

**SONY**

# **FY2016 Consolidated Financial Forecast**

**Sony Corporation**

Please be aware that, in the following remarks, statements made with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. These statements are based on management's assumptions in light of the information currently available to it, and, therefore, you should not place undue reliance on them.

Sony cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. For additional information as to risks and uncertainties, as well as other factors that could cause actual results to differ, please refer to today's press release, which can be accessed by visiting [www.sony.net/IR](http://www.sony.net/IR).

- **Impact of the Kumamoto earthquakes**
- **Consolidated results forecast for the fiscal year ending March 31, 2017 (“FY16”)**
- **Business segment results forecast for FY16**

I'm CFO Kenichiro Yoshida.

Today I would like to explain three topics in the next 10 minutes

## ■ Impact of the Kumamoto earthquakes

First, I will explain the status of the recovery at Kumamoto Technology Center (“Kumamoto TEC”), which was damaged by the recent earthquakes. As we previously announced, we restarted our wafer processing operations located in the lower levels of the building beginning on May 21st. Currently, we are gradually increasing the utilization rate and, in regards to our core CMOS image sensors, we aim to reach full utilization on a wafer input basis around the end of August.

## Impact of the 2016 Kumamoto Earthquakes on Operating Income

(Compared to the level anticipated prior to the Earthquakes)

(Bln yen)

	Physical Damage	Opportunity Losses	Total Earthquake Impact
<b>Imaging Products &amp; Solution (IP&amp;S)</b>	-	<b>-45</b>	<b>-45</b>
<b>Devices</b>	<b>-25</b>	<b>-35</b>	<b>-60</b>
<b>Corporate</b>	-	<b>-10</b>	<b>-10</b>
<b>Consolidated total</b>	<b>-25</b>	<b>-90</b>	<b>-115</b>

· Figures shown above do not include expected insurance recoveries

· Opportunity losses in Corporate are fixed costs that were scheduled to be allocated to IP&S and Devices segments based on sales, and are no longer expected to be allocated from Corporate

At this time, we expect the negative impact on consolidated operating income from the earthquakes to be approximately 115 billion yen, primarily due to property damage, which includes repair expenses mainly for equipment, and opportunity loss from decreased sales. The breakdown of the negative impact on a business segment basis is 45 billion yen in the Imaging Products & Solutions (“IP&S”) segment, 60 billion yen in the Devices segment and 10 billion yen in Corporate and elimination. As for the three Electronics segments other than the Devices and IP&S segments, we have confirmed that the impact of the earthquakes is immaterial. I will now turn to the results forecast.

## FY2016 Consolidated Results Forecast

(Bln Yen)

	FY14 Results	FY15 Results	FY16 Forecast	Change from FY15
Sales & operating revenue	8,215.9	8,105.7	<b>7,800</b>	-3.8%
Operating income	68.5	294.2	<b>300</b>	+2.0%
Income before income taxes	39.7	304.5	<b>270</b>	-11.3%
Net income attributable to Sony Corporation's stockholders	-126.0	147.8	<b>80</b>	-45.9%
Restructuring charges	98.0	38.3	<b>12</b>	-68.6%
Capital expenditures	251.0	468.9	<b>355</b>	-24.3%
Depreciation & amortization	354.6	397.1	<b>385</b>	-3.0%
Research & development	464.3	468.2	<b>460</b>	-1.7%
Foreign exchange rates	Actual	Actual	<b>Assumption</b>	
1 US dollar	109.9 yen	120.1 yen	<b>Approx. 110 yen</b>	
1 Euro	138.8 yen	132.6 yen	<b>Approx. 120 yen</b>	

We expect consolidated sales to decrease by 4% year-on-year to 7 trillion 800 billion yen and consolidated operating income to be 300 billion yen, essentially flat year-on-year due to factors including the impact of the earthquakes. Net income attributable to Sony Corporation's stockholders is expected to decrease 46% to 80 billion yen because, in the fiscal year ended March 31, 2016 ("FY15"), we recorded a 46.8 billion yen gain on the sale of securities in non-operating income and tax expense was reduced due to one-time factors such as reversal of valuation allowances against deferred tax assets. Foreign exchange rate assumptions are 110 yen to the U.S. dollar and 120 yen to the euro. As of now, the dividend for FY16 is undecided; we want to announce the planned amount at the time of the first quarter earnings announcement.

