SONY CORP
Form 6-K
November 01, 2016

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 November 2016
Commission File Number: 001-06439

SONY CORPORATION
(Translation of registrant's name into English)

1-7-1 KONAN, 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 X Form 40-F __

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 No X

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SONY CORPORATION
(Registrant)

By: /s/ Kenichiro Yoshida
(Signature)
Kenichiro Yoshida
Executive Deputy President and
Chief Financial Officer

Date: November 1, 2016

List of materials

Documents attached hereto:

i) Press release announcing Consolidated Financial Results for the Second Quarter Ended September 30, 2016

1-7-1 Konan, Minato-ku
News & Information Tokyo 108-0075 Japan

No. 16-107E
November 1, 2016

Consolidated Financial Results for the Second Quarter Ended September 30, 2016

Tokyo, November 1, 2016 -- Sony Corporation today announced its consolidated financial results for the second quarter ended September 30, 2016 (July 1, 2016 to September 30, 2016).

	(Billions of yen, millions of U.S. dollars, except per share amounts)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016*
Sales and operating revenue	¥1,892.7	¥1,688.9	–10.8%	$16,722
Operating income	88.0	45.7	–48.0	453
Income before income taxes	72.2	40.5	–43.9	401
Net income attributable to Sony Corporation's stockholders	33.6	4.8	–85.6	48
Net income attributable to Sony Corporation's stockholders per share of common stock:				
- Basic	¥26.64	¥3.84	–85.6	$0.04
- Diluted	26.10	3.76	–85.6	0.04

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of 101 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of September 30, 2016.

All amounts are presented on the basis of Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP").

Sony Corporation and its consolidated subsidiaries are together referred to as "Sony".

The average foreign exchange rates during the quarters ended September 30, 2015 and 2016 are presented below.

	Second Quarter ended September 30			
	2015	2016	Change	
The average rate of yen				
1 U.S. dollar	¥122.2	¥102.4	19.3%	yen appreciation
1 Euro	135.9	114.3	19.0	yen appreciation

Consolidated Results for the Second Quarter Ended September 30, 2016

Sales and operating revenue ("Sales") decreased by 10.8% compared to the same quarter of the previous fiscal year ("year-on-year") to 1,688.9 billion yen (16,722 million U.S. dollars). This decrease was mainly due to the impact of foreign exchange rates. On a constant currency basis, sales were essentially flat year-on-year, due to a decrease in Mobile Communications ("MC") segment sales reflecting a significant decrease in smartphone unit sales, substantially offset by an increase in revenues in the Financial Services segment due to an improvement in investment performance in the separate account at Sony Life Insurance Co., Ltd. ("Sony Life"), as well as an increase in sales in the Pictures segment. For further details about the impact of foreign exchange rate fluctuations on sales and operating income (loss), see Notes on page 10.

Operating income decreased 42.3 billion yen year-on-year to 45.7 billion yen (453 million U.S. dollars). This significant decrease was mainly due to the deterioration of operating results in the Semiconductors and Components segments, partially offset by improvements in the Pictures and MC segments.

Operating income in the current quarter includes a 32.8 billion yen (325 million U.S. dollars) impairment charge related to the planned transfer of the battery business recorded in the Components segment. In addition, 1.2 billion yen (11 million U.S. dollars) of net charges from the earthquakes in the Kumamoto region in 2016 (the "2016 Kumamoto Earthquakes") were recorded in the Semiconductors segment. The charges from the earthquakes include 7.2 billion yen (71 million U.S. dollars) of repair costs for certain fixed assets and a loss on disposal of inventories that were directly damaged (the "Physical Damage"), as well as 1.2 billion yen (11 million U.S. dollars) of idle facility costs at manufacturing sites and other costs. The entire amount of the Physical Damage was offset by the recognition of probable insurance recoveries.

During the current quarter, restructuring charges, net, increased 27.0 billion yen year-on-year to 32.6 billion yen (322 million U.S. dollars) primarily due to the above-mentioned impairment charge related to the planned transfer of the battery business. This amount is recorded as an operating expense included in the above-mentioned operating income.

Equity in net income of affiliated companies, recorded within operating income, increased 0.2 billion yen year-on-year to 1.1 billion yen (11 million U.S. dollars).

The net effect of other income and expenses improved 10.6 billion yen year-on-year to an expense of 5.2 billion yen (52 million U.S. dollars), primarily due to a year-on-year decrease in net foreign exchange loss.

Income before income taxes decreased 31.7 billion yen year-on-year to 40.5 billion yen (401 million U.S. dollars).

During the current quarter, Sony recorded 23.5 billion yen (232 million U.S. dollars) of income tax expense, resulting in an effective tax rate of 58.0% which exceeded the effective tax rate of 33.1% in the same quarter of the previous fiscal year. This higher effective tax rate was mainly due to the fact that Sony Corporation and its national tax filing group in Japan, which has established valuation allowances for deferred tax assets, recorded losses during the current quarter versus profits in the same quarter of the previous fiscal year.

