SoftBank

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Consolidated Financial Report
For the Nine Months Ended December 31, 2019 (IFRS)

February 7, 2020

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2019

(1) Consolidated operating results (Percentages are shown as year-on-year changes)

	Revenue		Operating income		Profit before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2019	**3,617,960**	**4.7**	**795,127**	**9.0**	**729,597**	**8.0**	**469,165**	**3.5**	**436,637**	**3.1**	**468,240**	**6.3**
Nine months ended December 31, 2018	3,454,494	-	729,489	-	675,376	-	453,242	-	423,310	-	440,401	-
Nine months ended December 31, 2018 (before retrospective adjustment)	2,776,660		634,946		573,792		392,317		395,895		329,920	

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	**91.45**	**90.24**
Nine months ended December 31, 2018	88.43	87.97
Nine months ended December 31, 2018 (before retrospective adjustment)	82.70	82.27

Notes:

(1) Financial results for the nine months ended December 31, 2018 presented in the table above reflect the impact of transactions under common control during the nine months ended December 31, 2019 which includes acquisition of investments in Z Holdings Corporation.

(2) On October 1, 2019, Z Holdings Corporation transitioned to a holding company structure through a company split (absorption-type company split) and changed its trade name from Yahoo Japan Corporation.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of December 31, 2019	**9,965,865**	**1,684,334**	**967,597**	**9.7**
As of March 31, 2019	8,036,328	2,022,567	1,498,157	18.6
As of March 31, 2019 (before retrospective adjustment)	5,775,045	1,264,455	1,247,093	21.6

Note: Financial results for the fiscal year ended March 31, 2019 presented in the table above reflect the impact of transactions under common control during the nine months ended December 31, 2019 which includes acquisition of investments in Z Holdings Corporation.

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	0.00	-	37.50	37.50
Fiscal year ending March 31, 2020	-	42.50	-		
Fiscal year ending March 31, 2020 (Forecast)				42.50	85.00

Note: Revision to the forecast on dividends: No

3. Consolidated Financial Result Forecasts for the Fiscal Year Ending March 31, 2020

(Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net income attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2020	4,820,000	3.5	900,000	10.0	480,000	3.8	100.27

Notes:

(1) Revision to the forecast on financial results: Yes
For details, refer to "(4) Forecasts" under "1. Results of Operations" on page 17.

(2) The forecasts were made under the assumption that Z Holdings Corporation became a subsidiary at the beginning of fiscal year ending March 31, 2020.

(3) Percentages shown as year-on-year changes are using comparison information (non-audited) retrospectively restated to having accounted for Z Holdings Corporation as subsidiary from fiscal year ended March 31, 2019, as stated in Data Sheet.

(4) On October 1, 2019, Z Holdings Corporation transitioned to a holding company structure through a company split (absorption-type company split) and changed its trade name from Yahoo Japan Corporation.

* Notes

(1) Significant changes in scope of consolidation (changes in scope of consolidation of specified subsidiaries): Yes

Newly consolidated: Three Companies

Company Names: Z Holdings Corporation, ASKUL Corporation, The Japan Net Bank, Limited

Excluded from consolidation: None

Note: For details, refer to "(1) Significant Changes in Scope of Consolidation for the Nine Months Ended December 31, 2019" under "2. Notes to Summary Information" on page 18 of the appendix to this consolidated financial report.

(2) Changes in accounting policies and accounting estimates

[1] Changes in accounting policies required by IFRS: Yes

[2] Changes in accounting policies other than those in [1]: No

[3] Changes in accounting estimates: No

Note: For details, refer to "(2) Changes in Accounting Policies" under "2. Notes to Summary Information" on page 18 of the appendix to this consolidated financial report.

(3) Number of issued shares (common stock)

[1] Number of shares issued (including treasury stock)

As of December 31, 2019	4,787,145,170 shares
As of March 31, 2019	4,787,145,170 shares

[2] Number of shares of treasury stock

As of December 31, 2019	46,000,000 shares
As of March 31, 2019	- shares

[3] Average number of shares outstanding during the period

Nine months ended December 31, 2019	4,774,461,545 shares
Nine months ended December 31, 2018	4,787,145,170 shares

*** This condensed interim consolidated financial report is not subject to audit by certified public accountants or an audit firm.**

*** Explanation on the proper use of the forecast on financial results and other notes**

This document is based on the information available to SoftBank Corp. as of the time hereof and assumptions which it believes are reasonable. Statements contained herein that are not historical facts, including, without limitation, our plans, forecasts, strategies and beliefs about our business and financial prospects, are forward-looking statements. Forward-looking statements often include the words such as “targets”, “plans”, “believes”, “hopes”, “continues”, “expects”, “aims”, “intends”, “will”, “may”, “should”, “would”, “could” “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof. These forward-looking statements do not represent any guarantee by us or our management of future performance or of any specific outcome are subject to various risks and uncertainties, including, without limitation, general economic conditions, conditions in the Japanese telecommunications market, our ability to adopt new technologies and business models, competition with other mobile telecommunications providers, our ability to improve and maintain our telecommunications network, our reliance on third parties in conducting our business, including SoftBank Group Corp. and its other subsidiaries and associates, our major vendors and suppliers, and other third parties, risks relating to M&A and other strategic transactions, risks relating to information security and handling of personally identifiable information, changes in the substance and interpretation of other laws and regulations and other important factors, which may cause actual results to differ materially from those expressed or implied in any forward-looking statement.

SoftBank Corp. expressly disclaims any obligation or responsibility to update, revise or supplement any forward-looking statement in any document or generally to the extent allowed by law or stock exchange rule. Use of or reliance on the information in this material is at your own risk.

For assumptions underlying forecasts, notes on the use of forecasts and related matters, please see “(4) Forecasts” under “1. Results of Operations” on page 17 of the appendix to this consolidated financial report.

For subsidiaries acquired through common control transactions during the nine months ended December 31, 2019, the Company accounts for those transactions based on the book value of SoftBank Group Corp., and regardless of the actual transaction date, retrospectively combines the financial statements of the acquired companies as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period, as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries. For details, refer to “Note 2. Significant accounting policies” under “(6) Notes to Condensed Interim Consolidated Financial Statements” in “3. Condensed Interim Consolidated Financial Statements and Primary Notes” on page 29 of the appendix to this consolidated financial report.

(How to obtain supplementary financial materials and information on the earnings results briefing)

On Friday, February 7, 2020 (JST), the Company will hold an earnings results briefing for the media, institutional investors, and financial institutions. This earnings results briefing is scheduled to be broadcast live on the Company’s website in both Japanese and English at https://www.softbank.jp/en/corp/ir/documents/presentations/. The Data Sheet is also scheduled to be posted on the Company’s website concurrently with the earnings report, and the materials and videos to be used at the earnings results briefing, along with a summary of the main questions and answers, are scheduled to be posted on the Company’s website promptly after the earnings results briefing.

(Appendix)

Contents

Definition of Company Names and Abbreviations Used in this Appendix

Company names and abbreviations used in this appendix, except as otherwise stated or interpreted differently in the context, are as follows:

Company names / Abbreviations	Definition
The Company	SoftBank Corp. (standalone basis)
The Group	SoftBank Corp. and its subsidiaries
SoftBank Group Corp.	SoftBank Group Corp. (standalone basis)
SoftBank Group	SoftBank Group Corp. and its subsidiaries
Z Holdings[1]	Z Holdings Corporation (standalone basis)
Z Holdings Group	Z Holdings Corporation and its subsidiaries
Yahoo Japan[2]	Yahoo Japan Corporation (standalone basis)

Notes:

1. On October 1, 2019, Z Holdings Corporation transitioned to a holding company structure through a company split (absorption-type company split) and changed its trade name from Yahoo Japan Corporation to Z Holdings Corporation. In this document, Z Holdings Corporation is referred to as "Z Holdings", including transactions that were entered into prior to the name change.

2. Refers to Yahoo Japan Corporation, which succeeded the Yahoo business from Z Holdings as a result of the company split (absorption-type company split) conducted on October 1, 2019.

Reportable Segments

The Company made Z Holdings a subsidiary on June 27, 2019, and has therefore added the Yahoo segment as a reportable segment from the three months ended June 30, 2019 to make four reportable segments: Consumer segment, Enterprise segment, Distribution segment, and Yahoo segment. Following Z Holdings becoming a subsidiary, the Company has retrospectively restated its comparison information (condensed interim consolidated financial statements for the nine months and three months ended December 31, 2018 and condensed interim consolidated statements of financial position as of March 31, 2019). Please see Note 2 below for details.

The main businesses and core companies of each reportable segment are as follows:

Segments	Main business	Core companies
Reportable segments		
Consumer segment	・Provision of mobile communications services to individual customers ・Provision of broadband services ・Sale of mobile devices	The Company Wireless City Planning Inc. SB Mobile Service Corp. WILLCOM OKINAWA, Inc. LINE MOBILE Corporation
Enterprise segment	・Provision of mobile communications services to enterprise customers ・Provision of fixed-line communications services, such as data communications and fixed-line telephone services ・Provision of cloud, global, AI/IoT and other solution services	The Company Wireless City Planning Inc. SB Engineering Corp.[4] IDC Frontier Inc.
Distribution segment	・Provision of products and services addressing ICT, cloud services, IoT solutions and other areas for enterprise customers ・Provision of mobile and PC peripherals, including accessories, as well as software, IoT products and other items for individual customers	SB C&S Corp.
Yahoo segment	・Provision of commerce-related services such as *YAHUOKU!*, *Yahoo! Shopping, ZOZOTOWN* and others ・Provision of membership services such as *Yahoo! Premium* ・Provision of financial and payment-related services such as credit cards ・Provision of advertising-related services such as paid search services and display advertising	Z Holdings Yahoo Japan eBOOK Initiative Japan Co., Ltd. Ikyu Corporation ASKUL Corporation ZOZO, Inc. YJ Card Corporation YJFX, Inc. The Japan Net Bank, Limited ValueCommerce Co., Ltd.
Other	・Provision of settlement services ・Online security trading service for smartphones ・Provision of online business solutions and services ・Planning and production of digital media and digital content ・Sales of download licenses for PC software and advertising sales ・R&D and manufacturing of network equipment, business planning, and activities for usage of frequency band, related to the HAPS business[3] ・Others	The Company SB Payment Service Corp. One Tap BUY Co., Ltd. SB Technology Corp.[5] ITmedia Inc. Vector Inc. HAPSMobile Inc.