## FY2016 Results Forecast by Segment [Reclassified]

(Bln Yen)

		FY14 Results	FY15 Results	FY16 Forecast	Change from FY15	Segment Forecast Rate Assumption
<b>Mobile Communications (MC)</b>	Sales	1,410.2	1,127.5	<b>940</b>	-16.6%	1 US dollar 113 yen
	Operating income	-217.6	-61.4	<b>5</b>	+66.4 bln yen	
<b>Game &amp; Network Services (G&amp;NS)</b>	Sales	1,388.0	1,551.9	<b>1,680</b>	+8.3%	1 Euro 129 yen
	Operating income	48.1	88.7	<b>135</b>	+46.3 bln yen	
<b>Imaging Products &amp; Solutions (IP&amp;S)</b>	Sales	700.6	684.0	<b>530</b>	-22.5%	The impact of the difference between the assumed rates for the consolidated results and the rates used when the individual segments completed their forecasts has been included in the forecast for All Other, Corporate and elimination (approx. 20 bln yen negative impact)
	Operating income	38.8	69.3	<b>16</b>	-53.3 bln yen	
<b>Home Entertainment &amp; Sound (HE&amp;S)</b>	Sales	1,238.1	1,159.0	<b>1,040</b>	-10.3%	
	Operating income	24.1	50.6	<b>36</b>	-14.6 bln yen	
<b>Devices</b>	Sales	950.4	963.0	<b>960</b>	-0.3%	
	Operating income	88.6	-29.2	<b>-40</b>	-10.8 bln yen	
<b>Pictures</b>	Sales	878.7	938.1	<b>1,010</b>	+7.7%	
	Operating income	58.5	38.5	<b>43</b>	+4.5 bln yen	
<b>Music</b>	Sales	559.2	617.6	<b>550</b>	-11.0%	
	Operating income	60.6	87.3	<b>63</b>	-24.3 bln yen	
<b>Financial Services</b>	Revenue	1,083.6	1,073.1	<b>1,140</b>	+6.2%	
	Operating income	193.3	156.5	<b>150</b>	-6.5 bln yen	
<b>All Other, Corporate and elimination</b>	Operating income	-131.0	-106.0	<b>-108</b>	-2.0 bln yen	
<b>Consolidated total</b>	Sales	8,215.9	8,105.7	<b>7,800</b>	-3.8%	
	Operating income	68.5	294.2	<b>300</b>	+5.8 bln yen	

· Due to Sony's modification to its organizational structure in FY16, certain figures in past fiscal years have been reclassified to conform to the presentation of FY16

This chart shows the FY16 forecast for each business segment. There is no change to the forecasts for the Pictures, Music and Financial Services segments announced on April 28th. As is shown in the upper right, we used 113 yen to the U.S. dollar and 129 yen to the euro when formulating the forecasts for each of the business segments. There is an approximately 20 billion yen negative impact on operating income arising from the difference in these exchange rates and the rates used for the consolidated results forecast that I mentioned previously: 110 yen to the U.S. dollar and 120 yen to the euro. This impact is included in Corporate and elimination.