Net income attributable to Sony Corporation's stockholders, which deducts net income attributable to noncontrolling interests, decreased 28.7 billion yen year-on-year to 4.8 billion yen (48 million U.S. dollars).

Operating Performance Highlights by Business Segment

"Sales and operating revenue" in each business segment represents sales and operating revenue recorded before intersegment transactions are eliminated. "Operating income (loss)" in each business segment represents operating income (loss) reported before intersegment transactions are eliminated and excludes unallocated corporate expenses.

Mobile Communications (MC)

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥279.2	¥168.8	–39.6%	$1,671
Operating income (loss)	(20.6)	3.7	–	37

Sales decreased 39.6% year-on-year (a 34% decrease on a constant currency basis) to 168.8 billion yen (1,671 million U.S. dollars). This significant decrease was mainly due to a reduction in mid-range smartphone unit sales, as well as a reduction in smartphone unit sales in unprofitable regions where downsizing measures were implemented during the previous fiscal year, partially offset by an improvement in the product mix of smartphones as a result of a concentration on high value-added models.

Operating income of 3.7 billion yen (37 million U.S. dollars) was recorded, compared to an operating loss of 20.6 billion yen recorded in the same quarter of the previous fiscal year. Despite the effect of the above-mentioned decrease in sales, profitability improved significantly due to cost reductions, mainly resulting from the benefit of restructuring initiatives, an improvement in product mix, the positive impact of foreign exchange rates and a decrease in restructuring charges. During the current quarter, there was a 5.4 billion yen positive impact from foreign exchange rate fluctuations (net of the impact of foreign exchange hedging).

Game & Network Services (G&NS)

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥360.7	¥319.9	–11.3%	$3,167
Operating income	23.9	19.0	–20.6	188

The G&NS segment includes the Hardware, Network, and Other categories. Hardware includes home and portable game consoles; Network includes network services relating to game, video and music content provided by Sony Interactive Entertainment; Other includes packaged software and peripheral devices.

Sales decreased 11.3% year-on-year (a 2% increase on a constant currency basis) to 319.9 billion yen (3,167 million U.S. dollars). This significant decrease was primarily due to the impact of foreign exchange rates and the impact of a price reduction for PlayStation®4 ("PS4") hardware, partially offset by an increase in PS4 software sales including sales through the network.

Operating income decreased 4.9 billion yen year-on-year to 19.0 billion yen (188 million U.S. dollars). This decrease was primarily due to the effects of the price reduction for PS4 hardware as well as a decrease in PlayStation®3 software sales, partially offset by PS4 hardware cost reductions and the above-mentioned increase in PS4 software sales. During the current quarter, there was a 0.9 billion yen negative impact from foreign exchange rate fluctuations.

Imaging Products & Solutions (IP&S)

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥180.9	¥135.4	–25.2%	$1,340
Operating income	23.1	14.9	–35.7	147

The IP&S segment includes the Still and Video Cameras as well as Other categories. Still and Video Cameras includes interchangeable lens cameras, compact digital cameras, consumer video cameras and video cameras for broadcast; Other includes display products such as projectors and medical equipment. Due to certain changes in Sony's organizational structure, sales and operating revenue and operating income (loss) of the IP&S segment of the comparable prior period have been reclassified to conform to the current presentation. For details, please see Notes on page 10.

Sales decreased 25.2% year-on-year (a 14% decrease on a constant currency basis) to 135.4 billion yen (1,340 million U.S. dollars). This significant decrease in sales was mainly due to lower sales of Still and Video Cameras, primarily reflecting a contraction of the market and the difficulty of procuring components due to the 2016 Kumamoto Earthquakes, as well as the impact of foreign exchange rates, partially offset by an improvement in the product mix of Still and Video Cameras, reflecting a shift to high value-added models.

Operating income decreased 8.2 billion yen year-on-year to 14.9 billion yen (147 million U.S. dollars). This significant decrease was mainly due to the impact of the above-mentioned decrease in sales and the negative impact of foreign exchange rates, partially offset by such factors as the above-mentioned improvement in product mix and a reduction of fixed costs. During the current quarter, there was a 9.5 billion yen negative impact from foreign exchange rate fluctuations.

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Home Entertainment & Sound (HE&S)

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥289.1	¥234.9	–18.7 %	$2,326
Operating income	15.8	17.6	+11.4	174

The HE&S segment includes the Televisions as well as Audio and Video categories. Televisions includes LCD televisions; Audio and Video includes Blu-ray Disc™ players and recorders, home audio, headphones and memory-based portable audio devices.

Sales decreased 18.7% year-on-year (a 5% decrease on a constant currency basis) to 234.9 billion yen (2,326 million U.S. dollars). This was primarily due to the impact of foreign exchange rates and a decrease in home audio and video unit sales reflecting a contraction of the market.