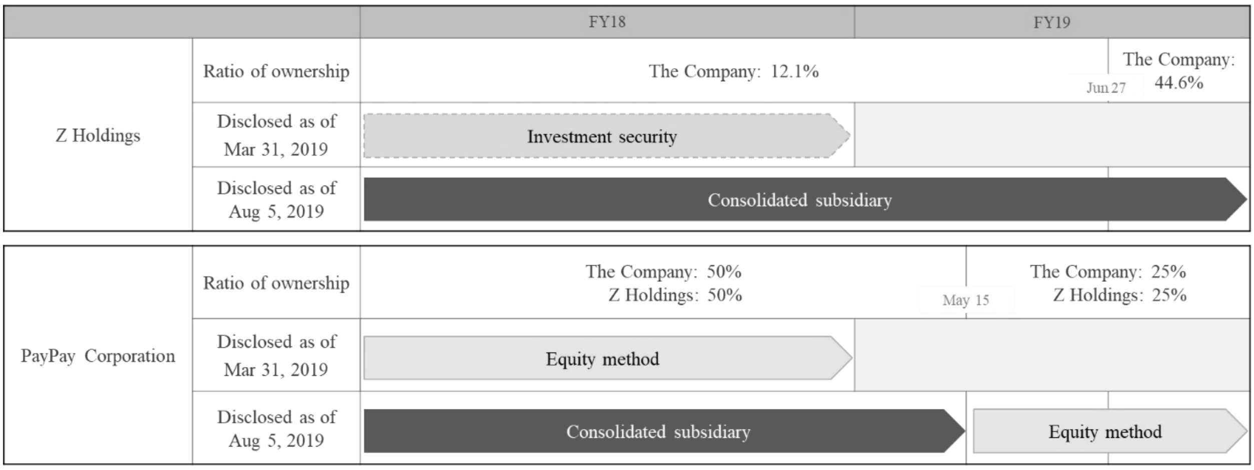
Notes:

1. Segment income for reportable segments is calculated as follows:

   Segment income = (revenue – operating expenses (cost of sales + selling, general and administrative expenses) ± other operating income and loss) in each segment

2. The Company purchased new shares issued by Z Holdings in a capital increase by third-party allotment with a payment date of June 27, 2019, thereby making Z Holdings a subsidiary of the Company. (For details, please see "(1) Acquisition of investments in Z Holdings Corporation" under "4. Business combinations" under "(6) Notes to Condensed Interim Consolidated Financial Statements" in "3. Condensed Interim

Consolidated Financial Statements and Primary Notes".) This transaction has been accounted for as a transaction under common control, and the Z Holdings Group's financial statements have been consolidated as a part of the Group's condensed interim consolidated financial statements retrospectively from April 1, 2018. Furthermore, PayPay Corporation conducted a third-party allotment of new shares for ¥46,000 million to SoftBank Group Corp. on May 15, 2019, after which the Company's ratio of voting rights in PayPay Corporation changed as shown in the diagram below. Accordingly, the Company has accounted for PayPay Corporation as a subsidiary belonging to "Other" until May 14, 2019 and as an equity method associate from May 15, 2019 onward. The respective ratios of voting rights in PayPay Corporation for the Company and Z Holdings became 25.5%, as a result of an increase in investment from the Company and Z Holdings to PayPay Corporation on December 27, 2019. There is no change in the terms and conditions of the agreements between shareholders such as the number of dispatched officers, except for ratios of voting rights. Based on a comprehensive review of these conditions, the Group has determined that it does not substantially control PayPay Corporation and continues to account for it as an equity method associate.



3. HAPS (High Altitude Platform Station) refers to systems where unmanned objects such as aircraft flying in the stratosphere can be operated like telecommunications base stations to deliver connectivity across wide areas.
4. On October 1, 2019, the company was renamed to SB Engineering Corp. from Telecom Engineering CO., LTD.
5. On October 1, 2019, the company was renamed to SB Technology Corp. from SoftBank Technology Corp.

Adoption of IFRS 16 "Leases"

The Group has adopted IFRS 16 "Leases" from the three months ended June 30, 2019. The Group has applied a modified retrospective approach and has not retrospectively revised comparison information (condensed interim consolidated financial statements for the nine months and three months ended December 31, 2018 and condensed interim consolidated statement of financial position as of March 31, 2019). For details, please see "(1) Application of new accounting standards and interpretations" under "2. Significant accounting policies" in "(6) Notes to Condensed Interim Consolidated Financial Statements" in "3. Condensed Interim Consolidated Financial Statements and Primary Notes."

Furthermore, the main impacts on the Group of adopting the standard are as follows:

Condensed Interim Consolidated Statement of Financial Position

・Increase in assets due to recognition of right-of-use assets related to leases previously classified as operating leases

・Increase in interest-bearing debt due to recognition of lease liabilities related to leases previously classified as operating leases

Condensed Interim Consolidated Statement of Income

・Increase in depreciation and amortization associated with depreciation of recognized right-of-use assets and decrease of the amount previously recorded for operating lease payments

・Increase in interest expense due to recording interest expense as financing cost for recognized lease liabilities

Condensed Interim Consolidated Statement of Cash Flows

・Within the amount of operating lease payments, which were previously included in cash flows from operating activities, the amount corresponding to payment of principal on lease liabilities is now included in cash flows from financing activities, resulting in an increase in cash flows from operating activities and a decrease in cash flows from financing activities.

1. Results of Operations

(1) Overview of Consolidated Results of Operations

a. Management Environment and the Group's Initiatives

In the fiscal year ending March 31, 2020, services of 5G (fifth generation mobile communications system), a next-generation communication standard that is expected to have an impact on most industries, will start. With 5G, the Japanese telecommunications industry will enter a new stage. The characteristics of 5G include ultra-high speed, large capacity, low latency, and massive machine to machine connections. These are expected to promote the broad spread of IoT[1], in which objects will be linked and communicate with one another. Use of IoT is expected to enable creation of new businesses in various industries and to promote digital transformation[2] of companies themselves.

Guided by its corporate philosophy of "Information Revolution—Happiness for everyone," the Group aims to be a corporate group that maximizes enterprise value while providing essential technologies and services to people around the world, through enhancing its telecommunications business and developing various new businesses in the information and technology fields. In the 5G era, under its Beyond Carrier strategy, the Group will continue to expand the customer base that it has developed in the telecommunications business, while also creating new businesses that leverage cutting-edge technologies such as IoT, AI[3], big data, and robotics, both by itself and through "co-creation" with partner companies. In doing so, the Group aims to solve various social issues facing Japan.

To strengthen its relationship with Z Holdings in the creation of such new businesses, the Company made Z Holdings a consolidated subsidiary in June 2019.[4] The Group's collaboration with Z Holdings prior to making it a subsidiary has mainly included initiatives in the telecommunications business field, such as a campaign to award up to 10% in points[5] to customers when they purchase products on *Yahoo! Shopping* and providing *Yahoo! Premium* benefits free of charge via links with *Yahoo! JAPAN ID*. With Z Holdings becoming a subsidiary, the Group will also promote non-telecommunications businesses such as FinTech in a more active and integrated manner. The two companies will optimize the allocation of management resources based on an integrated strategy that enables them to maximize synergies. Combining the customer base that the Group has built in the telecommunications business and Z Holdings Group's internet service user base and big data, which are among the largest in Japan, the two companies aim to provide even more attractive and convenient services to a larger number of customers through leveraging smartphones. Moreover, in December 2019, the Company, NAVER Corporation, Z Holdings and LINE Corporation concluded a definitive agreement ("Definitive Integration Agreement") for the business integration between Z Holdings and LINE Corporation ("Business Integration"). Z Holdings and LINE Corporation also entered into a capital alliance agreement[6]. The Group positions this transaction to be instrumental in increasing the corporate value of the Group by generating further growth at Z Holdings, a crucial component to its *Beyond Carrier* strategy, and creating new business opportunities in the 5G era.

To expand the customer base, following efforts in the previous fiscal year, the Group is providing services aligned to customers' needs through three brands: the *SoftBank* brand, a high-value-added brand for customers who require cutting-edge smartphones and mobile devices as well as high-volume flat-rate data plans; the *Y!mobile* brand, a brand that provides services for smartphones to customers who prefer low monthly communication charges; and the *LINE MOBILE* brand, which caters to the low price band by providing mainly online services targeting users in their teens and 20s. Under the *SoftBank* brand, the Group has already been providing the *Ultra Giga Monster Plus* plan, which separates handset payments and service fees, since the previous fiscal year. Before the amended Telecommunications Business Act became effective, the Group has transitioned to plans that have no provisions on contract periods or contract cancellation fees since September 2019. Additionally, in October 2019, the Group also started to provide similar plans under the *Y!mobile* brand that have no provisions on contract periods or contract cancellation fees, and that separate handset payments and service fees. As a result, the number of smartphone subscribers as of December 31, 2019 had increased by 1,401 thousand from March 31, 2019. In broadband services, the Company has seen steady growth in the number of subscribers to the *SoftBank Hikari* high-speed internet connection service for households, with an increase of 333 thousand from March 31, 2019. Additionally, in preparation for the rollout and aiming for an early commercial launch of 5G, the Group is progressing research and development such as demonstration trials. In November 2019, as part of a joint research project with Honda Motor Co., Ltd. on connected car technologies utilizing 5G, we conducted a technical verification for 5G-connected cars in commercial-level environments and confirmed that stable communications could be achieved under various conditions, such as wireless verification and use case verification. We were the first[7] in the world to successfully run a 5G-connected car utilizing 256QAM[8] and 4×4 MIMO[9] technologies with a commercial-level telecommunications equipment compliant with 3GPP Release 15[10]. Going forward, the Company will continue to undertake various initiatives, including demonstrations with the most advanced technologies, to realize next-generation connected cars, autonomous driving and MaaS[11].

Looking at initiatives to expand new businesses, the Group is working to foster collaboration with companies that possess cutting-edge technologies and companies that provide solutions, including investees of SoftBank Group. Specifically, the Group is working to establish joint ventures with each partner company and expand new businesses. Since many of these joint ventures are equity method associates, they contribute to the Company's business results through the share of profit or loss of affiliates accounted for using the equity method.

PayPay Corporation ("PayPay"), which was established by the Company and Z Holdings, provides *PayPay*, a smartphone payment service using barcodes and QR codes. PayPay has continuously implemented various campaigns with the aim of having customers use the service for daily payments. These campaigns have been successful, driving steady growth in the number of payments, while the number of registered users exceeded 22 million[12] in 15 months since the service started. To encourage *PayPay* online usage, the Group changed the fixed-period T Points awarded in campaigns for Yahoo-related services and so forth to *PayPay*

Bonus Light, changed long-term contract rewards of *SoftBank* users to *PayPay Bonus* from August 2019, and Yahoo Japan began offering *PayPay Mall* and *PayPay Flea Market* in October 2019. Going forward, the Group will continue to expand the use of *PayPay* beyond the single function of payments, and aims to drive the evolution of *PayPay* into a "Super App" that makes various aspects of daily life more convenient with smartphones, leveraging the characteristics of *PayPay* as a smartphone app. Collaborating with the new subsidiary Z Holdings Group, the Group will expand *PayPay* to a wide variety of services such as offline payments, online payments, payments of utility bills, and peer-to-peer transactions among individuals, and at the same time increase the number of stores where *PayPay* can be used. In the process, the Group will promote the business of PayPay as an important payment platform.

WeWork Japan, a joint venture between the Company and The We Company, which provides community centric workspaces in 127 cities in 33 countries around the world as of the end of December 2019, has opened workspaces in 18 locations in Tokyo and 8 locations in other cities throughout Japan comprising Yokohama, Osaka, Fukuoka, Nagoya and Kobe.

