japanese local government bonds	1,887	(5)	-	-	1,887	(5)
Japanese corporate bonds	48,151	(84)	1,965	(22)	50,116	(106)
Foreign corporate bonds	46,764	(378)	88,258	(6,114)	135,022	(6,492)
Other	6,441	(123)	-	-	6,441	(123)
	242,856	(1,481)	143,927	(8,642)	386,783	(10,123)
Equity securities	10,069	(934)	11,486	(2,503)	21,555	(3,437)
Held-to-maturity Securities:						
Japanese national government bonds	1,496,584	(11,066)	465,416	(19,674)	1,962,000	(30,740)
Japanese local government bonds	100	-	-	-	100	-
Japanese corporate bonds	19,828	(314)	95	(7)	19,923	(321)
Foreign corporate bonds	88	(4)	305	(3)	393	(7)
	1,516,600	(11,384)	465,816	(19,684)	1,982,416	(31,068)
Total	1,769,525	(13,799)	621,229	(30,829)	2,390,754	(44,628)

For the fiscal years ended March 31, 2008, 2009 and 2010, total realized impairment losses were 37,117 million yen, 45,644 million yen and 5,508 million yen, respectively. No other-than-temporary impairment loss was recorded to accumulated other comprehensive income as a result of the adoption of the accounting guidance for the recognition and presentation of other than temporary impairments for debt securities for the fiscal year ended March 31, 2010.

At March 31, 2010, Sony determined that the decline in value for securities with unrealized losses shown in the above table is not other-than-temporary in nature.

8. Leased assets

Sony leases certain communication and commercial equipment, plant, office space, warehouses, employees' residential facilities and other assets. Certain of these leases have renewal and purchase options. Sony has also entered into capital lease arrangements with third parties to finance certain of its theatrical productions.

Leased assets under capital leases are comprised of the following:

	Yen in millions	
	March 31	
Class of property	2009	2010
Land	66	62
Buildings	1,610	1,005
Machinery, equipment and others	18,168	11,807
Film costs	22,757	21,175
Accumulated amortization	(11,793)	(7,543)
	30,808	26,506

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2010:

	Yen in millions
Fiscal year ending March 31:	
2011	8,530
2012	6,643
2013	4,570
2014	3,389
2015	2,662
Later years	17,659
Total minimum lease payments	43,453
Less - Amount representing interest	8,440
Present value of net minimum lease payments	35,013
Less - Current obligations	7,131
Long-term capital lease obligations	27,882

Total minimum capital lease payments have not been reduced by minimum sublease income of 6,245 million yen due in the future under noncancelable subleases.

Rental expenses under operating leases for the fiscal years ended March 31, 2008, 2009 and 2010 were 87,040 million yen, 87,360 million yen and 87,077 million yen, respectively. Sublease rentals received under operating leases for the fiscal years ended March 31, 2008, 2009 and 2010 were 1,718 million yen, 1,742 million yen and 1,675 million yen, respectively. The total minimum rentals to be received in the future under noncancelable subleases for operating leases as of March 31, 2010 were 5,151 million yen.

The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2010 are as follows:

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	Yen in millions
Fiscal year ending March 31:	
2011	40,715
2012	32,685
2013	23,365
2014	17,892
2015	14,256
Later years	55,170
Total minimum future rentals	184,083

9. Goodwill and intangible assets

Intangible assets acquired during the fiscal year ended March 31, 2010 totaled 63,645 million yen, of which 63,419 million yen is subject to amortization and are comprised of the following:

	Intangible assets acquired during the year Yen in millions	Weighted-average amortization period Years
Patent rights, know-how and license agreements	16,835	6
Software to be sold, leased or otherwise marketed	27,401	3
Music catalogs	463	8
Other	18,720	5

Intangible assets subject to amortization are comprised of the following:

	Yen in millions			
	March 31, 2009		March 31, 2010	
	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Patent rights, know-how and license agreements	143,124	(69,898)	146,932	(79,403)
Software to be sold, leased or otherwise marketed	61,557	(21,664)	71,300	(29,606)
Music catalogs	180,679	(31,538)	175,172	(37,591)
Artist contracts	28,170	(12,331)	28,958	(16,754)
Other	76,165	(37,784)	89,174	(49,020)
Total	489,695	(173,215)	511,536	(212,374)