Operating income increased 1.8 billion yen year-on-year to 17.6 billion yen (174 million U.S. dollars). This increase was primarily due to an improvement in product mix reflecting a shift to high value-added models and cost reductions, partially offset by the negative impact of foreign exchange rates as well as the above-mentioned decrease in sales. During the current quarter, there was a 6.0 billion yen negative impact from foreign exchange rate fluctuations.

Semiconductors

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥203.9	¥193.7	–5.0 %	$1,918
Operating income (loss)	34.1	(4.2)	–	(41)

The Semiconductors segment includes image sensors and camera modules. Due to certain changes in Sony’s organizational structure, sales and operating revenue and operating income (loss) of the former Devices segment of the comparable prior period have been reclassified to conform to the current presentation. For details, please see Notes on page 10.

Sales decreased 5.0% year-on-year (a 12% increase on a constant currency basis) to 193.7 billion yen (1,918 million U.S. dollars). This decrease was primarily due to a decrease in sales of image sensors, reflecting the impact of foreign exchange rates, partially offset by an increase in the unit sales of image sensors for mobile products. Sales to external customers increased 1.1% year-on-year.

Operating loss of 4.2 billion yen (41 million U.S. dollars) was recorded, compared to operating income of 34.1 billion yen recorded in the same quarter of the previous fiscal year. This significant deterioration was primarily due to the negative impact of foreign exchange rates and 9.4 billion yen (93 million U.S. dollars) in inventory write-downs of certain image sensors for mobile products, partially offset by the above-mentioned increase in the unit sales of image sensors for mobile products. Operating loss in the current quarter includes the above-mentioned net expense of 1.2 billion yen (11 million U.S. dollars) resulting from the 2016 Kumamoto Earthquakes. During the current quarter, there was a 19.7 billion yen negative impact from foreign exchange rate fluctuations.

Components

	(Billions of yen, millions of U.S. dollars) Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥61.2	¥46.7	–23.7%	$462
Operating loss	(1.5)	(36.6)	–	(363)

The Components segment includes batteries and recording media. Due to certain changes in Sony's organizational structure, sales and operating revenue and operating income (loss) of the former Devices segment of the comparable prior period have been reclassified to conform to the current presentation. For details, please see Notes on page 10.

Sales decreased 23.7% year-on-year (an 11% decrease on a constant currency basis) to 46.7 billion yen (462 million U.S. dollars). This decrease was primarily due to the impact of foreign exchange rates and a decrease in sales in the battery business due to increasingly competitive markets.

Operating loss increased 35.1 billion yen year-on-year to 36.6 billion yen (363 million U.S. dollars). This increase was primarily due to a 32.8 billion yen (325 million U.S. dollars) impairment charge related to the planned transfer of the battery business. During the current quarter, there was a 1.6 billion yen negative impact from foreign exchange rate fluctuations.

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Total inventory of the six Electronics* segments above as of September 30, 2016 was 772.6 billion yen (7,650 million U.S. dollars), a decrease of 60.9 billion yen, or 7.3% year-on-year. Inventory increased by 136.4 billion yen, or 21.4% compared with the level as of June 30, 2016.

* The term “Electronics” refers to the sum of the MC, G&NS, IP&S, HE&S, Semiconductors and Components segments.

In connection with the realignment made from the first quarter of the fiscal year ending March 31, 2017, total inventory of the six Electronics segments as of September 30, 2015 has been reclassified to conform to the current presentation. For further details, please see Notes on page 10.

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Pictures

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥183.7	¥192.1	+4.6%	$1,902
Operating income (loss)	(22.5)	3.2	–	32

The Pictures segment is comprised of the Motion Pictures, Television Productions, and Media Networks categories. Motion Pictures includes the worldwide production, acquisition and distribution of motion pictures and direct-to-video content; Television Productions includes the production, acquisition and distribution of television programming; Media Networks includes the operation of television and digital networks worldwide.

The results presented in Pictures are a yen-translation of the results of Sony Pictures Entertainment Inc. (“SPE”), a U.S.-based operation that aggregates the results of its worldwide subsidiaries on a U.S. dollar basis. Management analyzes the results of SPE in U.S. dollars, so discussion of certain portions of its results is specified as being on “a U.S. dollar basis.”

Sales increased 4.6% year-on-year (a 25% increase on a U.S. dollar basis) to 192.1 billion yen (1,902 million U.S. dollars). The increase in sales on a U.S. dollar basis was due to higher sales for Motion Pictures, Television Productions and Media Networks. The significant increase in Motion Pictures sales was primarily due to higher theatrical revenues from films released in the current quarter including Ghostbusters, Sausage Party and Don’t Breathe. Sales in Television Productions increased significantly due to higher subscription video-on-demand licensing revenues for The Crown and The Get Down. Media Networks sales increased primarily due to higher advertising and subscription revenues in India, Europe and Latin America.