DiDi Mobility Japan Corp. ("DiDi"), a joint venture between the Company and transportation platform operator DiDi Chuxing Technology Co., Ltd., offers a taxi-hailing platform in major Japanese cities. In November 2019, *DiDi,* a taxi-hailing app provided by DiDi, was linked with *PayPay* as the first new feature of *Mini App* in the *PayPay* app. The service enables users to complete all steps from hailing taxis to payments on the *PayPay* app. In December 2019, DiDi introduced a Pre-Fixed Fare[13] service, and began operating Pre-Fixed Fare through the *DiDi* app, which is used by authorized taxi operators of such service in Aomori and Niigata areas. DiDi plans to introduce the service in other areas as needed and expand service deployment in the future.

The Company and Toyota Motor Corporation agreed to form a strategic partnership to facilitate the creation of mobility services. They established a joint venture, MONET Technologies Inc. ("MONET") and commenced joint business operations in February 2019. Subsequently, MONET concluded capital and business alliance agreements with Isuzu Motors Limited, Suzuki Motor Corporation, Subaru Corporation, Daihatsu Motor Co., Ltd., Hino Motors, Ltd., Honda Motor Co., Ltd. and Mazda Motor Corporation. In October 2019, the Tokyo Metropolitan Government conducted a public offering of a demonstration trial for the construction of a MaaS social implementation model. MONET undertook the project with Kajima Corporation, Takeshiba Area Management, DENTSU INC., Tokai Kisen Co., Ltd., TOKYU LAND CORPORATION, and East Japan Railway Company. The seven companies started demonstration trials to implement a new mobility service that links multiple public transportation facilities, with the aim of improving the convenience of transportation in the Takeshiba area. In December 2019, MONET concluded agreements with Aichi Prefecture and Osaka Prefecture, and will work to utilize next-generation mobility services. Another initiative is the MONET Consortium, which was launched to build a MaaS open platform, promote the spread of MaaS, resolve social issues in mobility, and create new value. As of the end of December 2019, 463 companies have joined the consortium. Through continuing efforts to conduct trials aimed at the commercialization of services, collaborate with local governments, and carry out the activities of the MONET Consortium, MONET aims to realize and promote the spread of innovative mobility services that will resolve social issues in Japan and enable new value creation.

In April 2019, OYO Hotels & Homes, which operates hotels and housing businesses in more than 800 cities in 80 countries[14] including Japan, announced the establishment of a joint venture, OYO Hotels Japan G.K., with the Company and SoftBank Vision Fund. In October 2019, the joint venture officially commenced its full-scale hotel operations in Japan. OYO Hotels Japan G.K. will provide a hospitality model that is wholly technology led to hoteliers across the country, as well as providing standardized, affordable and trusted options for both domestic and international business and leisure travelers.

Notes:

1. IoT stands for Internet of Things, a technology that will enable communications between all manner of things via the internet.
2. Digital transformation refers to the use of data and digital technologies by companies to reshape organizations, processes, business operations and other elements.
3. AI stands for Artificial Intelligence.
4. The Company acquired new shares issued by Z Holdings by third-party allotment on June 27, 2019, for which the Company was the allottee, for ¥456,466 million (the "Capital Increase by Third-Party Allotment"). In tandem with the Capital Increase by Third-Party Allotment, Z Holdings also conducted a tender offer for its own shares (the "Tender Offer") targeted at the common stock of Z Holdings held by the Company's parent company, SoftBank Group Japan Corp. As a result of the Capital Increase by Third-Party Allotment and the Tender Offer, the Company's ratio of voting rights held in Z Holdings as of the end of June 2019 was 44.6%.
5. Includes T Points that can only be used at designated T Point partner merchants for a limited period.
6. The Business Integration is subject to receipt of required competition law and foreign exchange law and other clearances and permits required by applicable law and regulation in each country as well as the satisfaction of the other preconditions specified in the Definitive Integration Agreement.
7. As of September 25, 2019, according to the survey by the Company.
8. 256QAM is a modulation method in wireless communications that increases the amount of data that can be transported at once by increasing the density of information.
9. 4×4 MIMO is a technology that uses four antennas each at transmitters (base stations) and receivers (terminals) to transmit and receive data simultaneously.
10. 3GPP is a standard organization that develops standards for mobile communications systems. 3GPP Release 15 is a standard specification of 5G-NR, a new radio access technology defined by 3GPP for 5G mobile networks.
11. MaaS: Mobility as a Service, referring to services that aim to resolve social issues related to mobility by optimizing demand and supply using data related to movement of vehicles and people.
12. Figure as of the end of December 2019.
13. Pre-Fixed Fare is a new service for taxis approved by the Ministry of Land, Infrastructure, Transport and Tourism on October 25, 2019.
14. Figures as of the end of December 2019.

b. Consolidated Results of Operations

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Revenue	3,454,494	**3,617,960**	163,466	4.7%
Operating income	729,489	**795,127**	65,638	9.0%
Profit before income taxes	675,376	**729,597**	54,221	8.0%
Income taxes	(222,134)	**(260,432)**	(38,298)	17.2%
Net income	453,242	**469,165**	15,923	3.5%
Net income attributable to:				
Owners of the Company	423,310	**436,637**	13,327	3.1%
Non-controlling interests	29,932	**32,528**	2,596	8.7%
Adjusted EBITDA[1]	1,114,519	**1,290,877**	176,358	15.8%

Notes:

1. Adjusted EBITDA = operating income + depreciation and amortization (including loss on disposal of non-current assets) ± other adjustments
2. The figures for the nine months ended December 31, 2018 in the table above have been retrospectively revised to reflect transactions under common control conducted in the nine months ended December 31, 2019, which include the acquisition of shares in Z Holdings. For figures before the retrospective revision, please refer to "(3) Transactions under common control" under "2. Significant accounting policies" in "(6) Notes to Condensed Interim Consolidated Financial Statements" in "3. Condensed Interim Consolidated Financial Statements and Primary Notes."

An overview of the consolidated results of operations for the nine months ended December 31, 2019 is as follows:

(a) Revenue

For the nine months ended December 31, 2019, revenue increased across all segments by ¥163,466 million (4.7%) year on year to ¥3,617,960 million. Revenue increased by ¥25,896 million in the Consumer segment, ¥15,086 million in the Enterprise segment, ¥72,546 million in the Distribution segment, and ¥51,530 million in the Yahoo segment.

(b) Operating income

For the nine months ended December 31, 2019, operating income increased across all segments by ¥65,638 million (9.0%) year on year to ¥795,127 million. Operating income increased by ¥19,955 million in the Consumer segment, ¥3,314 million in the Enterprise segment, ¥2,613 million in the Distribution segment, and ¥7,352 million in the Yahoo segment. Operating income under Others increased by ¥30,070 million. This increase was mainly due to the recording of an operating loss related to PayPay Corporation, which was accounted for as a subsidiary in the same period of the previous fiscal year, and the recording of a gain on loss of control due to the reclassification of Cybereason Japan Corp. from the Company's subsidiary to an equity method affiliate in the period under review.

(c) Net income

Net income for the nine months ended December 31, 2019 increased by ¥15,923 million (3.5%) year on year to ¥469,165 million. The increase in income taxes in the period under review was mainly due to the recording of ¥19,504 million in income taxes related to the gain on intergroup transfer of shares of Z Holdings, following the conclusion of the Definitive Integration Agreement for the business integration between Z Holdings and LINE Corporation, and the impact of the use of loss carryforwards in the same period of the previous fiscal year, in addition to an increase in profit before income taxes. Share of losses of associates accounted for using the equity method increased by ¥25,599 million to ¥29,948 million. This increase was mainly due to initiatives undertaken to expand business at PayPay Corporation, which has been accounted for as an equity method affiliate since May 2019.

(d) Net income attributable to owners of the Company

For the nine months ended December 31, 2019, net income attributable to owners of the Company increased by ¥13,327 million (3.1%) year on year to ¥436,637 million. For the nine months ended December 31, 2019, net income attributable to non-controlling interests increased by ¥2,596 million (8.7%) year on year to ¥32,528 million, mainly due to the consolidation of ZOZO, Inc.

(e) Adjusted EBITDA

For the nine months ended December 31, 2019, adjusted EBITDA increased by ¥176,358 million (15.8%) year on year to ¥1,290,877 million. The increase mainly reflects, in addition to the increase in operating income, an increase of ¥105,557 million for depreciation and amortization due to transferring rents that were previously classified as operating leases to depreciation and interest expense due to the adoption of IFRS 16 from the period under review. The Group believes that adjusted EBITDA, which excludes the impact of non-cash transactions, is a useful and necessary indicator for more effective evaluation of its business performance.

c. Principal Operational Data

Mobile Communications Services

Figures represent the total number of mobile communications subscribers served by the Consumer segment and Enterprise segment. All operational data for mobile communications services includes the *SoftBank*, *Y!mobile* and *LINE MOBILE* brands.

(Thousands)

Cumulative Subscribers	March 31, 2019	**December 31, 2019**	Change
Total	44,536	**45,184**	648
Main subscribers*	34,741	**35,927**	1,186
Smartphones	22,082	**23,483**	1,401
Communication modules and others	7,738	**7,504**	(234)
PHS	2,057	**1,753**	(304)

(Thousands)

Net Additions	Nine Months Ended December 31 2018	**2019**	Change
Main subscribers*	1,048	**1,186**	138
Smartphones	1,329	**1,401**	72

Churn Rate and Total ARPU		Three Months Ended December 31 2018	**2019**	Change
Main subscribers*	Churn rate	1.03%	**0.86%**	-0.16pp
	Total ARPU (yen)	4,380	**4,440**	60
	ARPU before discount (yen)	5,420	**5,100**	(310)
	Discount on ARPU (yen)	(1,040)	**(660)**	370
Smartphones	Churn rate	0.79%	**0.53%**	-0.25pp

Note: The number of main subscribers includes subscribers to the *Wireless Home Phone* service. ARPU and churn rate are calculated and presented excluding this service.

Broadband Services

Data for high-speed internet connection services for households provided in the Consumer segment.

(Thousands)

Cumulative Subscribers	March 31, 2019	**December 31, 2019**	Change
Total	7,643	**7,778**	135
SoftBank Hikari	5,916	**6,250**	333
Yahoo! BB Hikari with FLET's	894	**812**	(83)
Yahoo! BB ADSL	833	**717**	(116)

<Definitions and Calculation Methods of Principal Operational Data>

Mobile Communications Services

Main subscribers: smartphones, feature phones, tablets, mobile data communications devices, *Wireless Home Phone,* and others

*Smartphones covered by the *Smartphone Family Discount* and mobile data communications devices covered by the *Data Card 2-Year Special Discount* are included in communication modules and others.

Communication modules and others: communication modules, *Mimamori Phone*, prepaid mobile phones, others

*Communication modules that use PHS networks are included under PHS.

Churn rate: average monthly churn rate (rounded to the nearest 0.01%)

(Calculation method)

Churn rate = number of churn / number of active subscribers

*Number of churn: the total number of subscribers who canceled the service during the relevant period. The number of churn excludes the number of subscribers who switch between *SoftBank*, *Y!mobile* and *LINE MOBILE* using Mobile Number Portability (MNP).