The aggregate amortization expense for intangible assets for the fiscal years ended March 31, 2008, 2009 and 2010 was 39,138 million yen, 47,101 million yen and 57,069 million yen, respectively. The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

	Yen in millions
Fiscal year ending March 31,	
2011	57,703
2012	46,113
2013	30,761
2014	20,958
2015	18,026

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

	Yen in millions	
	March 31	
	2009	2010
Trademarks	57,915	57,857
Distribution agreements	18,834	18,834
Other	3,119	3,064

Total	79,868	79,755

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The changes in the carrying amount of goodwill by segment for the fiscal years ended March 31, 2009 and 2010 are as follows:

	Yen in millions							
	Consumer Products & Devices	Networked Products & Services	B2B & Disc Mfg.	Pictures	Music	Financial Services	All Other	Total
Balance, March 31, 2008:								
Goodwill - gross	60,357	122,832	15,351	80,512	22,160	3,020	11,860	316,092
Accumulated impairments	(5,320)	-	(300)	-	-	-	(6,049)	(11,669)
Goodwill	55,037	122,832	15,051	80,512	22,160	3,020	5,811	304,423
Increase (decrease) due to:								
Acquisition	10,826	505	322	29,335	104,335	-	19,545	164,868
Impairments	-	-	-	-	(306)	-	(7,655)	(7,961)
Translation adjustments	(388)	(575)	(286)	(1,633)	(12,919)	-	(747)	(16,548)
Other *1	(128)	670	-	(736)	(613)	-	(17)	(824)
Balance, March 31, 2009:								
Goodwill - gross	70,667	123,432	15,387	107,478	112,963	3,020	30,641	463,588
Accumulated impairments	(5,320)	-	(300)	-	(306)	-	(13,704)	(19,630)
Goodwill	65,347	123,432	15,087	107,478	112,657	3,020	16,937	443,958
Increase (decrease) due to:								
Acquisition	-	724	1,591	6	7,848	-	3,256	13,425
Disposition	-	(27)	-	-	-	-	(202)	(229)
Impairments	-	-	-	-	-	(706)	(349)	(1,055)
Translation adjustments	(71)	(249)	(608)	(5,427)	(1,943)	-	(170)	(8,468)
Other *1 *2	(470)	1	1	424	(8,676)	-	(42)	(8,762)
Balance, March 31, 2010:								
Goodwill - gross	70,126	123,881	16,371	102,481	110,192	3,020	27,085	453,156
Accumulated impairments	(5,320)	-	(300)	-	(306)	(706)	(7,655)	(14,287)
Goodwill	64,806	123,881	16,071	102,481	109,886	2,314	19,430	438,869

*1 Other primarily consists of purchase price adjustments for prior years.

*2 The adjustment in the Music segment substantially all relates to a decrease of goodwill recognized from the acquisition of Bertelsmann's 50% interest in the SONY BMG joint venture by 8,649 million yen, primarily to reflect an increase in the deferred tax assets recognized in connection with the acquisition and a decrease in the acquired liabilities as certain restructuring activities that were identified at the time of the acquisition will not be implemented (see Note 18).

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As described in Note 2, Sony performs an annual impairment test for goodwill. During the fiscal year ended March 31, 2009, Sony recorded an impairment loss of 7,655 million yen for a reporting unit in All Other, which was related to goodwill recorded for Sony's acquisition of Gracenote, Inc. ("Gracenote"), a company that provides technology and services for digital media identification, enrichment and recommendation. The impairment charge for Gracenote reflected the impact of weakened economic conditions which resulted in lower growth forecasts for several key markets serviced by the company, including the automotive and mobile communications markets. The valuation of Gracenote also decreased due to the use of a higher discount rate in calculating the present value of future cash flows to reflect higher perceived economic risk due to the economic downturn. The impairment charges reflected the overall decline in the fair value of the reporting units. The fair values of the reporting units were estimated principally using a discounted cash flow analysis. See Note 24 for a further description of this acquisition.

10. Insurance-related accounts

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

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

The combined amounts of statutory net equity of the insurance subsidiaries, which is not measured in accordance with U.S. GAAP, as of March 31, 2009 and 2010 were 154,409 million yen and 206,794 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, 2008, 2009 and 2010 were 506,801 million yen, 526,303 million yen and 554,650 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, 2008, 2009 and 2010 were 53,035 million yen, 58,576 million yen and 64,987 million yen, respectively.