Operating income of 3.2 billion yen (32 million U.S. dollars) was recorded, compared to an operating loss of 22.5 billion yen recorded in the same quarter of the previous fiscal year. This significant improvement in operating results was primarily due to the above-mentioned increase in sales.

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Music

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Sales and operating revenue	¥139.1	¥150.2	+8.0 %	$1,487
Operating income	14.3	16.5	+15.8	164

The Music segment is comprised of the Recorded Music, Music Publishing as well as Visual Media and Platform categories. Recorded Music includes the distribution of physical and digital recorded music and revenue derived from artists' live performances; Music Publishing includes the management and licensing of the words and music of songs; Visual Media and Platform includes the production and distribution of animation titles, including game applications based on the animation titles, and various service offerings for music and visual products. Due to certain changes in Sony's organizational structure, sales and operating revenue and operating income (loss) of the Music segment of the comparable prior period have been reclassified to conform to the current presentation. For details, please see Notes on page 10.

The results presented in Music include the yen-translated results of Sony Music Entertainment ("SME") and Sony/ATV Music Publishing LLC* ("Sony/ATV"), both U.S.-based operations which aggregate the results of their worldwide subsidiaries on a U.S. dollar basis and the results of Sony Music Entertainment (Japan) Inc., a Japan-based music company which aggregates its results in yen.

* On September 30, 2016, Sony/ATV, previously a 50% owned and consolidated joint venture, became a wholly-owned subsidiary of Sony as a result of Sony's acquisition of the 50% equity interest in Sony/ATV owned by the Estate of Michael Jackson.

Sales increased 8.0% year-on-year (a 19% increase on a constant currency basis) to 150.2 billion yen (1,487 million U.S. dollars). The increase in sales was primarily due to an increase in sales of Visual Media and Platform as well as Recorded Music, partially offset by the negative impact of the appreciation of the yen against the U.S. dollar. Visual Media and Platform sales increased due to the strong performance of Fate/Grand Order, a game application for mobile devices. Recorded Music sales increased primarily due to an increase in digital streaming revenues. Best-selling titles included Celine Dion's Encore un soir, Nogizaka46's Hadashi de Summer and Kana Nishino's Just Love.

Operating income increased 2.3 billion yen year-on-year to 16.5 billion yen (164 million U.S. dollars). This increase was primarily due to the higher sales of Recorded Music as well as Visual Media and Platform discussed above, partially offset by the negative impact of the appreciation of the yen against the U.S. dollar.

Financial Services

	(Billions of yen, millions of U.S. dollars)			
	Second Quarter ended September 30			
	2015	2016	Change in yen	2016
Financial services revenue	¥210.7	¥260.5	+23.6%	$2,579
Operating income	41.2	33.6	–18.5	332

The Financial Services segment results include Sony Financial Holdings Inc. ("SFH") and SFH's consolidated subsidiaries such as Sony Life, Sony Assurance Inc. and Sony Bank Inc. ("Sony Bank"). The results of Sony Life discussed in the Financial Services segment differ from the results that SFH and Sony Life disclose separately on a Japanese statutory basis.

Financial services revenue increased 23.6% year-on-year to 260.5 billion yen (2,579 million U.S. dollars) primarily due to a significant increase in revenue at Sony Life. Revenue at Sony Life increased 29.9% year-on-year to 230.8 billion yen (2,286 million U.S. dollars) due to an improvement in investment performance in the separate account. This improvement was mainly due to a rise in the Japanese stock market during the current quarter, as compared with a decline in the same quarter of the previous fiscal year.

Operating income decreased 7.6 billion yen year-on-year to 33.6 billion yen (332 million U.S. dollars). This decrease was mainly due to a foreign exchange loss incurred at Sony Bank on foreign currency-denominated customer deposits compared to a gain in the same quarter of the previous fiscal year. Operating income at Sony Life decreased 3.7 billion yen year-on-year to 31.0 billion yen (307 million U.S. dollars) mainly due to a decline in net gains on sales of securities in the general account.

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Consolidated Results for the Six Months ended September 30, 2016

For Consolidated Statements of Income and Business Segment Information for the six months ended September 30, 2016 and 2015, please refer to pages F-3 and F-7 respectively.

Sales for the six months ended September 30, 2016 ("the current six months") decreased 10.8% year-on-year to 3,302.1 billion yen (32,695 million U.S. dollars). This decrease was primarily due to the impact of foreign exchange rates. On a constant currency basis, consolidated sales were essentially flat year-on-year, due to a significant decrease in sales of the MC segment, substantially offset by an increase in sales in the Pictures and G&NS segments. For further detail about sales on a constant currency basis, see Notes on page 10. During the current six months, the average rates of the yen were 105.3 yen against the U.S. dollar and 118.2 yen against the euro, which were 15.7% and 14.3% higher, respectively, as compared with the same period in the previous fiscal year.