*Churn rate (smartphones): Churn rate for smartphone subscribers within main subscribers

ARPU: Average Revenue Per User per month (rounded to the nearest ¥10)

(Calculation method)

Total ARPU = (data-related revenue + basic monthly charges and voice-related revenue + device warranty service revenue + content-related revenue + advertising revenue, etc.) / number of active subscribers

* Data-related revenue: packet communication and flat-rate charges, basic monthly internet connection charges, etc.
* Basic monthly charges and voice-related revenue: basic monthly charges, voice call charges, revenues from incoming calls, etc.
* Number of active subscribers: the total of the monthly numbers of active subscribers for the relevant period ((cumulative subscribers at the beginning of the month + cumulative subscribers at the end of the month) / 2)

Discount on ARPU = monthly discount + broadband service bundle discount (including *Home Bundle Discount Hikari Set* and *Fiber-optic Discount*)

* The calculation of ARPU excludes discount on telecom service revenues relating to points awarded and *Half Price Support*.
* *Half Price Support* enables customers to purchase eligible smartphones in 48 monthly installments, with the remaining monthly payments waived if the customer trades in their used handset to upgrade to a designated new model after 24 monthly installments. From September 12, 2019, the Company has stopped accepting new applications for *Half Price Support*.

Broadband Services

SoftBank Hikari: integrated service that combines fiber-optic service using the wholesale fiber-optic connection of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (hereinafter, “NTT East”) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (hereinafter, “NTT West”) with an Internet Service Provider (ISP) service

(Cumulative Subscribers) the number of users for which physical connection of a fiber-optic line at the central office of NTT East or NTT West is complete (includes the number of subscribers to *SoftBank Air*)

Yahoo! BB Hikari with FLET’S: ISP service offered as a package with NTT East and NTT West’s *FLET’S Hikari Series* fiber-optic connection

(Cumulative Subscribers) the number of users for which physical connection of a fiber-optic line at the central office of NTT East or NTT West is complete and who are provided with services

Yahoo! BB ADSL: service combining an ADSL connection service and an ISP service

(Cumulative Subscribers) the number of users of *Yahoo! BB ADSL* for which the physical connection of an ADSL line at the central office of NTT East or NTT West is complete

Figures for “Change” in “c. Principal Operational Data” are calculated based on numbers before rounding. Accordingly, the figures for “Change” may not match the changes in figures calculated based on rounded numbers presented in “c. Principal Operational Data.”

d. Results by Segment

(a) Consumer Segment

OVERVIEW

In the Consumer segment, the Group provides telecommunications services, such as mobile communications services, including sales of mobile devices and broadband services to individual customers in Japan. For mobile device sales, the Group procures mobile devices from mobile device manufacturers and sells the mobile devices through distributors operating SoftBank shops, etc. The Group also sells mobile devices to individual customers.

Main initiatives in the nine months ended December 31, 2019

- In June 2019, the Group launched a new price plan, *Smartphone Debut Plan*, targeting non-smartphone users who will migrate to *SoftBank* smartphone users. This service is provided from ¥980 per month (excluding tax)[1] for one year that allows 1 GB data usage per month.
- In September 2019, the Company began offering new price plans for *SoftBank* customers that have no contract period or contract cancellation fee. Under the new price plans, basic charges that had previously varied with the type of devices used by customers, such as smartphones, tablets, feature phones, or mobile Wi-Fi routers, have been standardized. The *Ultra Giga Monster Plus* plan is offered at a monthly rate starting from ¥3,480 (excluding tax)[2], providing a 50 GB monthly data allowance and unlimited use of eligible video and social networking services without the consumption of the monthly data allowance. *Ultra Giga Monster Plus* includes *Basic Plan (voice calls)* and *Data Flat-rate 50 GB Plus*.
- In September 2019, under the *SoftBank* brand, the Company began offering *Tokusuru Support*, a new program that reduces the burden of device charge payments. Under *Tokusuru Support,* a customer purchases an eligible device in 48 monthly installments and simultaneously signs up for this service. If the customer purchases a designated model according to the method prescribed by the Company after 24 monthly installments, the remaining monthly payments will be waived starting with the billing month after the billing month that contains the assessment completion date. Customers may sign up for *Tokusuru Support* with the payment of a monthly fee of ¥390 (non-taxable) for 24 months and benefit from the program whether they are *SoftBank* subscribers or not.
- In September 2019, the Company and WILLCOM OKINAWA, Inc. announced that they will revise *Y!mobile* price plans for smartphones and increase the data capacity of those plans. Under the revised price plans, monthly charges have been reduced compared with the previous price plans, and contract periods and contract cancellation fees have been abolished. As a result, customers will be able to use smartphones at a monthly rate starting from ¥1,480 (excluding tax)[3].

Notes:

1. Assuming the service includes the basic voice call plan, option for semi-flat-rate voice calls, and 1 GB data allowance (smartphone) and the discounts include the *First Year Discount* and *1 GB-only Discount*.
2. Assuming the application of the *First Year Discount* and *Home Bundle Discount Hikari Set*, as well as *Everybody Family Discount Plus* for a family of four or more persons.
3. Assuming the application of *Smartphone Basic Plan S* and the *New Subscription Discount* and *Home Bundle Discount Hikari Set (A)* or *Family Discount Service*.

FINANCIAL RESULTS

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Revenue	2,010,003	**2,035,899**	25,896	1.3%
Segment income	547,588	**567,543**	19,955	3.6%
Depreciation and amortization	255,058	**311,728**	56,670	22.2%

Breakdown of Revenue

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Telecom service revenues	1,482,368	**1,561,243**	78,875	5.3%
Mobile communications	1,214,053	**1,274,610**	60,557	5.0%
Broadband	268,315	**286,633**	18,318	6.8%
Revenues from sales of goods and others	527,635	**474,656**	(52,979)	(10.0)%
Total revenue	2,010,003	**2,035,899**	25,896	1.3%

Revenue increased by ¥25,896 million (1.3%) year on year to ¥2,035,899 million.

Telecom service revenues increased by ¥78,875 million (5.3%) year on year to ¥1,561,243 million. Within telecom service revenues, mobile communications revenue increased by ¥60,557 million (5.0%) year on year. This increase was mainly due to an increase in smartphone subscribers and a decrease in monthly discounts in line with an increase in subscribers to *Ultra Giga Monster Plus*, a plan that separates handset payments and service fees, as well as longer installment contract periods for devices under this plan, despite a decline in service fees due to the introduction of *Ultra Giga Monster Plus* and a decline in average unit price due to increases in the number of *Y!mobile* and *LINE mobile* subscribers.

Within telecom service revenues, broadband revenue increased by ¥18,318 million (6.8%) year on year. This increase was mainly due to an increase in subscribers to the *SoftBank Hikari* fiber-optic service.

Revenues from sales of goods and others decreased ¥52,979 million (10.0%) year on year to ¥474,656 million. This decrease was mainly due to a decrease in mobile device sales reflecting decreases in the sales volume and unit prices of mobile devices, while there was an increase in sales from the *Ouchi Denki* service in connection with an expansion in service areas.

The total of operating expenses (cost of sales and selling, general and administrative expenses) and other operating income and loss (other operating income and other operating expenses) was ¥1,468,356 million, an increase of ¥5,941 million (0.4%) year on year. This increase was mainly due to increases in cost of products for the *Ouchi Denki* service, as well as increases in sales commissions and sales promotion expenses due to conducting aggressive sales activities, while there was a decrease in cost of products in connection with a decline in the sales volume of mobile devices. The increase in depreciation and amortization expenses was mainly due to a decrease in operating lease payments accompanied by an increase in depreciation expenses with the adoption of IFRS 16.

As a result, segment income increased by ¥19,955 million (3.6%) year on year to ¥567,543 million.

(b) Enterprise Segment

OVERVIEW

In the Enterprise segment, the Group provides a wide range of solutions for enterprise customers. These include mobile communications services, the *OTOKU Line* fixed-line telephone service, the *ConnecTalk* service enabling seamless internal line voice calling between mobile phones and fixed-line telephones, the *SmartVPN* VPN service and network services such as internet, data center services, cloud services and various solutions for enterprises such as AI, IoT, robotics, security, and digital marketing.

<u>Main initiatives in the nine months ended December 31, 2019</u>

- In April 2019, the Group started accepting applications for the *OTOKU HIKARI DENWA* fiber-optic IP telephone service for corporate customers, which provides a new option to meet their voice call needs. The *OTOKU HIKARI DENWA* service allows customers to use an IP phone without changing their current telephone number (0AB-J number)[1].
- In September 2019, as part of digital marketing initiatives, the Company, Hakuhodo Inc., and Arm Limited (hereinafter, "Arm") formed INCUDATA Corp., a joint venture that will support companies for self-transformation by utilizing data. In addition to SoftBank's proprietary data and Hakuhodo Group's consumer data, which are both sufficiently anonymized, INCUDATA Corp. will utilize Arm® Treasure Data™ enterprise CDP, Arm's customer data platform. With the combined data analysis technologies and know-how of the three companies, INCUDATA Corp. will offer individually optimized end-to-end solutions that cover strategy planning through to actual implementation.
- In October 2019, we began sales of *Automation Anywhere Enterprise*, an RPA[2] solution offered by Automation Anywhere, Inc. This has enabled us to provide optimum solutions tailored to the needs of our customers by offering two types of RPA solutions: *SynchRoid*, which was launched in November 2017 and is suited for speedy implementation led by each department, and *Automation Anywhere Enterprise*, which is suited for large-scale deployment led by the IT departments.
- In November 2019, we began providing *SoraSolution*, a drone service to enable enterprise customers to use automated navigations and photography. This service makes it simple for companies to utilize drones in their businesses. Companies with this solution are able to improve the efficiency of inspections and use it as a substitute for verification work in high places such as elevated railway tracks, steel towers and buildings, as well as at construction sites. This enables companies in a wide range of industries to improve their operation efficiency.

Notes:

1. 0AB-J numbers are fixed-line telephone numbers that begin with an area code, such as 03 (Tokyo) and 06 (Osaka).
2. RPA stands for Robotic Process Automation and refers to process automation realized by software robots.

FINANCIAL RESULTS

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Revenue	455,809	**470,895**	15,086	3.3%
Segment income	73,749	**77,063**	3,314	4.5%
Depreciation and amortization	77,412	**118,041**	40,629	52.5%

Breakdown of Revenue

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Mobile	198,246	**206,025**	7,779	3.9%
Fixed-line	157,966	**146,470**	(11,496)	(7.3)%
Business solution and others	99,597	**118,400**	18,803	18.9%
Total revenue	455,809	**470,895**	15,086	3.3%

Revenue increased by ¥15,086 million (3.3%) year on year to ¥470,895 million. Mobile revenue increased by ¥7,779 million (3.9%) to ¥206,025 million, fixed-line revenue decreased by ¥11,496 million (7.3%) to ¥146,470 million, and business solution and others revenue increased by ¥18,803 million (18.9%) to ¥118,400 million.

The increase in mobile revenue was mainly due to an increase in smartphone subscribers.

The decrease in fixed-line revenue was mainly due to a decline associated with a large contract related to network construction that expired in the previous fiscal year and a decrease in the unit price of telephone services.