## Impact of Corporate Cost Allocation Method Change on Operating Income by Segment

(Bln yen)

	FY16 Operating Income Forecast	Impact of corporate cost allocation method change
Mobile Communications (MC)	5	-3.8
Game & Network Services (G&NS)	135	-3.0
Imaging Products & Solutions (IP&S)	16	-3.5
Home Entertainment & Sound (HE&S)	36	-14.1
Devices	-40	-5.8
Pictures	43	-2.7
Music	63	-2.1
Financial Services	150	0
All Other and Corporate	-108	+35.0
<b>Consolidated total</b>	<b>300</b>	<b>0</b>

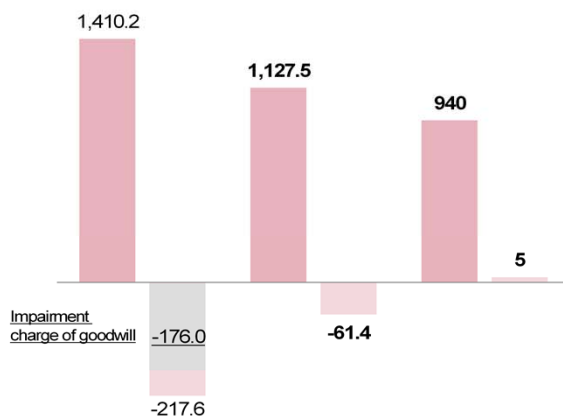
Pursuant to the separation of Sony's businesses into distinct subsidiaries and a realignment of corporate functions, beginning from FY16, a change has been made to the method of calculating the amount of corporate costs allocated to each business segment and the amount of royalties paid by each business segment for brand and patent utilization. This chart shows the impact of these changes on the operating income of each business segment. These changes have no impact on consolidated operating income. I will now turn to the forecast for the five Electronics segments. Since we already announced the actual results for FY15 on April 28th, I will only explain the forecast for FY16 for each business segment.

## Mobile Communications Segment

### Sales and Operating Income

■ Sales  
■ Operating Income

(Bln Yen)



(Mln Units)	FY14	FY15	FY16 FCT
Smartphones	39.1	24.9	20

### FY2015

- Sales: 20.0% decrease (FX Impact: -0%)
  - (-) Significant decrease in smartphone unit sales resulting from a strategic decision not to pursue scale in order to improve profitability
  - (+ ) Improvement in the product mix of smartphones, reflecting an increased focus on high value-added models
- OI: 156.1 bln yen improvement (FX Impact: -67.5 bln yen)
  - (+ ) Absence of the goodwill impairment charge of 176.0 billion yen recorded in FY14
  - (+ ) Improvement in product mix
  - (+ ) Cost reductions
  - (-) Decrease in smartphone unit sales
  - (-) Negative impact of the appreciation of the U.S. dollar, reflecting the high ratio of U.S. dollar-denominated costs
  - (-) Increase in the restructuring charges

### FY2016 Forecast

- Sales: 16.6% decrease
  - (-) Reduction in mainly mid-range smartphone unit sales reflecting an increased focus on high value-added models
  - (-) Reduction in smartphone unit sales in unprofitable geographical areas where downsizing measures were implemented during FY15
- OI: 66.4 bln yen improvement
  - (+ ) Improvement in product mix
  - (+ ) Cost reductions primarily reflecting the benefit of restructuring initiatives
  - (+ ) Reduction in restructuring charges
  - (-) Decrease in sales

First, I will talk about the Mobile Communications segment. We expect smartphone unit sales to be 20 million units in FY16 due to further focus of our product line-up on high value-added models. We also prioritized profitability on a geographic basis and, by the end of FY15, we completed initiatives designed to significantly reduce the size of our business in geographical areas where we were recording large losses. The restructuring initiatives we implemented so far have yielded greater benefit than we originally anticipated, and we expect to achieve operational cost reduction of approximately 120 billion yen in FY16 compared with the fiscal year ended March 31, 2015. As of October 2014, we had approximately 7,100 people at Sony Mobile; as of April 2016, that number was approximately 4,500 people. Partially due to this reduction, we expect operating income to be positive 5 billion yen.