In the MC segment, sales decreased due to a significant decrease in smartphone unit sales in unprofitable regions mainly due to efforts to improve profitability. In the G&NS segment, sales were essentially flat year-on-year primarily due to the contribution of PS4 software sales including sales through the network, partially offset by the negative impact of foreign exchange rates. In the IP&S segment, sales decreased significantly due to lower sales of Still and Video Cameras, primarily reflecting the difficulty of procuring components due to the 2016 Kumamoto Earthquakes, as well as the impact of foreign exchange rates. In the HE&S segment, sales decreased primarily due to the impact of foreign exchange rates and a decrease in home audio and video unit sales reflecting a contraction of the market. In the Semiconductors segment, sales decreased significantly mainly due to the impact of foreign exchange rates. In the Components segment, sales decreased mainly due to a decrease in sales of the battery business and the impact of foreign exchange rates. In the Pictures segment, sales increased due to higher theatrical and television licensing revenues for Motion Pictures, higher subscription video-on-demand revenues for Television Productions and higher advertising and subscription revenues for Media Networks, partially offset by the negative impact of the appreciation of the yen against the U.S. dollar. In the Music segment, sales increased significantly primarily due to higher Visual Media and Platform sales as well as Recorded Music sales, partially offset by the negative impact of the appreciation of the yen against the U.S. dollar. In the Financial Services segment, revenue was essentially flat year-on-year.

Operating income decreased 83.0 billion yen year-on-year to 101.9 billion yen (1,009 million U.S. dollars). This significant decrease was primarily due to a significant deterioration in the operating results in the Semiconductors and Component segments, partially offset by an improvement mainly in the MC and Pictures segments.

Operating income in the current six months includes a 32.8 billion yen (325 million U.S. dollars) impairment charge related to the planned transfer of the battery business in the Components segment. Additionally, in the Semiconductors segment, a 23.9 billion yen (237 million U.S. dollars) impairment charge against long-lived assets, including an impairment charge against investments recorded in the current period, was recorded, resulting from the termination of the development and manufacturing of certain high-functionality camera modules for external sale, as well as net charges of 14.7 billion yen (146 million U.S. dollars) in expenses resulting from the 2016 Kumamoto Earthquakes. The expenses resulting from the 2016 Kumamoto Earthquakes include 14.0 billion yen (138 million U.S. dollars) of Physical Damage and 9.2 billion yen (91 million U.S. dollars) of idle facility costs at manufacturing sites. Of the Physical Damage, 8.5 billion yen (84 million U.S. dollars) was offset by the recognition of probable insurance recoveries.

Operating income in the same period of the previous fiscal year included a 151 million U.S. dollar (18.1 billion yen) gain on the remeasurement to fair value of SME's 51% equity interest in Orchard Media, Inc. ("The Orchard"), which had previously been accounted for under the equity method, as a result of SME increasing its ownership interest to 100%, recorded in the Music segment, as well as a gain of 12.3 billion yen from the sale of a part of the logistics business, in connection with the formation of a logistics joint venture, recorded in Corporate and elimination.

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In the MC segment, profitability improved significantly due to cost reductions resulting from the benefit of restructuring initiatives, an improvement in product mix, the positive impact of foreign exchange rates and a decrease in restructuring charges, partially offset by a decrease in sales. In the G&NS segment, operating income increased year-on-year primarily due to the contribution of increased PS4 software sales including sales through the network. In the IP&S segment, operating income decreased year-on-year due to the above-mentioned decrease in sales and the impact of foreign exchange rates, partially offset by an improvement in the product mix of Still and Video Cameras, reflecting a shift to high value-added models. In the HE&S segment, operating income increased year-on-year primarily due to an improvement in product mix reflecting a shift to high value-added models and cost reductions. In the Semiconductors segment, operating results deteriorated significantly primarily due to the negative impact of exchange rates, the above-mentioned 23.9 billion yen (236 million U.S. dollars) impairment charge against long-lived assets relating to camera modules as well as the inclusion of 14.7 billion yen (146 million U.S. dollar) in net expenses relating to the 2016 Kumamoto Earthquakes, and a year-on-year increase in both inventory write-downs and expenses. In the Components segment, operating loss deteriorated significantly mainly due to the recording of the 32.8 billion yen (325 million U.S. dollars) impairment charge related to the planned transfer of the battery business. In the Pictures segment, operating results improved significantly primarily due to the above-mentioned increase in sales partially offset by higher worldwide theatrical marketing expenses. In the Music segment, operating income decreased significantly primarily due to the above-mentioned gain recorded in the same period of the previous fiscal year on the remeasurement of SME's equity interest in The Orchard, as well as the negative impact of the appreciation of the yen against the U.S. dollar, partially offset by the impact of the increase in sales. In the Financial Services segment, operating income slightly decreased primarily due to a decline in net gains on sales of securities in the general account at Sony Life.