The increase in business solution and others revenue was mainly from increased revenue from cloud services, sales of goods and sales of outsourcing and professional services.

The total of operating expenses (cost of sales and selling, general and administrative expenses) and other operating income and loss (other operating income and other operating expenses) was ¥393,832 million, an increase of ¥11,772 million (3.1%) year on year. This increase mainly reflects an increase in costs following the abovementioned increase in mobile and business solution and others revenues, and a temporary decline in costs due to the recording of a reversal related to an allowance for losses on orders received associated with the expiration of a large contract related to network construction in the previous fiscal year. Moreover, the increase in depreciation and amortization expenses was mainly due to a decrease in operating lease payments accompanied by an increase in depreciation expenses with the adoption of IFRS 16.

As a result, segment income increased by ¥3,314 million (4.5%) year on year to ¥77,063 million. Excluding the impact from the expiration of a large contract related to network construction in the previous fiscal year, operating income increased by ¥11,905 million (18.3%).

(c) Distribution Segment

OVERVIEW

In the Distribution segment, the Group provides cutting-edge products and services that accurately reflect the ever-changing market environment. For enterprise customers, the Group offers products and services primarily addressing ICT, cloud services and IoT solutions. For individual customers, the Group undertakes the planning and supply of products and services across a wide range of areas such as mobile and PC peripherals, including accessories, as well as software and IoT products, as a manufacturer and distributor.

Main initiatives in the nine months ended December 31, 2019

- In October 2019, SB C&S Corp. concluded business alliance agreements with Sumitomo Mitsui Card Company, Limited and JTB Business Travel Solutions, Inc. to support corporate customers in improving the efficiency of their accounting processes. SB C&S Corp. will use RPA and AI-OCR[1] to provide high-precision, high-speed BPO[2] services to the corporate users who use the two companies' services.
- In December 2019, SB C&S Corp., in joint development with HoloLab Inc., began providing an iPad version of *mixpace*, a visualization solution for the manufacturing and construction industries that automatically converts 3D design data into AR (augmented reality)/MR (mixed reality).

Notes:

1. AI-OCR stands for Artificial Intelligence Optical Character Recognition/Reader and refers to optical character recognition technology aided by AI.
2. BPO is an abbreviation for Business Process Outsourcing and refers to outsourcing business processes to outside companies.

FINANCIAL RESULTS

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Revenue	291,184	**363,730**	72,546	24.9%
Segment income	13,438	**16,051**	2,613	19.4%
Depreciation and amortization	887	**2,175**	1,288	145.2%

Revenue increased by ¥72,546 million (24.9%) year on year to ¥363,730 million. This was mainly due to firm sales of existing products such as PCs and servers for enterprise customers, and an increase in stable revenue sources such as growth in the number of licenses for cloud services.

The total of operating expenses (cost of sales and selling, general and administrative expenses) and other operating income and loss (other operating income and other operating expenses) was ¥347,679 million, an increase of ¥69,933 million (25.2%) year on year. This increase was mainly due to an increase in the cost of products owing to the increase in revenue.

As a result, segment income increased by ¥2,613 million (19.4%) year on year to ¥16,051 million.

(d) Yahoo Segment

OVERVIEW

In the Yahoo segment, the Group offers over 100 services that center on e-commerce, financial and payment-related businesses, and media covering online to offline services in a comprehensive manner. In the commerce field, the Group provides e-commerce services such as *YAHUOKU!, Yahoo! Shopping* and *ZOZOTOWN*, as well as membership services such as *Yahoo! Premium* and financial and payment-related services such as credit cards, while in the media services field it provides internet advertising-related services.

Main initiatives in the nine months ended December 31, 2019

- In October 2019, Yahoo Japan began offering *PayPay Mall*, a premium online shopping mall with strictly selected stores and value-for-money deals with points saving to *PayPay Balance* as e-money. *PayPay Mall* employs designs and functions optimized for each product category, such as home appliances and fashion, to make the visibility of information such as searches and price comparisons more user friendly.
- In October 2019, Yahoo Japan began offering *PayPay Flea Market*, which allows individuals to trade easily at fixed prices and offers value-for-money deals with points saving to *PayPay Balance* as e-money. *PayPay Flea Market* enables a smooth "flea market experience" that reduces the burden on users by simplifying transactions, such as by providing functions in the *PayPay Flea Market* app for price negotiations to save them time and effort.
- In November 2019, Z Holdings made ZOZO, Inc. a subsidiary. ZOZO, Inc. operates *ZOZOTOWN*, an online fashion shopping website. In December 2019, *ZOZOTOWN* launched its store in *PayPay Mall*.

FINANCIAL RESULTS

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Revenue	708,083	**759,613**	51,530	7.3%
Segment income	116,190	**123,542**	7,352	6.3%
Depreciation and amortization	38,510	**58,330**	19,820	51.5%

Breakdown of Revenue

(Millions of yen)

	Nine Months Ended December 31			
	2018	**2019**	Change	Change %
Commerce	481,191	**531,022**	49,831	10.4%
Media	222,386	**224,764**	2,378	1.1%
Other	4,506	**3,827**	(679)	(15.1)%
Total	708,083	**759,613**	51,530	7.3%

Revenue increased by ¥51,530 million (7.3%) year on year to ¥759,613 million. Of this, commerce revenue increased by ¥49,831 million (10.4%) to ¥531,022 million, media revenue increased by ¥2,378 million (1.1%) to ¥224,764 million, and other revenue decreased by ¥679 million (15.1%) to ¥3,827 million.

The increase in commerce revenue was mainly due to consolidation of ZOZO, Inc. and an increase in revenue associated with an increase in transaction value in existing commerce services.

The total of operating expenses (cost of sales and selling, general and administrative expenses) and other operating income and loss (other operating income and other operating expenses) was ¥636,071 million, an increase of ¥44,178 million (7.5%) year on year. This increase mainly reflected increases in selling, general and administrative expenses accompanying the consolidation of ZOZO, Inc., cost of sales associated with an increase in sales of other commerce services, and depreciation expenses associated with an increase of software and servers.

As a result, segment income increased by ¥7,352 million (6.3%) year on year to ¥123,542 million.

(2) Overview of Consolidated Financial Position

(Millions of yen)

	March 31, 2019	**December 31, 2019**	Change	Change %
Current assets	2,965,692	**3,610,184**	644,492	21.7%
Non-current assets	5,070,636	**6,355,681**	1,285,045	25.3%
Total assets	8,036,328	**9,965,865**	1,929,537	24.0%
Current liabilities	3,316,999	**4,576,850**	1,259,851	38.0%
Non-current liabilities	2,696,762	**3,704,681**	1,007,919	37.4%
Total liabilities	6,013,761	**8,281,531**	2,267,770	37.7%
Total equity	2,022,567	**1,684,334**	(338,233)	(16.7)%

Note: The figures for March 31, 2019 in the table above have been retrospectively revised to reflect transactions under common control conducted in the nine months ended December 31, 2019, which include the acquisition of shares in Z Holdings. For figures before the retrospective revision, please refer to "(3) Transactions under common control" under "2. Significant accounting policies" in "(6) Notes to Condensed Interim Consolidated Financial Statements" in "3. Condensed Interim Consolidated Financial Statements and Primary Notes."

ASSETS

Total assets amounted to ¥9,965,865 million as of December 31, 2019, an increase of ¥1,929,537 million (24.0%) from the previous fiscal year-end. This mainly reflected an increase in assets due to the consolidation of ZOZO, Inc. (including ¥212,911 million in goodwill, ¥319,902 million in customer relationships, and ¥178,720 million in trademarks), an increase of ¥486,843 million in assets due to the recognition of right-of-use assets related to lease transactions previously classified as operating leases with the adoption of IFRS 16, an increase of ¥301,792 million in trade and other receivables due to an increase of transaction value for payment business, and an increase of ¥241,254 million in cash and cash equivalents.

LIABILITIES

Total liabilities amounted to ¥8,281,531 million as of December 31, 2019, an increase of ¥2,267,770 million (37.7%) from the previous fiscal year-end. This was mainly due to new financing activities and an increase from the impact of adopting IFRS 16. The new financing primarily consisted of ¥400,000 million in borrowings for acquiring ZOZO, Inc. shares through tender offers by Z Holdings, ¥325,000 million in borrowings for the acquisition of additional shares of Z Holdings by the Company, and ¥230,000 million in unsecured bonds issued by Z Holdings. The interest-bearing debt increased by ¥499,273 million due to an increase in lease liabilities related to lease transactions previously classified as operating leases with the adoption of IFRS 16.

EQUITY

Total equity amounted to ¥1,684,334 million as of December 31, 2019, a decrease of ¥338,233 million (16.7%) from the previous fiscal year-end. The change was from increases of ¥469,165 million due to the recording of net income for the nine months ended December 31, 2019 and ¥185,750 million due to business combinations accompanying the consolidation of ZOZO, Inc., and decreases of ¥500,974 million due to the changes from transaction under common control, ¥427,246 million due to cash dividends, and ¥68,709 million due to purchase of treasury stock based on the share buyback program. The decrease of ¥500,974 million was mainly due to two accounting treatments. One is the deduction of the difference in the amount of equity acquired when Z Holdings became a subsidiary and the amount of consideration for the acquisition of Z Holdings shares from capital surplus rather than recognizing it as goodwill because the transaction was conducted as a transaction under common control. Second is the accounting policy the Company adopted which reflects the surplus after the acquisition of Z Holdings by the Company. Under this policy, all surplus recorded between the date of the acquisition of Z Holdings by parent company SoftBank Group Corp. and the date of acquisition by the Company was reversed, resulting in an increase in capital surplus and a decrease in retained earnings.