(2) Deferred insurance acquisition costs:

Costs that vary with and are primarily related to acquiring new insurance policies are deferred as long as they are recoverable. The deferred insurance acquisition costs include such items as commissions, medical examination costs and inspection report fees, and are subject to recoverability testing at least annually to ensure that the capitalized amounts do not exceed the present value of anticipated gross profits or premiums less benefits and maintenance expenses, as applicable. The deferred insurance acquisition costs for traditional life insurance contracts are amortized over the premium-paying period of the related insurance policies using assumptions consistent with those used in computing policy reserves. The deferred insurance acquisition costs for non-traditional life insurance contracts are amortized over the expected life in proportion to the estimated gross profits. Amortization charged to income for the fiscal years ended March 31, 2008, 2009 and 2010 amounted to 59,932 million yen, 64,599 million yen and 53,767 million yen, respectively.

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(3) Future insurance policy benefits:

Liabilities for future policy benefits are established in amounts adequate to meet the estimated future obligations of policies in force. These liabilities, which require significant management judgment and estimates, are computed by the net level premium method based upon the assumptions as to future investment yield, morbidity, mortality, withdrawals and other factors. Future policy benefits are computed using interest rates ranging from 1.4% to 4.7% 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, 2009 and 2010, future insurance policy benefits amounted to 2,486,259 million yen and 2,673,357 million yen, respectively.

11. Short-term borrowings and long-term debt

Short-term borrowings are comprised of the following:

	Yen in millions March 31	
	2009	2010
Unsecured commercial paper:		
with a weighted-average interest rate of 0.66%	172,465	
Unsecured loans:		
with a weighted-average interest rate of 3.18%	121,150	
with a weighted-average interest rate of 3.08%		38,785
Secured call money:		
with a weighted-average interest rate of 0.48%	10,000	
with a weighted-average interest rate of 0.15%		10,000
	303,615	48,785

At March 31, 2010, securities investments with a book value of 10,480 million yen were pledged as collateral for 10,000 million yen of call money, by subsidiaries in the Financial Services segment. In addition, marketable securities with a book value of 69,256 million yen were pledged as collateral for cash settlements, variation margins of futures markets and certain other purposes at March 31, 2010.

Long-term debt is comprised of the following:

	Yen in millions March 31	
	2009	2010
Unsecured loans, representing obligations principally to banks:		
Due 2009 to 2020, with interest rates ranging from 0.67% to 5.24% per annum	380,388	
Due 2010 to 2020, with interest rates ranging from 0.20% to 4.50% per annum		563,465
Unsecured 1.01% bonds, due 2010, net of unamortized discount	39,999	
Unsecured 2.04% bonds, due 2010, net of unamortized discount	49,996	49,999
Unsecured 0.80% bonds, due 2010, net of unamortized discount	49,997	49,999
Unsecured 1.52% bonds, due 2011, net of unamortized discount	49,999	49,999
Unsecured 1.16% bonds, due 2012, net of unamortized discount	39,990	39,993
Unsecured 1.52% bonds, due 2013, net of unamortized discount	34,998	34,999
Unsecured 1.57% bonds, due 2015, net of unamortized discount	29,987	29,988
Unsecured 1.75% bonds, due 2015, net of unamortized discount	24,995	24,996
Unsecured 2.35% bonds, due 2010	4,900	4,900
Unsecured 1.17% bonds, due 2011	10,500	10,500
Unsecured 0.95% bonds, due 2012		60,000
Unsecured 1.40% bonds, due 2013	10,700	10,700
Unsecured 1.30% bonds, due 2014		110,000
Unsecured 2.00% bonds, due 2018	16,300	16,300
Unsecured 2.07% bonds, due 2019		50,000
Capital lease obligations:		
Due 2009 to 2018 with interest rates ranging from 0.78% to 9.14% per annum	43,060	
Due 2010 to 2021 with interest rates ranging from 0.01% to 7.77% per annum		35,013

Guarantee deposits received	21,878	19,178
	807,687	1,160,029
Less - Portion due within one year	147,540	235,822
	660,147	924,207

In June 2009, Sony executed unsecured syndicated loans totaling 162,500 million yen having three, five and seven year maturity terms. The proceeds were used for the redemption of a previously executed syndicated loan of 80,000 million yen which matured in June 2009 and for general business activities, including working capital requirements. In addition, Sony executed a 1,000 million U.S. dollar unsecured long-term bank loan in July 2009 with a three year term.