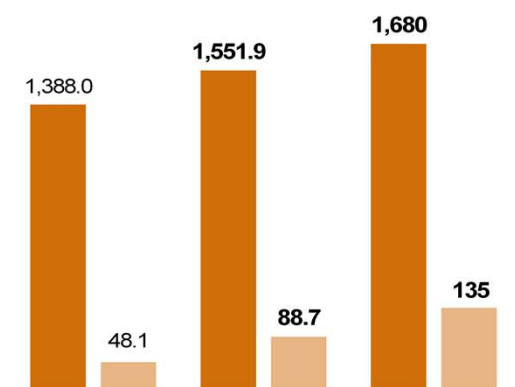


## Game & Network Services Segment

### Sales and Operating Income

(Bln Yen)

- Sales
- Operating Income



(Mln Units)

	FY14	FY15	FY16 FCT
PS4	14.8	17.7	20

### FY2015

- Sales: 11.8% increase (FX Impact: +2%)
  - (+ Increase in PS4 software sales including sales through the network
  - (+ Increase in PS4 hardware unit sales
  - (- Decrease in PS3 software and hardware sales
- OI: 40.6 bln yen increase (FX Impact: -47.7 bln yen)
  - (+ Increase in PS4 software sales
  - (+ PS4 hardware cost reductions
  - (+ Absence of 11.2 bln yen write-down of PS Vita and PS TV components recorded in FY14
  - (- Negative impact of the appreciation of the U.S. dollar, reflecting the high ratio of U.S. dollar-denominated costs
  - (- Decrease in PS3 software sales

### FY2016 Forecast

- Sales: 8.3% increase
  - (+ Increase in PS4 software sales including sales through the network
  - (+ Increase in PS4 hardware unit sales
- OI: 46.3 bln yen increase
  - (+ Increase in PS4 software and hardware sales
  - (- Decrease in PS3 software sales

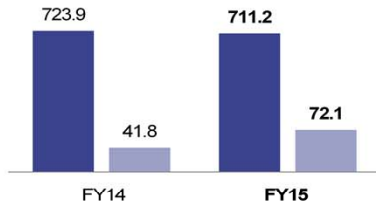
Next, I will talk about the Game & Network Services segment. We expect FY16 sales to increase 8% and operating income to be 135 billion yen due to the continued strong momentum of PlayStation 4. We expect unit sales of PlayStation 4 for the fiscal year to be 20 million units. The historical high for annual PlayStation production shipments was 22.52 million units of PlayStation2 in the fiscal year ended March 31, 2003. Approximately two and a half years have passed since the PlayStation 4 went on sale, and we believe we are beginning to enter the part of the console cycle where we harvest profit. In October of this year, we will begin selling PlayStation VR. As for PlayStation Vue, we are positioning FY16 as another investment year, like last fiscal year. It has been the nature of this business segment to have large swings in profitability on a fiscal year basis depending on where we are in the console cycle, but, by increasing network sales, we are trying to raise the baseline of profitability.

# Imaging Products & Solutions Segment

## Sales and Operating Income

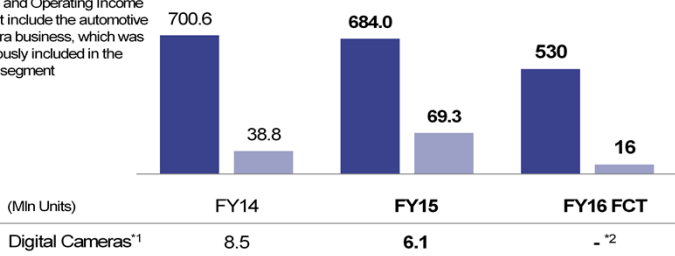
■ Sales (Bln Yen)  
■ Operating Income

<Before Segment Realignment>



<After Segment Realignment>

After Segment Realignment Sales and Operating Income do not include the automotive camera business, which was previously included in the IP&S segment



(Min Units)