(3) Overview of Consolidated Cash Flows

(Millions of yen)

	Nine Months Ended December 31		
	2018	**2019**	Change
Net cash inflow from operating activities	727,613	**793,104**	65,491
Net cash outflow from investing activities	(434,880)	**(729,464)**	(294,584)
Net cash (outflow) inflow from financing activities	(322,820)	**177,838**	500,658
Cash and cash equivalents at the end of the period	958,192	**1,179,642**	221,450
Free cash flow	292,733	**63,640**	(229,093)
Transactions with the parent	47,239	—	(47,239)
Effect of securitization of installment sales receivables	25,011	**81,806**	56,795
Adjusted free cash flow[1]	364,983	**145,446**	(219,537)
Capital expenditures (acceptance basis, including the Z Holdings Group)	330,705	**361,140**	30,435
Capital expenditures (acceptance basis, excluding the Z Holdings Group)[2]	245,102	**216,947**	(28,155)

Notes:

1. Adjusted free cash flow = free cash flow ± total cash flows relating to non-recurring transactions with SoftBank Group Corp. + (proceeds from the securitization of installment sales receivables – repayments thereof)
2. Capital expenditures (acceptance basis, excluding the Z Holdings Group) exclude capital expenditures of the Z Holdings Group, investments in devices for rental services, and the impact of the adopting IFRS 16.

a. Cash flows from operating activities

In the nine months ended December 31, 2019, the net cash inflow from operating activities was ¥793,104 million, an increase of ¥65,491 million year on year. This reflected a decrease in cash due to an increase in trade and other receivables associated with an increase in transaction value for the payment business, an increase in cash due to the impact of adopting IFRS 16 in the period under review, and an increase in deposits in the banking business.

b. Cash flows from investing activities

In the nine months ended December 31, 2019, the net cash outflow from investing activities was ¥729,464 million, an increase of ¥294,584 million year on year. This was mainly due to the cash paid from obtaining control of control of ZOZO, Inc. to make it a subsidiary.

c. Cash flows from financing activities

In the nine months ended December 31, 2019, the net cash inflow from financing activities was ¥177,838 million. The cash outflow mainly includes ¥526,826 million in purchase of treasury stock by subsidiaries including Z Holdings and ¥396,131 million in cash dividends paid. The cash inflow mainly includes ¥400,000 million in borrowings for the acquisition of shares of ZOZO, Inc. through tender offer, ¥325,000 million in borrowings for the acquisition of additional shares of Z Holdings, and ¥230,000 million in unsecured bonds issued by Z Holdings. When compared year on year, the increase in cash outflow from the increase in cash dividends and purchase of treasury stock by subsidiaries is offset by the increase of cash inflow from the increase in the abovementioned interest-bearing debt and the absence of payment for purchase of subsidiaries' interests in the nine months ended December 31, 2019. As a result, the net cash from financing activities increased by ¥500,658 million year on year.

d. Cash and cash equivalents at the end of the period

As a result of (a) through (c) above, cash and cash equivalents at December 31, 2019 were ¥1,179,642 million, an increase of ¥221,450 million year on year.

e. Adjusted free cash flow

In the nine months ended December 31, 2019, adjusted free cash flow was positive ¥145,446 million, a decrease of ¥219,537 million year on year. This mainly reflects an increase in cash flow from operating activities and a decrease in cash flow from investing activities due to the acquisition of ZOZO, Inc.

f. Capital expenditures

In the nine months ended December 31, 2019, capital expenditures (acceptance basis, including the Z Holdings Group) were ¥361,140 million, an increase of ¥30,435 million year on year, mainly due to an increase due to the impact of adopting IFRS 16 and capital investments in 5G, despite a decrease in capital investments in the LTE service.

(4) Forecasts

The full-year consolidated results forecasts were upwardly revised by ¥20,000 million to ¥4,820,000 million for revenue, and by ¥10,000 million to ¥900,000 million for operating income, backed by a steady increase in smartphone subscribers in the Consumer and Enterprise segments and an increase in Business solution and others revenue in the Enterprise segment. Net income attributable to owners of the Company remains unchanged from the previous forecast at ¥480,000 million, due to an increase in income taxes associated with the conclusion of the Definitive Integration Agreement for the business integration between Z Holdings and LINE Corporation.

2. Notes to Summary Information

(1) Significant Changes in Scope of Consolidation for the Nine Months Ended December 31, 2019

(Specified subsidiary (three companies) newly consolidated)

The Company underwrote a capital increase by third-party allotment conducted by Z Holdings Corporation with a payment date of June 27, 2019. As a result of this transaction, the ratio of voting rights held by the Group in Z Holdings Corporation became 44.6%. In addition, officers from the Company were appointed as members of Z Holdings Corporation's Board of Directors. As a result, Z Holdings Corporation is considered substantially controlled by the Company and became a subsidiary of the Company.

Subsequently, ASKUL Corporation and The Japan Net Bank, Limited, which are subsidiaries of Z Holdings Corporation, became subsidiaries of the Company.

(2) Changes in Accounting Policies

(Changes in accounting policies required by IFRS)

The Group has adopted the following standard from the three months ended June 30, 2019:

Standard	Outline of the new/revised standards
IFRS 16 “Leases”	Revisions to accounting for leases

For details, refer to “Note 2. Significant accounting policies” under “(6) Notes to Condensed Interim Consolidated Financial Statements” in “3. Condensed Interim Consolidated Financial Statements and Primary Notes.”

3. Condensed Interim Consolidated Financial Statements and Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2019[1]	As of December 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	938,388	1,179,642
Trade and other receivables	1,695,952	1,997,744
Other financial assets	90,565	86,498
Inventories	132,820	111,209
Other current assets	107,967	235,091
Total current assets	2,965,692	3,610,184
Non-current assets		
Property, plant and equipment	1,791,260	863,954
Right-of-use assets	-	1,344,919
Goodwill	393,312	618,290
Intangible assets	1,212,390	1,704,478
Contract costs	211,733	212,906
Investments accounted for using the equity method	89,656	91,158
Investment securities	114,788	133,735
Investment securities in banking business	337,516	347,199
Other financial assets	736,490	880,677
Deferred tax assets	72,636	46,351
Other non-current assets	110,855	112,014
Total non-current assets	5,070,636	6,355,681
Total assets	8,036,328	9,965,865

(Millions of yen)

	As of March 31, 2019[1]	As of December 31, 2019
LIABILITIES AND EQUITY		
Current liabilities		
Interest-bearing debt	953,730	1,984,146
Trade and other payables	1,214,190	1,264,061
Contract liabilities	126,354	122,886
Deposits for banking business	745,696	866,311
Other financial liabilities	3,217	3,941
Income taxes payable	115,485	81,490
Provisions	9,966	6,429
Other current liabilities	148,361	247,586
Total current liabilities	3,316,999	4,576,850
Non-current liabilities		
Interest-bearing debt	2,537,988	3,367,914
Other financial liabilities	38,637	36,674
Defined benefit liabilities	14,691	16,470
Provisions	72,675	78,493
Deferred tax liabilities	20,394	192,871
Other non-current liabilities	12,377	12,259
Total non-current liabilities	2,696,762	3,704,681
Total liabilities	6,013,761	8,281,531
Equity		
Equity attributable to owners of the Company		
Common stock	204,309	204,309
Capital surplus	111,826	(132,582)
Retained earnings	1,178,282	965,489
Treasury stock	-	(68,709)
Accumulated other comprehensive income	3,740	(910)
Total equity attributable to owners of the Company	1,498,157	967,597
Non-controlling interests	524,410	716,737
Total equity	2,022,567	1,684,334
Total liabilities and equity	8,036,328	9,965,865

Note:

1. As described in "(1) Acquisition of investments in Z Holdings Corporation" under "Note 4. Business combinations," transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries. For further details, refer to "(3) Transactions under common control" under "Note 2. Significant accounting policies."

(2) Condensed Interim Consolidated Statement of Income and Condensed Interim Consolidated Statement of Comprehensive Income

For the nine months ended December 31, 2018 and 2019

Condensed Interim Consolidated Statement of Income

(Millions of yen)

	Nine months ended December 31, 2018[2]	Nine months ended December 31, 2019[2]
Revenue	3,454,494	3,617,960
Cost of sales	(1,804,448)	(1,857,289)
Gross profit	1,650,046	1,760,671
Selling, general and administrative expenses	(924,227)	(977,529)
Other operating income	8,440	11,985
Other operating expenses	(4,770)	-
Operating income	729,489	795,127
Share of losses of associates accounted for using the equity method	(4,349)	(29,948)
Financing income	1,819	4,971
Financing costs	(45,728)	(44,215)
Gain on sales of equity method investments	3,240	3,662
Impairment loss on equity method investments	(9,095)	-
Profit before income taxes	675,376	729,597
Income taxes	(222,134)	(260,432)
Net income[1]	453,242	469,165
Net income attributable to		
Owners of the Company	423,310	436,637
Non-controlling interests	29,932	32,528
	453,242	469,165
Earnings per share attributable to owners of the Company		
Basic earnings per share (Yen)	88.43	91.45
Diluted earnings per share (Yen)	87.97	90.24

Notes:

1. All net income of SoftBank Corp. and its subsidiaries for the nine months ended December 31, 2018 and 2019 was generated from continuing operations.
2. As described in "(1) Acquisition of investments in Z Holdings Corporation" under "Note 4. Business combinations," transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries. For further details, refer to "(3) Transactions under common control" under "Note 2. Significant accounting policies."

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018[1]	Nine months ended December 31, 2019[1]
Net income	453,242	469,165
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity instruments at FVTOCI	(9,103)	(2,008)
Total items that will not be reclassified to profit or loss	(9,103)	(2,008)
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of debt instruments at FVTOCI	374	(419)
Cash flow hedges	(4,317)	1,271
Exchange differences on translation of foreign operations	789	(347)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(584)	578
Total items that may be reclassified subsequently to profit or loss	(3,738)	1,083
Total other comprehensive income (loss), net of tax	(12,841)	(925)
Total comprehensive income	440,401	468,240
Total comprehensive income attributable to		
Owners of the Company	411,484	436,386
Non-controlling interests	28,917	31,854
	440,401	468,240

Note:

1. As described in "(1) Acquisition of investments in Z Holdings Corporation" under "Note 4. Business combinations," transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries.

For the three months ended December 31, 2018 and 2019

Condensed Interim Consolidated Statement of Income

(Millions of yen)

	Three months ended December 31, 2018[2]	Three months ended December 31, 2019
Revenue	1,216,108	1,244,856
Cost of sales	(667,775)	(656,080)
Gross profit	548,333	588,776
Selling, general and administrative expenses	(337,047)	(345,613)
Operating income	211,286	243,163
Share of losses of associates accounted for using the equity method	(2,895)	(12,618)
Financing income	312	1,701
Financing costs	(15,520)	(15,098)
Gain on sales of equity method investments	2,799	(1,794)
Impairment loss on equity method investments	(9,095)	-
Profit before income taxes	186,887	215,354
Income taxes	(72,929)	(92,770)
Net income[1]	113,958	122,584
Net income attributable to		
Owners of the Company	108,705	109,213
Non-controlling interests	5,253	13,371
	113,958	122,584
Earnings per share attributable to owners of the Company		
Basic earnings per share (Yen)	22.71	22.97
Diluted earnings per share (Yen)	22.50	22.66

Notes:

1. All net income of SoftBank Corp. and its subsidiaries for the three months ended December 31, 2018 and 2019 was generated from continuing operations.
2. As described in "(1) Acquisition of investments in Z Holdings Corporation" under "Note 4. Business combinations," transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries.

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended December 31, 2018[1]	Three months ended December 31, 2019
Net income	113,958	122,584
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity instruments at FVTOCI	(7,157)	(511)
Total items that will not be reclassified to profit or loss	(7,157)	(511)
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of debt instruments at FVTOCI	865	(1,123)
Cash flow hedges	(2,351)	1,744
Exchange differences on translation of foreign operations	(608)	399
Share of other comprehensive income (loss) of associates accounted for using the equity method	(305)	(0)
Total items that may be reclassified subsequently to profit or loss	(2,399)	1,020
Total other comprehensive income (loss), net of tax	(9,556)	509
Total comprehensive income	104,402	123,093
Total comprehensive income attributable to		
Owners of the Company	101,221	110,358
Non-controlling interests	3,181	12,735
	104,402	123,093

Note:

1. As described in "(1) Acquisition of investments in Z Holdings Corporation" under "Note 4. Business combinations," transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries.