During the current six months, restructuring charges, net, increased 18.6 billion yen year-on-year to 34.3 billion yen (340 million U.S. dollars), mainly due to the above-mentioned impairment charge related to the planned transfer of the battery business. This amount is recorded as an operating expense included in the above-mentioned operating income.

Equity in net income of affiliated companies, recorded within operating income, decreased 1.0 billion yen year-on-year to 0.4 billion yen (4 million U.S. dollars).

The net effect of other income and expenses was an expense of 4.4 billion yen (44 million U.S. dollars), compared to income of 26.0 billion yen in the same period of the previous fiscal year. This was primarily due to the absence of a 46.8 billion yen gain on the sale of certain shares of Olympus Corporation ("Olympus"), recorded in the same period of the previous fiscal year.

Income before income taxes decreased 113.4 billion yen to 97.5 billion yen (966 million U.S. dollars).

During the current six months, Sony recorded 44.0 billion yen (436 million U.S. dollars) of income tax expense, resulting in an effective tax rate of 45.1% which exceeded the effective tax rate of 30.2% in the same period of the previous fiscal year. This higher effective tax rate was mainly due to the fact that Sony Corporation and its national tax filing group in Japan, which has established valuation allowances for deferred tax assets, recorded losses during the current six months versus profits in the same period of the previous fiscal year.

Net income attributable to Sony Corporation's stockholders decreased 90.0 billion yen year-on-year to 26.0 billion yen (258 million U.S. dollars).

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Cash Flows

For Consolidated Statements of Cash Flows, charts showing Sony's cash flow information for all segments, all segments excluding the Financial Services segment and the Financial Services segment alone, please refer to pages

F-5 and F-17.

Operating Activities: During the current six months, there was a net cash inflow of 81.5 billion yen (807 million U.S. dollars) from operating activities, an increase of 55.9 billion yen, or 219.0% year-on-year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 158.7 billion yen (1,571 million U.S. dollars), a decrease of 53.2 billion yen, or 25.1% year-on-year. This decrease was primarily due to an improvement in net income after taking into account non-cash adjustments (including depreciation and amortization, gain on sales of securities investments and other operating income (expense)).

The Financial Services segment had a net cash inflow of 253.6 billion yen (2,510 million U.S. dollars), essentially flat year-on-year.

Investing Activities: During the current six months, Sony used 667.6 billion yen (6,610 million U.S. dollars) of net cash in investing activities, an increase of 210.6 billion yen, or 46.1% year-on-year.

For all segments excluding the Financial Services segment, there was a net cash outflow of 200.1 billion yen (1,981 million U.S. dollars), an increase of 106.5 billion yen, or 113.9% year-on-year. The increase was mainly due to the absence of the cash inflow from the sales of certain shares of Olympus recorded in the same period of the previous fiscal year and an increase in fixed asset purchases.

The Financial Services segment used 466.8 billion yen (4,622 million U.S. dollars) of net cash, an increase of 103.3 billion yen, or 28.4% year-on-year. This increase was mainly due to a year-on-year decrease in proceeds from sales or return of investments and collections of advances at Sony Life.

In all segments excluding the Financial Services segment, net cash used in operating and investing activities combined*[1] for the current six months was 358.8 billion yen (3,553 million U.S. dollars), an increase of 53.4 billion yen, or 17.5% year-on-year.

Financing Activities: Net cash provided by financing activities during the current six months was 183.3 billion yen (1,814 million U.S. dollars), a decrease of 318.0 billion yen, or 63.4% year-on-year.

For all segments excluding the Financial Services segment, there was a 5.9 billion yen (59 million U.S. dollars) net cash outflow, compared to a 324.8 billion yen net cash inflow in the same period of the previous fiscal year. During the current six months, there was a net cash outflow as Sony redeemed long-term debt and made a payment for the acquisition of the 50% equity interest in Sony/ATV, partially offset by Sony's issuance of straight bonds. During the same period of the previous fiscal year, Sony issued new stock and convertible bonds.

In the Financial Services segment, there was a 175.1 billion yen (1,734 million U.S. dollars) net cash inflow, an increase of 9.1 billion yen, or 5.5% year-on-year. This increase was primarily due to an increase in deposits from customers at Sony Bank, compared to a decrease in the same period of the previous fiscal year, partially offset by a year-on-year smaller increase in short-term borrowings at Sony Life.