	FY14	FY15	FY16 FCT
Digital Cameras <sup>*1</sup>	8.5	6.1	- <sup>*2</sup>

<sup>\*1</sup> Includes compact digital cameras and interchangeable single-lens cameras / Excludes interchangeable lenses  
<sup>\*2</sup> Due to the 2016 Kumamoto Earthquakes, Sony is unable to formulate FY16 forecast for digital camera unit sales

## FY2015

- Sales: 1.7% decrease (FX Impact: +3%)
  - (-) Decreases in unit sales of video cameras and digital cameras<sup>\*3</sup> reflecting a contraction of the market
  - (+ ) Improvement in the product mix of digital cameras<sup>\*3</sup> reflecting a shift to high value-added models
- OI: 30.4 bln yen increase (FX Impact: -1.6 bln yen)
  - (+ ) Improvement in the product mix of digital cameras<sup>\*3</sup>
  - (+ ) Cost reductions

## FY2016 Forecast

- Sales: 22.5% decrease
  - (-) Significant decreases in sales of digital cameras<sup>\*3</sup> and broadcast- and professional-use products, including sales decrease resulting from a delay in the supply of components due to 2016 Kumamoto earthquake impact
- OI: 53.3bln yen decrease
  - (-) Decrease in sales
  - (+ ) Cost reductions

<sup>\*3</sup> Includes compact digital cameras, interchangeable single-lens cameras and interchangeable lenses

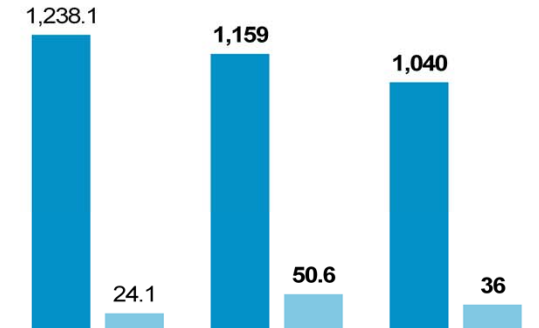
Next, I will explain the IP&S segment. We expect FY16 sales to decrease 23% and operating income to be 16 billion yen. Kumamoto TEC produces image sensors for cameras as well as micro-display devices for projectors. Due to the suspension of the production of these components, the majority of this business segment's end-user products, including cameras and projectors, have been impacted, and we expect an approximately 45 billion yen negative impact on operating income. This is the amount of opportunity loss in sales partially offset mainly by reduced expenses. This business segment has been successful at shifting to high value-added products while the camera market contracts, and, although the impact of the recent earthquakes is large, we think that the negative impact on the mid-to-long-term competitiveness of the business will be minimal.

## Home Entertainment & Sound Segment

### Sales and Operating Income

■ Sales  
■ Operating Income

(Bln Yen)



TV Business (included above)	FY14	FY15	FY16 FCT
Sales	835.1	797.8	-
Operating Income	8.3	25.8	-

LCD TVs (Mln Units)	FY14	FY15	FY16 FCT
	14.6	12.2	12

#### FY2015

■ Sales: 6.4% decrease (FX Impact: +2%)

- (-) Decrease in LCD TV unit sales
- (-) Decrease in home audio and video unit sales reflecting a contraction of the market
- (+ ) Improvement in the product mix of LCD TVs reflecting a shift to high value-added models
- (+ ) Impact of foreign exchange rates

■ OI: 26.5 bln yen increase (FX Impact: -36.7 bln yen)

- (+ ) Cost reductions
- (+ ) Improvement in product mix
- (-) Negative impact of the appreciation of the U.S. dollar reflecting the high ratio of U.S. dollar-denominated costs
- (-) Decrease in sales

#### FY2016 Forecast

■ Sales: 10.3% decrease

- (-) Impact of foreign exchange rates
- (-) Decrease in home audio and video unit sales reflecting a contraction of the market