There are no significant adverse debt covenants or cross-default provisions related to the above borrowings.

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

Fiscal year ending March 31	Yen in millions
2011	235,822
2012	94,076
2013	288,718
2014	118,043
2015	234,365
Later years	189,005
Total	1,160,029

At March 31, 2010, Sony had unused committed lines of credit amounting to 813,545 million yen and can generally borrow up to 180 days from the banks with whom Sony has committed line contracts. Furthermore, at March 31, 2010, Sony has commercial paper programs, the size of which was 1,151,280 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. 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, 2009 and 2010, the balance of time deposits issued in amounts of 10 million yen or more were 225,354 million yen and 243,629 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, 2010, 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
2012	23,847
2013	13,916
2014	3,320
2015	2,024
2016	5,367
Later years	14,735
Total	63,209

13. Fair value measurements

As discussed in Note 2, Sony adopted the accounting guidance for fair value measurements in two steps; effective April 1, 2008, Sony adopted this guidance for (a) all financial assets and liabilities and (b) nonfinancial assets and liabilities that are recognized or disclosed in the financial statements at fair value on a recurring basis (at least annually) and effective April 1, 2009, for all nonfinancial assets and liabilities that are recognized or disclosed in the financial statements at fair value on a nonrecurring basis. The information below incorporates guidance relating to determining the fair value of financial assets when there is no active market for an asset or when the pricing inputs used in determining the fair value of an asset represent a distressed sale, which was effective April 1, 2009 for Sony. Under this guidance, fair value is defined as the 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.

Sony measures fair value as an exit price using the procedures described below for assets and liabilities subject to this guidance. When available, Sony uses unadjusted quoted market prices in active markets to measure fair value and classifies such items within level 1. If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates and option volatilities. Items valued using internally generated models are classified according to the lowest level input that is significant to the valuation. Additionally, Sony considers both counterparty credit risk and Sony's own creditworthiness in determining fair value. Sony attempts to mitigate credit risk to third parties by entering into netting agreements and actively monitoring the creditworthiness of counterparties and its exposure to credit risk through the use of credit limits and by selecting major international banks and financial institutions as counterparties.

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

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

Trading securities, Available-for-sale securities and Other investments

Where quoted prices are available in an active market, securities are classified in level 1 of the fair value hierarchy. Level 1 securities include exchange-traded equities. If quoted market prices are not available for the specific security or the market is inactive, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and mainly classified in level 2 of the hierarchy. Level 2 securities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, such as the majority of government bonds and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the fair value hierarchy. Level 3 securities do not have actively traded quotes at the balance sheet date and require the use of unobservable inputs, such as indicative quotes from dealers and qualitative input from investment advisors, to value these securities. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow techniques, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation of assumptions that market participants would use in pricing the asset. Level 3 securities primarily include certain private equity investments and certain hybrid financial instruments not classified within level 1 or 2.

Derivatives

Exchange-traded derivatives valued using quoted prices are classified within level 1 of the fair value hierarchy. However, few classes of derivative contracts are listed on an exchange; thus, the majority of Sony's derivative positions are valued using internally developed models that use as their basis readily observable market parameters – i.e. parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, which are consistently applied. Where derivative products have been established for some time, Sony uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit rating of the counterparty. Further, many of these models do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets. Such instruments are generally classified within level 2 of the fair value hierarchy.