Total Cash and Cash Equivalents: Accounting for the above factors and the effect of fluctuations in foreign exchange rates, the total outstanding balance of cash and cash equivalents at September 30, 2016 was 525.2 billion yen (5,200 million U.S. dollars). Cash and cash equivalents of all segments excluding the Financial Services segment was 329.6 billion yen (3,264 million U.S. dollars) at September 30, 2016, a decrease of 422.6 billion yen, or 56.2% compared with the balance as of September 30, 2015, and a decrease of 420.3 billion yen, or 56.0% compared with the balance as of March 31, 2016. Sony believes that it continues to maintain sufficient liquidity through access to a total, translated into yen, of 502.2 billion yen (4,973 million U.S. dollars) of unused committed lines of credit with financial institutions in addition to the cash and cash equivalents balance at September 30, 2016. Within the Financial Services segment, the outstanding balance of cash and cash equivalents was 195.5 billion yen (1,936 million U.S. dollars) at September 30, 2016, a decrease of 62.4 billion yen, or 24.2% compared with the balance as of September 30, 2015, and a decrease of 38.2 billion yen, or 16.3% compared with the balance as of March 31, 2016.

*1 Sony has included the information for cash flow from operating and investing activities combined, excluding the Financial Services segment's activities, as Sony's management frequently monitors this financial measure, and believes this non-U.S. GAAP measurement is important for use in evaluating Sony's ability to generate cash to maintain liquidity and fund debt principal and dividend payments from business activities other than its Financial Services segment. This information is derived from the reconciliations prepared in the Condensed Statements of Cash Flows on page F-17. This information and the separate condensed presentations shown below are not required or prepared in accordance with U.S. GAAP. The Financial Services segment's cash flow is excluded from the measure because SFH, which constitutes a majority of the Financial Services segment, is a separate publicly traded entity in Japan with a significant minority interest and it, as well as its subsidiaries, secure liquidity on their own.

This measure may not be comparable to those of other companies. This measure has limitations because it does not represent residual cash flows available for discretionary expenditures principally due to the fact that the measure does not deduct the principal payments required for debt service. Therefore, Sony believes it is important to view this measure as supplemental to its entire statement of cash flows and together with Sony’s disclosures regarding investments, available credit facilities and overall liquidity.

A reconciliation of the differences between the Consolidated Statement of Cash Flows reported and cash flows from operating and investing activities combined excluding the Financial Services segment's activities is as follows:

	(Billions of yen, millions of U.S. dollars)		
	Six months ended September 30		
	2015	2016	2016
Net cash provided by operating activities reported in the consolidated statements of cash flows	¥25.5	¥81.5	$807
Net cash used in investing activities reported in the consolidated statements of cash flows	(457.1)	(667.6)	(6,610)
	(431.6)	(586.1)	(5,803)
Less: Net cash provided by operating activities within the Financial Services segment	247.9	253.6	2,510
Less: Net cash used in investing activities within the Financial Services segment	(363.5)	(466.8)	(4,622)
Eliminations *2	10.6	14.1	138
Cash flow used by operating and investing activities combined excluding the Financial Services segment's activities	¥(305.4)	¥(358.8)	$(3,553)

*2 Eliminations primarily consist of intersegment dividend payments.

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Notes

Business Segment Realignment

Sony realigned its business segments from the first quarter of the fiscal year ending March 31, 2017 to reflect a change in the Corporate Executive Officers in charge of certain segments and modifications to the organizational structure of certain segments as of April 1, 2016. As a result of this realignment, Sony has separated the Devices segment into a Semiconductors segment and a Components segment. In addition, the operations of the automotive camera business, which were included in the IP&S segment, and the operations of the Imaging Device Development Division, which were included in Corporate and elimination, are now included in the Semiconductors segment. Additionally, certain operations which were included in All Other are now included in the Music segment. The sales and operating revenue and operating income (loss) of each segment in the fiscal year ended March 31, 2016 have been reclassified to conform to the current presentation.

Impact of Foreign Exchange Rate Fluctuations on Sales and Operating Income (Loss)

For all segments other than Pictures and Music, the impact of foreign exchange rate fluctuations on sales is calculated by applying the change in the yen's periodic weighted average exchange rates for the current period of the previous fiscal year from the first three and six months of the current fiscal year to the major transactional currencies in which the sales are denominated. The impact of foreign exchange rate fluctuations on operating income (loss) described herein is calculated by subtracting from the impact on sales the impact on cost of sales and selling, general and administrative expenses calculated by applying the same major transactional currencies calculation process to cost of sales and selling, general and administrative expenses as for the impact on sales. Additionally, the MC segment enters into its own foreign exchange hedging transactions. The impact of those transactions is included in the impact of foreign exchange rate fluctuations on operating income (loss) for that segment. Since the worldwide subsidiaries of the Pictures segment and of SME and Sony/ATV in the Music segment are aggregated on a U.S. dollar basis and are translated into yen, the impact of foreign exchange rate fluctuations is calculated by applying the change in the periodic weighted average exchange rates for the current period of the previous fiscal year from the first three and six months of the current fiscal year from U.S. dollar to yen to the U.S. dollar basis operating results. This information is not a substitute for Sony’s consolidated financial statements measured in accordance with U.S. GAAP. However, Sony believes that these disclosures provide additional useful analytical information to investors regarding the operating performance of Sony.