(3) Condensed Interim Consolidated Statement of Changes in Equity

For the nine months ended December 31, 2018

(Millions of yen)

	Equity attributable to owners of the Company							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
As of April 1, 2018	197,694	204,906	458,230	-	5,743	866,573	18,687	885,260
Retrospective adjustments from transactions under common control[2]	-	(19,186)	470,580	-	5,205	456,599	670,190	1,126,789
As of April 1, 2018, restated	197,694	185,720	928,810	-	10,948	1,323,172	688,877	2,012,049
Comprehensive income								
Net income	-	-	423,310	-	-	423,310	29,932	453,242
Other comprehensive income (loss)	-	-	-	-	(11,826)	(11,826)	(1,015)	(12,841)
Total comprehensive income	-	-	423,310	-	(11,826)	411,484	28,917	440,401
Transactions with owners and other transactions								
Cash dividends[4]	-	-	(21,829)	-	-	(21,829)	(30,775)	(52,604)
Issuance of new shares	6,615	13,207	-	-	-	19,822	-	19,822
Purchase of treasury stock	-	-	-	-	-	-	-	-
Changes from transactions under common control[2, 3]	-	(240,056)	7,377	-	(71)	(232,750)	(3,456)	(236,206)
Changes from business combinations	-	-	-	-	-	-	4,422	4,422
Changes from loss of control	-	-	-	-	58	58	(228)	(170)
Changes in interests in subsidiaries[2, 4]	-	142,471	(197,756)	-	-	(55,285)	(169,438)	(224,723)
Changes in interests in existing subsidiaries	-	229	-	-	-	229	3,732	3,961
Share-based payment transactions	-	6,669	-	-	-	6,669	0	6,669
Transfer from accumulated other comprehensive income to retained earnings	-	-	(774)	-	774	-	-	-
Total transactions with owners and other transactions	6,615	(77,480)	(212,982)	-	761	(283,086)	(195,743)	(478,829)
As of December 31, 2018	204,309	108,240	1,139,138	-	(117)	1,451,570	522,051	1,973,621

For the nine months ended December 31, 2019

(Millions of yen)

	Equity attributable to owners of the Company							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
As of April 1, 2019	204,309	111,826	1,178,282	-	3,740	1,498,157	524,410	2,022,567
Cumulative effect of adopting a new accounting standard[1]	-	-	(618)	-	-	(618)	(4,362)	(4,980)
As of April 1, 2019, restated	204,309	111,826	1,177,664	-	3,740	1,497,539	520,048	2,017,587
Comprehensive income								
Net income	-	-	436,637	-	-	436,637	32,528	469,165
Other comprehensive income (loss)	-	-	-	-	(251)	(251)	(674)	(925)
Total comprehensive income	-	-	436,637	-	(251)	436,386	31,854	468,240
Transactions with owners and other transactions								
Cash dividends[4]	-	-	(398,354)	-	-	(398,354)	(28,892)	(427,246)
Issuance of new shares	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	(68,709)	-	(68,709)	-	(68,709)
Changes from transactions under common control[2, 3]	-	(247,172)	(252,443)	-	(2,414)	(502,029)	1,055	(500,974)
Changes from business combinations	-	-	-	-	-	-	185,827	185,827
Changes from loss of control	-	-	-	-	-	-	-	-
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-
Changes in interests in existing subsidiaries	-	(1,359)	-	-	-	(1,359)	6,845	5,486
Share-based payment transactions	-	4,123	-	-	-	4,123	-	4,123
Transfer from accumulated other comprehensive income to retained earnings	-	-	1,985	-	(1,985)	-	-	-
Total transactions with owners and other transactions	-	(244,408)	(648,812)	(68,709)	(4,399)	(966,328)	164,835	(801,493)
As of December 31, 2019	204,309	(132,582)	965,489	(68,709)	(910)	967,597	716,737	1,684,334

Notes:

1. Upon adoption of IFRS 16 “Leases,” the cumulative effect of initially applying this standard retrospectively on periods before the nine months ended December 31, 2019 was recognized as an adjustment to the opening balance of retained earnings as of April 1, 2019.
2. As described in “(2) Acquisition of investments in subsidiaries and associates” and “(1) Acquisition of investments in Z Holdings Corporation” under “Note 4. Business combinations,” transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries. For further details, refer to “(3) Transactions under common control” under “Note 2. Significant accounting policies.”
3. The changes in “Capital surplus” and “Retained earnings” represent the differences between the amount paid by SoftBank Corp. for subsidiaries that were acquired under common control and SoftBank Group Corp.’s book value of the subsidiaries at the time of acquisition.
4. In relation to transactions under common control, any equity transactions undertaken by subsidiaries under common control with entities outside of SoftBank Corp. and its subsidiaries before the date of the actual transaction by SoftBank Corp. are included within “Cash dividends” and “Changes in interests in subsidiaries.”

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018[1]	Nine months ended December 31, 2019[1]
Cash flows from operating activities		
Net income	453,242	469,165
Depreciation and amortization	375,767	497,143
Loss on disposal of property, plant and equipment and intangible assets	12,933	10,592
Gain relating to loss of control over subsidiaries	-	(11,985)
Financing income	(1,819)	(4,971)
Financing costs	45,728	44,215
Share of losses of associates accounted for using the equity method	4,349	29,948
Gain on sales of equity method investments	(3,240)	(3,662)
Impairment loss on equity method investments	9,095	-
Income taxes	222,134	260,432
(Increase) decrease in trade and other receivables	(200,837)	(341,488)
(Increase) decrease in inventories	(21,395)	26,578
(Increase) decrease in contract assets	(6,670)	(25,155)
(Increase) decrease in contract costs	10,765	(1,173)
Purchases of mobile devices leased to enterprise customers	(22,247)	(26,384)
Increase (decrease) in trade and other payables	103,407	106,575
Increase (decrease) in consumption taxes payable	65,095	12,449
Increase (decrease) in deposits in banking business	61,643	120,616
Other	(78,218)	(78,243)
Subtotal	1,029,732	1,084,652
Interest and dividends received	1,633	1,816
Interest paid	(59,301)	(46,385)
Income taxes paid	(253,974)	(252,831)
Income taxes refunded	9,523	5,852
Net cash inflow from operating activities	727,613	793,104
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(364,791)	(326,106)
Proceeds from sales of property, plant and equipment and intangible assets	295	2,560
Payments for acquisition of investments	(44,829)	(41,815)
Proceeds from sales/redemption of investments	21,714	32,110
Purchase of investment securities in banking business	(198,194)	(197,053)
Proceeds from sales/redemption of investment securities in banking business	150,293	192,783
Proceeds (payments) from (for) obtaining control of subsidiaries	49	(377,800)
Increase in loans issued	(2,568)	(2,232)
Proceeds from repayment of loans	6,796	687
Other	(3,645)	(12,598)
Net cash outflow from investing activities	(434,880)	(729,464)

(Millions of yen)

	Nine months ended December 31, 2018[1]	Nine months ended December 31, 2019[1]
Cash flows from financing activities		
Increase (decrease) in short-term interest-bearing debt, net	(5,106)	295,816
Proceeds from interest-bearing debt	2,684,066	2,062,865
Repayment of interest-bearing debt	(2,497,902)	(1,124,044)
Proceeds from stock issuance to non-controlling interests	4,292	4,584
Purchase of treasury stock	-	(68,709)
Cash dividends paid	(22,055)	(396,131)
Cash dividends paid to non-controlling interests	(29,815)	(24,793)
Payment for purchase of subsidiaries' interests	(221,000)	-
Purchase of treasury stock by subsidiaries	(228,009)	(526,826)
Decrease from loss of control over subsidiaries	-	(30,717)
Other	(7,291)	(14,207)
Net cash inflow (outflow) from financing activities	(322,820)	177,838
Effect of exchange rate changes on cash and cash equivalents	503	(224)
Increase (decrease) in cash and cash equivalents	(29,584)	241,254
Cash and cash equivalents at the beginning of the period	987,776	938,388
Cash and cash equivalents at the end of the period	958,192	1,179,642

Note:

1. As described in "(1) Acquisition of investments in Z Holdings Corporation" under "Note 4. Business combinations," transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of SoftBank Corp. and its subsidiaries.

(5) Notes on Going Concern Assumption

There are no applicable items.

(6) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting entity

SoftBank Corp. (the “Company”) is a corporation (kabushiki kaisha) under the Companies Act of Japan and is domiciled in Japan. The registered address of its head office is 9-1 Higashi-shimbashi 1-chome, Minato-ku, Tokyo, Japan. These consolidated financial statements are comprised of the Company and its subsidiaries (the “Group”). The parent of the Company is SoftBank Group Japan Corporation (“SBGJ”). The ultimate parent company of the Company is SoftBank Group Corp. (“SBG”).

SoftBank Group International GK changed its name to SoftBank Group Japan Corporation as of June 15, 2018 with a corporate form change from a limited liability company (godo kaisha) to a corporation (kabushiki kaisha). In the following notes to the condensed interim consolidated financial statements, SoftBank Group Japan Corporation is referred to as “SBGJ,” including transactions that were entered into prior to the name change.

On October 1, 2019, Z Holdings Corporation transitioned to a holding company structure through a company split (absorption-type company split) and changed its trade name from Yahoo Corporation. In the following notes to the condensed interim consolidated financial statements, Z Holdings Corporation is referred to as "Z Holdings Corporation," including transactions that were entered into prior to the name change.

The Group is engaged in a variety of businesses in the telecommunication and information technology industry centering on its Consumer, Enterprise, Distribution, and Yahoo businesses. For details, refer to “(1) Summary of reportable segments” under “Note 5. Segment information.”

2. Significant accounting policies

The significant accounting policies applied in the condensed interim consolidated financial statements are consistent with those of the consolidated financial statements as of and for the fiscal year ended March 31, 2019, except for the items below. Income tax expenses for the nine months ended December 31, 2019 are calculated based on the estimated annual effective income tax rate. In addition, defined benefit liabilities as of December 31, 2019 are calculated using reasonable estimates based on the results of actuarial calculations as of March 31, 2019.

(1) Application of new accounting standards and interpretations

The Group has adopted the following accounting standards and interpretations from the three months ended June 30, 2019.

a. IFRS 16 "Leases"

IFRS 16 “Leases” primarily replaces the previous IAS 17 “Leases” and IFRIC 4 “Determining whether an Arrangement Contains a Lease.” Under the new standard, the distinction between finance leases and operating leases in lessee accounting is removed, and for all leases in principle, a right-of-use asset and a lease liability are recognized. The standard permits either a full retrospective or a modified retrospective approach for adoption. The accounting for lessors does not change significantly.

The Group applied the modified retrospective approach in accordance with the transitional provisions of IFRS 16 by recognizing the cumulative effect of applying this standard as an adjustment to the balance of assets, liabilities, and retained earnings on the date of initial application, April 1, 2019. Therefore, except for leases of intangible assets, comparative figures have not been restated.

The Group does not apply IFRS 16 to leases of intangible assets. As a result, in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors,” comparative figures related to leases of intangible assets have been restated. For details, refer to “Note 6. Interest-bearing debt.”