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

The fair value of Sony's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 and 2010 are as follows:

	Yen in millions			
	March 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	123,080	160,240	3,003	286,323
Available-for-sale securities				
Debt securities				
Japanese national government bonds	-	1,439,446	-	1,439,446
Japanese local government bonds	-	97,954	-	97,954
Japanese corporate bonds	44,794	572,884	7,630	625,308
Foreign corporate bonds	-	211,292	51,798	263,090
Other	-	35,300	-	35,300
Equity securities	92,464	21,164	3,562	117,190
Other investments *1	3,877	-	59,781	63,658
Derivative assets *2	-	24,401	-	24,401
Total assets	264,215	2,562,681	125,774	2,952,670
Liabilities:				
Derivative liabilities *2	-	36,386	-	36,386
Total liabilities	-	36,386	-	36,386

	Yen in millions			
	March 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	180,414	172,939	-	353,353
Available-for-sale securities				
Debt securities				
Japanese national government bonds	-	1,290,824	-	1,290,824
Japanese local government bonds	-	28,842	-	28,842
Japanese corporate bonds	4,937	358,187	1,097	364,221
Foreign corporate bonds	-	261,896	17,433	279,329
Other	365	10,736	-	11,101
Equity securities	160,128	6,682	3,936	170,746
Other investments *1	5,377	38	69,672	75,087
Derivative assets *2	-	23,796	-	23,796
Total assets	351,221	2,153,940	92,138	2,597,299
Liabilities:				
Derivative liabilities *2	-	48,599	-	48,599
Total liabilities	-	48,599	-	48,599

*1 Other investments include certain private equity investments and certain hybrid financial instruments.
*2 Derivative assets and liabilities are recognized and disclosed on a gross basis.

There were no significant transfers between Levels 1 and 2 for the fiscal year ended March 31, 2010.

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The changes in fair value of level 3 assets and liabilities for the fiscal years ended March 31, 2009 and 2010 are as follows:

	Yen in millions					
	Fiscal Year Ended March 31, 2009					
	Assets					
		Available-for-sale securities				
		Debt securities				
	Trading securities	Japanese corporate bonds	Foreign corporate bonds	Other	Equity Securities	Other investments
Beginning balance	178	9,403	32,353	1,125	4,381	21,611
Total realized and unrealized gains (losses):						
Included in earnings *1	(1,424)	(1,332)	(465)	-	(1,483)	(6,966)
Included in other comprehensive income (loss)	-	(70)	(6,219)	-	664	(2,650)
Purchases, issuances and settlements	(116)	(2,973)	20,476	-	-	2,811
Transfers in and/or out of level 3 *2 *3	4,365	2,602	5,653	(1,125)	-	44,975
Ending balance	3,003	7,630	51,798	-	3,562	59,781
Changes in unrealized gains (losses) relating to instruments still held at reporting date						
Included in earnings *1	(1,465)	(1,159)	(658)	-	(1,483)	(8,535)

	Yen in millions					
	Fiscal Year Ended March 31, 2010					
	Assets					
		Available-for-sale securities				
		Debt securities				
	Trading securities	Japanese corporate bonds	Foreign corporate bonds	Equity securities	Other investments	Derivative assets
Beginning balance	3,003	7,630	51,798	3,562	59,781	-
Total realized and unrealized gains (losses):						
Included in earnings *1	181	(260)	(404)	(2)	6,288	(69)
Included in other comprehensive income (loss)	-	-	1,818	374	2,781	-
Purchases, issuances and settlements	(562)	(5,660)	(4,247)	2	822	(186)
Transfers in and/or out of level 3 *2 *4	(2,622)	(613)	(31,532)	-	-	255

Ending balance	-	1,097	17,433	3,936	69,672	-
Changes in unrealized gains (losses) relating to instruments still held at reporting date						
Included in earnings *1	-	-	(40)	-	6,726	-

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

*2 Transfers into or out of level 3 are reported as the value as of the beginning of the period in which the transfer occurs.

*3 Certain hybrid financial instruments were transferred into Level 3 due to a significant decline in market activities.

*4 Certain corporate bonds were transferred into Level 2 because the ability to corroborate significant inputs with market observable data became possible due to a significant recovery in credit markets.

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

Disclosures for nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed at fair value on a nonrecurring basis, are required prospectively beginning April 1, 2009. During the fiscal year ended March 31, 2010, such measurements of fair value related primarily to the impairments of long-lived assets.

Long-lived assets impairments

Long-lived assets are measured at the lesser of carrying value or fair value if such assets are held for sale or when there is a determination that the asset is impaired. During the fiscal year ended March 31, 2010, Sony recorded impairment losses of 53,304 million yen related to long-lived assets with carrying values prior to impairment of 58,598 million yen; the fair value of the long-lived assets after impairments was 5,294 million yen. Sony's determination of fair value was based on the comparable market values or estimated net cash flows which considered prices and other relevant information generated by market transactions involving comparable assets or cash flow projections based upon the most recent business plan. These measurements are classified as level 3 because significant unobservable inputs, such as the conditions of the assets or projections of future cash flows, were considered in the fair value measurements.