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Outlook for the Fiscal Year Ending March 31, 2017

The forecast for consolidated results for the fiscal year ending March 31, 2017, as announced on October 31, 2016, has not been changed, but the forecast for consolidated results for the fiscal year ending March 31, 2017, as announced on July 29, 2016, has been revised as follows:

	(Billions of yen)				Change - November Forecast vs.	
	November Forecast	October Forecast	July Forecast	March 31, 2016 Results	July Forecast	March 31, 2016 Results
Sales and operating revenue	¥7,400	¥7,400	¥7,400	¥8,105.7	–%	–8.7%
Operating income	270	270	300	294.2	–¥30 bil	–¥24.2 bil
Income before income taxes	250	250	270	304.5	–¥20 bil	–¥54.5 bil
Net income attributable to Sony Corporation's stockholders	60	60	80	147.8	–¥20 bil	–¥87.8 bil

Assumed foreign currency exchange rates for the remainder of the current fiscal year ending March 31, 2017 are the following.

	Remainder of the current fiscal year	(For your reference) Remainder of the current fiscal year at the time of the July forecast
1 U.S. dollar	approximately 101 yen	approximately 103 yen
1 Euro	approximately 113 yen	approximately 114 yen

Consolidated sales for the fiscal year ending March 31, 2017 are expected to remain unchanged from the July forecast primarily because decreased sales of the MC segment are expected to be offset by increased sales of the IP&S and other segments.

Consolidated operating income is expected to be lower than the July forecast primarily due to an expected increase in operating loss in the Components segment and in All Other, Corporate and elimination, partially offset by an expected improvement in operating results mainly in the IP&S and Semiconductors segments. A loss of 33.0 billion yen is expected to be incurred for the fiscal year related to the planned transfer of the battery business. The negative impact on consolidated operating income related to the 2016 Kumamoto Earthquakes is expected to be approximately 10.5 billion yen in the IP&S segment and approximately 39.5 billion yen in the Semiconductors segment. In addition, because the sales of these two segments are expected to be lower than the level anticipated prior to the earthquakes, approximately 3.5 billion yen in fixed costs that were scheduled to be allocated to these two segments based on sales are no longer expected to be allocated from All Other, Corporate and elimination, resulting in a total expected negative impact on consolidated operating income of approximately 53.5 billion yen. However, this impact is expected to be partially offset by approximately 10 billion yen in insurance recoveries for the fiscal year ending March 31, 2017 that are expected to be included in the Semiconductors segment. At the time of the July forecast, the total negative impact on consolidated operating income related to the 2016 Kumamoto Earthquakes was expected to be approximately 80 billion yen, of which approximately 26 billion yen was expected to be in the IP&S segment, approximately 48 billion yen was expected to be in the Semiconductors segment and approximately 6 billion yen was expected to be in All Other, Corporate and elimination. At the time of the July forecast, Sony also expected this impact to be partially offset by approximately 10 billion yen in insurance recoveries for the fiscal year ending March 31, 2017, in the Semiconductors segment.

Restructuring charges for the Sony Group are expected to increase 30 billion yen compared with the July forecast to approximately 42 billion yen (38.3 billion yen was recorded in the fiscal year ended March 31, 2016), due to the above-mentioned transfer of the battery business. This amount will be recorded as an operating expense included in the above-mentioned forecast for operating income.

Income before income taxes is expected to decrease due to the above-mentioned decrease in operating income, partially offset by lower-than-expected foreign-exchange losses for the fiscal year compared with the July forecast due to lower-than-expected foreign-exchange losses during the current quarter.

Net income attributable to Sony Corporation's stockholders is expected to decrease due to the above-mentioned decrease in income before income taxes and an increase in tax expenses resulting from the above-mentioned transfer of the battery business, partially offset by a decrease in net income attributable to noncontrolling interests.

The forecast for each business segment has been revised as follows:

	(Billions of yen)			Change – November Forecast from	
	March 31, 2016 Results	July Forecast	November Forecast	March 31, 2016 Results	July Forecast
Mobile Communications					
Sales and operating revenue	¥1,127.5	¥840	¥780	–30.8%	–7.1%
Operating income (loss)	(61.4)	5	5	+ ¥66.4 bil	–
Game & Network Services					
Sales and operating revenue	1,551.9	1,590	1,590	+2.5%	–
Operating income	88.7	135	135	+ ¥46.3 bil	–
Imaging Products & Solutions					
Sales and operating revenue	684.0	540	560	–18.1%	+3.7%
Operating income	69.3	22	34	– ¥35.3 bil	+ ¥12.0 bil
Home Entertainment & Sound					
Sales and operating revenue	1,159.0	1,000	1,010		