■ OI: 14.6 bln yen decrease

- (-) Decrease in sales
- (-) Increase in expenses resulting from the change in the method of calculating royalties and other costs for brand and patent utilization, pursuant to the separation of Sony's businesses into distinct subsidiaries and the realignment of corporate functions
- (+ ) Cost reductions
- (+ ) Improvement in product mix

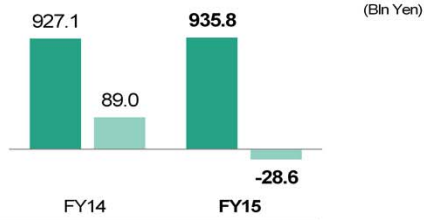
Next, I will explain the Home Entertainment & Sound segment. We expect sales to decrease 10%, primarily due to the impact of foreign exchange rates. As for televisions, we will continue to focus on high-end 4K, and we expect the proportion of 4K sales to exceed half of the overall sales of televisions this fiscal year. We expect operating income to be 36 billion yen, partially due to the change in calculation method for corporate expense I explained earlier.

## Devices Segment

### Sales and Operating Income

■ Sales  
■ Operating Income

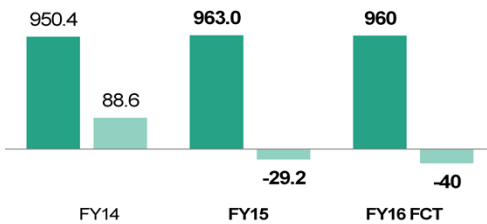
<Before Segment Realignment>



<b>Semiconductor Sales</b>	614.3	655.1
for Image Sensors (included above)	454.4	477.6
<b>Semiconductor CAPEX</b>	70.0	253.0
for Image Sensors (included above)	44.0	205.0

<After Segment Realignment>

After Segment Realignment Sales and Operating Income include the automotive camera business, which was previously included in the IP&S segment, and the Imaging Device Development Division, which was previously included in Corporate and elimination



	FY15	FY16 FCT
<b>Semiconductor Sales</b>	682.4	690
for Image Sensors (included above)	477.6	510
<b>Semiconductor CAPEX</b>	255.0	120
for Image Sensors (included above)	206.0	70

### FY2015

- Sales: 0.9% increase (FX Impact: +7%)
  - (+) Impact of foreign exchange rates
  - (+) Increase in camera modules and image sensor sales
  - (-) Decrease in battery business sales
- OI: 117.6 bln yen deterioration (FX Impact: +24.7 bln yen)
  - (-) Deterioration in the operating results of the camera module business, including a 59.6 bln yen (528 million U.S. dollars) impairment charge related to long-lived assets
  - (-) Deterioration in the operating results of the battery business, including a 30.6 bln yen (271 million U.S. dollars) impairment charge related to long-lived assets
  - (-) Increases in depreciation and amortization expenses as well as in research and development expenses
  - (+) Positive impact of foreign exchange rates

### FY2016 Forecast

- Sales: 0.3% decrease
  - (-) Impact of foreign exchange rates
  - (+) Increase in sales of image sensors for mobile products
- OI: 10.8 bln yen decrease
  - (-) Negative impact of the 2016 Kumamoto Earthquakes
  - (-) Expenses associated with the termination of the development and manufacturing of certain camera modules (approx. 30 bln yen)
  - (-) Negative impact of foreign exchange rates
  - (+) Absence of long-lived assets impairment charges recorded in FY15: 59.6 billion yen in camera module business and 30.6 bln yen in the battery business
  - (+) Insurance recoveries related to the 2016 Kumamoto Earthquakes (approx. 10 bln yen)

Next, I will talk about the Devices segment. We expect FY16 sales to slightly decrease and an operating loss of 40 billion yen to be recorded. We expect the total negative impact from the earthquakes to be approximately 60 billion yen, including approximately 25 billion yen in property damage at Kumamoto TEC and approximately 35 billion yen in opportunity losses. We also expect approximately 10 billion yen in positive impact from insurance recoveries.