(3) Financial instruments:

The estimated fair values of Sony's financial instruments are summarized as follows. The following summary excludes cash and cash equivalents, call loans, time deposits, notes and accounts receivable, trade, call money, short-term borrowings, notes and accounts payable, trade and deposits from customers in the banking business because the carrying values of these financial instruments approximated their fair values due to their short-term nature. The summary also excludes debt and equity securities which are disclosed in Note 7.

	Yen in millions			
	March 31, 2009		March 31, 2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Long-term debt including the current portion	807,687	809,377	1,160,029	1,168,354
Investment contracts included in policyholders' account in the life insurance business	286,104	289,905	306,625	307,656
Housing loans in the banking business	468,310	521,251	555,105	612,830

The fair values of long-term debt including the current portion and investment contracts included in policyholders' account in the life insurance business were estimated based on either the market value or the discounted future cash flows using Sony's current incremental borrowing rates for similar liabilities. The fair values of housing loans in the banking business, included in securities investments and other in the consolidated balance sheets, were estimated based on the discounted future cash flows using interest rates reflecting London InterBank Offered Rate base yield curve with a certain risk premium.

14. Derivative instruments and hedging activities

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

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

Fair value hedges
Both the derivatives designated as fair value hedges and the hedged items are reflected at fair value in the consolidated balance sheet. 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, 2008, 2009 and 2010, 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 year ended March 31, 2008, these cash flow hedges were fully effective. For the fiscal years ended March 31, 2009 and 2010, the ineffective portion of the hedging relationship is not significant. In addition, there were no amounts excluded from the assessment of hedge effectiveness for cash flow hedges.

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

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

Foreign exchange forward contracts and foreign currency option contracts

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

Sony also enters into foreign exchange forward contracts, which effectively fix the cash flows from foreign currency denominated debt. Accordingly, these derivatives have been designated as cash flow hedges.

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

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

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

Interest rate swap agreements are utilized primarily to lower funding costs, to diversify sources of funding and to limit Sony's exposure associated with underlying debt instruments and available-for-sale debt securities resulting from adverse fluctuations in interest rates, foreign currency exchange rates and changes in fair values.

Interest rate swap agreements entered into in the Financial Services segment are used for reducing the risk arising from the changes in the fair value of fixed rate available-for-sale debt securities. These derivatives are considered to be a hedge against changes in the fair value of available-for-sale debt securities in the Financial Services segment. Accordingly, these derivatives have been designated as fair value hedges.

Sony also enters into certain interest rate swap agreements for the purpose of reducing the risk arising from the changes in anticipated cash flows of variable rate debt and foreign currency denominated debt. These interest rate swap agreements, which effectively swap foreign currency denominated variable rate debt for functional currency denominated fixed rate debt, are considered to be a hedge against changes in the anticipated cash flows of Sony's foreign denominated variable rate obligations. Accordingly, these derivatives have been designated as cash flow hedges.

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

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

Other agreements

Certain subsidiaries in the Financial Services segment have credit default swap agreements, equity future contracts, other currency contracts and hybrid financial instruments as part of their portfolio investments, which are marked-to-market with changes in value recognized in financial service 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 instrument is carried at fair value.

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

Derivatives designated as hedging instruments	Balance sheet location	Yen in millions		Balance sheet location		
		Fair value			Fair value	
		March 31			March 31	
	Asset derivatives	2009	2010	Liability derivatives	2009	2010
Interest rate contracts	Prepaid expenses and other current assets	294	853	Current liabilities other	7,115	10,269
Interest rate contracts		-	-	Liabilities other	1,428	1,884
Foreign exchange contracts	Prepaid expenses and other current assets	3,162	52	Current liabilities other	49	-
		3,456	905		8,592	12,153

Derivatives not designated as hedging instruments	Balance sheet location	Yen in millions		Balance sheet location		
		Fair value			Fair value	
		March 31			March 31	
	Asset derivatives	2009	2010	Liability derivatives	2009	2010
Interest rate contracts	Prepaid expenses and other current assets	346	434	Current liabilities other		