After reconsidering the long-term prospects for the business, we have decided to terminate the development and production of high-functionality camera modules for external sale which we were preparing to mass produce at Kumamoto TEC. We have incorporated into our business segment forecast a loss of approximately 30 billion yen as the cost of terminating these activities.

As for image sensors for mobile, which have not been directly impacted by the earthquakes, we believe profitability for the full fiscal year will decrease significantly year-on-year primarily due to an increase in depreciation and amortization expenses and research and development expenses, as well as the negative impact of the appreciation of the yen. However, orders from the customers we lost in the summer of last year, due to our inability to supply them, are steadily returning, and we expect to see a certain degree of recovery due to this return, in the second half of the fiscal year.

## FY2016 Results Forecast by Segment [Reclassified]

(Bln Yen)

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In conclusion, you can see here our fiscal year forecast for each business segment. We plan to hold a corporate strategy meeting and IR day on June 29th. This completes my explanation.

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## Cautionary Statement

Statements made in this presentation with respect to Sony's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Sony. Forward-looking statements include, but are not limited to, those statements using words such as "believe," "expect," "plans," "strategy," "prospects," "forecast," "estimate," "project," "anticipate," "aim," "intend," "seek," "may," "might," "could" or "should," and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. From time to time, oral or written forward-looking statements may also be included in other materials released to the public. These statements are based on management's assumptions, judgments and beliefs in light of the information currently available to it. Sony cautions investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore investors should not place undue reliance on them. Investors also should not rely on any obligation of Sony to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Sony disclaims any such obligation. Risks and uncertainties that might affect Sony include, but are not limited to:

- (i) the global economic environment in which Sony operates and the economic conditions in Sony's markets, particularly levels of consumer spending;
- (ii) foreign exchange rates, particularly between the yen and the U.S. dollar, the euro and other currencies in which Sony makes significant sales and incurs production costs, or in which Sony's assets and liabilities are denominated;
- (iii) Sony's ability to continue to design and develop and win acceptance of, as well as achieve sufficient cost reductions for, its products and services, including televisions, game platforms and smartphones, which are offered in highly competitive markets characterized by severe price competition and continual new product and service introductions, rapid development in technology and subjective and changing consumer preferences;
- (iv) Sony's ability and timing to recoup large-scale investments required for technology development and production capacity;
- (v) Sony's ability to implement successful business restructuring and transformation efforts under changing market conditions;
- (vi) Sony's ability to implement successful hardware, software, and content integration strategies for all segments excluding the Financial Services segment, and to develop and implement successful sales and distribution strategies in light of the Internet and other technological developments;
- (vii) Sony's continued ability to devote sufficient resources to research and development and, with respect to capital expenditures, to prioritize investments correctly (particularly in the electronics businesses);
- (viii) Sony's ability to maintain product quality;
- (ix) the effectiveness of Sony's strategies and their execution, including but not limited to the success of Sony's acquisitions, joint ventures and other strategic investments;
- (x) significant volatility and disruption in the global financial markets or a ratings downgrade;
- (xi) Sony's ability to forecast demands, manage timely procurement and control inventories;
- (xii) the outcome of pending and/or future legal and/or regulatory proceedings;
- (xiii) shifts in customer demand for financial services such as life insurance and Sony's ability to conduct successful asset liability management in the Financial Services segment;
- (xiv) the impact of unfavorable conditions or developments (including market fluctuations or volatility) in the Japanese equity markets on the revenue and operating income of the Financial Services segment;
- (xv) Sony's ability to anticipate and manage cybersecurity risk, including the risk of unauthorized access to Sony's business information, potential business disruptions or financial losses; and
- (xvi) risks related to catastrophic disasters or similar events.

Risks and uncertainties also include the impact of any future events with material adverse impact.