The Group uses the practical expedient that allows the Group not to review whether contractual arrangements are, or contain, a lease upon adoption of IFRS 16. Therefore, excluding the abovementioned lease contracts of intangible assets, as of the date of adoption, the Company applied IFRS 16 to the contracts that were identified as leases prior to the adoption in accordance with the previous IAS 17 and IFRIC 4. IFRS 16 was not applied to the contracts that were not identified as leases.

Of the practical expedients permitted upon making retrospective adjustments to each lease pursuant to the modified retrospective approach, the Group utilizes the following:

・Approach to rely on its assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application of IFRS 16 as an alternative to IAS 36 "Impairment of Assets" and to adjust the right-of-use asset at the date of initial application of IFRS 16 by the amount of any provision for onerous leases recognized immediately before the date of initial application of IFRS 16

・Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application of IFRS16

・Use of hindsight in determining the lease term at the date of initial application of IFRS 16

Upon adoption of IFRS 16, the Group recognizes lease liabilities for leases that were previously classified as operating leases in accordance with the principles of IAS 17. It is required that these liabilities are measured at the present value of the lease payments that are not paid at that date, discounted using the incremental borrowing rate as of April 1, 2019. The weighted average of lessee’s incremental borrowing rate applied to lease liabilities is 1.09%. The right-of-use assets are measured using either of the following:

・Measurements of lease liabilities adjusted by the amount of any prepaid or accrued lease payments; or

・Carrying amounts calculated as if IFRS 16 were applied from the start of the lease. The lessee’s incremental borrowing rate at the date of initial application shall be used as a discount rate.

The difference between the future minimum lease payments under operating leases as of March 31, 2019 and the lease liabilities recognized on April 1, 2019 is as follows:

	(Millions of yen)
Undiscounted future minimum lease payments under operating leases as of March 31, 2019	474,012
Discounts for future minimum lease payments under abovementioned operating leases	(20,608)
Discounted future minimum lease payments under operating leases as of April 1, 2019	453,404
Liabilities for leases that were classified as finance leases	876,484
Adjustments due to the reassessment of lease term	58,837
Adjustments due to other factors	(11,176)
Lease liabilities as of April 1, 2019	1,377,549

In addition to the above, the primary effect of adopting IFRS 16 is that ¥1,131,712 million of property, plant and equipment recognized as finance leases under IAS 17 were reclassified to right-of-use assets. As a result, right-of-use assets increased by ¥1,620,843 million.

b. Other standards and interpretations

There is no significant impact from the application of other standards and interpretations.

(2) Significant accounting policies in accordance with application of new accounting standards and interpretations

Leases

The Group has adopted IFRS 16 from the three months ended June 30, 2019. In accordance with the transitional provisions of IFRS 16, the Group has elected not to restate comparative information. Therefore, comparative information is presented in accordance with IAS 17.

At the inception of a contract, the Group determines whether contractual arrangements are, or contain, a lease. The lease terms are the non-cancelable period of a lease, together with the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

(As lessee)

(a) Separating components of a contract

For a contract that is, or contains, a lease, the Group accounts for each lease component as a lease separately from non-lease components by allocating the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Leases of intangible assets

The Group does not apply IFRS 16 to leases of intangible assets.

(c) Right-of-use assets

The Group recognizes right-of-use assets at the lease commencement date. The Group initially measures right-of-use assets at cost. The cost of the right-of-use assets comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the lease commencement date less any lease incentives received, any initial direct costs incurred, and a total estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset.

Subsequent to initial recognition, a right-of-use asset is depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of a right-of-use asset are determined in the same manner as property, plant and equipment. Right-of-use assets are measured at cost less accumulated depreciation and impairment losses.

(d) Lease liability

The Group recognizes a lease liability at the lease commencement date. After the lease commencement date, the lease liability is initially measured at the present value of the future lease payments for the lease term. In calculating the present value, the interest rate implicit in the lease is used as a discount rate if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used.

The lease payments included in the measurement of the lease liability primarily comprise fixed lease payments, lease payments for an extended term if it is reasonably certain to exercise an extension option, and payments of penalties for terminating the lease excluding the case where it is reasonably certain not to exercise an early termination option.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured if there is a change in future lease payments resulting from a change in an index or a rate, a change in the amounts expected to be payable under a residual value guarantee, or a change in the assessment of possibility of exercising an extension option or a termination option.

If a lease liability is remeasured, the amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset. However, if the amount of decrease in liability resulting from the remeasurement of the lease liability is greater than the carrying amount of the right-of-use asset, any remaining amount after reducing the right-of-use asset to zero is recognized as profit or loss.

(As lessor)

(a) Separating components of a contract

For a contract that is, or contains, a lease, the Group allocates the consideration in the contract to lease components and non-lease components in accordance with IFRS 15 “Revenue from contracts with customers.”

(b) Lease classification

At the inception of a lease contract, the Group determines the classification of a lease as either a finance lease or operating lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise a lease is classified as an operating lease. If the lease term is for the major part of the economic life of the underlying asset, or the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset, it is deemed that substantially all the risks and rewards incidental to ownership of an underlying asset are transferred.

(c) Sublease classification

If the Group is a party to a sublease contract, the head lease (as lessee) and the sublease (as lessor) are accounted for separately. In classifying a sublease as a finance lease or an operating lease, the Group considers the risks, rewards, and useful life of a right-of-use asset recognized by the Group in the head lease rather than the assets subject to lease.

(d) Recognition and measurement

Lease receivables in finance leases are recorded as the uncollected amount of net lease receivables, as of the date the lease is determined and through its maturity. Lease receivables are apportioned between financing income and the repayments of the lease receivables. Lease receivables are measured at amortized cost using the effective interest method. Interest income based on the effective interest rate is recognized in profit.

Lease payments under operating leases are recognized in income on a straight-line basis.

(3) Transactions under common control

For transactions under common control (all of the combining companies or businesses that are ultimately controlled by the same party or parties both before and after the business combination, and their control is other than temporary), the Group accounts for those transactions based on the carrying amount of the parent company's assets and liabilities, and regardless of the actual date of the transaction under common control, retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent obtained control of the transferred companies prior to the transfer, or the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of the Group. On the actual transaction date, the equity of the acquired company that had been retroactively combined is reversed, and the difference between the purchase price and the carrying amount of the equity is recognized in “Capital surplus.”

When the Group loses control over a subsidiary as a result of transactions under common control, these are accounted for as equity transactions and the difference between the equity of the subsidiary immediately before loss of control and the ownership interests after loss of control is recognized in “Capital surplus.”

Payment for the purchase of the equity interest of subsidiaries, purchase of treasury stock by subsidiaries, and decrease from loss of control over subsidiaries, through transactions under common control, are presented in cash flows from financing activities in the condensed interim consolidated statement of cash flows.

The effect of transactions under common control during the nine months ended December 31, 2019 is presented in the tables below.

Consolidated Statement of Financial Position

As of April 1, 2018

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	After retrospective adjustment
ASSETS			
Current assets			
Cash and cash equivalents	121,043	866,733	987,776
Trade and other receivables	1,186,754	491,332	1,678,086
Other financial assets	6,251	79,770	86,021
Inventories	125,645	17,722	143,367
Other current assets	129,387	11,635	141,022
Non-current assets			
Property, plant and equipment	1,707,289	126,524	1,833,813
Goodwill	187,489	181,564	369,053
Intangible assets	1,051,293	154,001	1,205,294
Contract costs	174,314	1,449	175,763
Investments accounted for using the equity method	56,325	11,195	67,520
Investment securities[1]	-	125,732	125,732
Investment securities in banking business	-	256,931	256,931
Other financial assets	414,094	122,521	536,615
Deferred tax assets	58,495	31,852	90,347
Other non-current assets	87,188	14,166	101,354
LIABILITIES AND EQUITY			
Current liabilities			
Interest-bearing debt	2,260,435	41,524	2,301,959
Trade and other payables	841,536	333,568	1,175,104
Contract liabilities	100,676	11,653	112,329
Deposits for banking business	-	683,834	683,834
Other financial liabilities	-	3,819	3,819
Income taxes payable	100,878	29,097	129,975
Provisions	16,407	2,625	19,032
Other current liabilities	77,542	37,032	114,574
Non-current liabilities			
Interest-bearing debt	966,098	143,838	1,109,936
Other financial liabilities	3,127	24,925	28,052
Defined benefit liabilities	12,031	3,236	15,267
Provisions	34,493	19,666	54,159
Deferred tax liabilities	-	26,447	26,447
Other non-current liabilities	7,084	5,074	12,158
Equity			
Common stock	197,694	-	197,694
Capital surplus	204,906	(19,186)	185,720
Retained earnings	458,230	470,580	928,810
Accumulated other comprehensive income (loss)	5,743	5,205	10,948
Non-controlling interests	18,687	670,190	688,877

Note:

1. The amount of ¥59,216 million which was previously included in “Other financial assets” has been reclassified to “Investment securities.”

Consolidated Statement of Financial Position

As of March 31, 2019

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	After retrospective adjustment
ASSETS			
Current assets			
Cash and cash equivalents	357,971	580,417	938,388
Trade and other receivables	1,186,904	509,048	1,695,952
Other financial assets	1,652	88,913	90,565
Inventories	114,321	18,499	132,820
Other current assets	95,474	12,493	107,967
Non-current assets			
Property, plant and equipment	1,657,254	134,006	1,791,260
Goodwill	198,461	194,851	393,312
Intangible assets	1,046,010	166,380	1,212,390
Contract costs	208,114	3,619	211,733
Investments accounted for using the equity method	68,341	21,315	89,656
Investment securities[1]	-	114,788	114,788
Investment securities in banking business	-	337,516	337,516
Other financial assets	716,500	19,990	736,490
Deferred tax assets	36,611	36,025	72,636
Other non-current assets	87,432	23,423	110,855
LIABILITIES AND EQUITY			
Current liabilities			
Interest-bearing debt	909,944	43,786	953,730
Trade and other payables	817,532	396,658	1,214,190
Contract liabilities	113,950	12,404	126,354
Deposits for banking business	-	745,696	745,696
Other financial liabilities	-	3,217	3,217
Income taxes payable	91,310	24,175	115,485
Provisions	7,909	2,057	9,966
Other current liabilities	105,630	42,731	148,361
Non-current liabilities			
Interest-bearing debt	2,379,497	158,491	2,537,988
Other financial liabilities	11,583	27,054	38,637
Defined benefit liabilities	11,087	3,604	14,691
Provisions	54,750	17,925	72,675
Deferred tax liabilities	-	20,394	20,394
Other non-current liabilities	7,398	4,979	12,377
Equity			
Common stock	204,309	-	204,309
Capital surplus	202,685	(90,859)	111,826
Retained earnings	893,880	284,402	1,178,282
Accumulated other comprehensive income (loss)	(53,781)	57,521	3,740
Non-controlling interests	17,362	507,048	524,410

Note:

1. The amount of ¥59,045 million which was previously included in “Other financial assets” has been reclassified to “Investment securities.”

Condensed Interim Consolidated Statement of Income

For the nine months ended December 31, 2018

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	After retrospective adjustment
Revenue	2,776,660	677,834	3,454,494
Cost of sales	(1,521,401)	(283,047)	(1,804,448)
Gross profit	1,255,259	394,787	1,650,046
Selling, general and administrative expenses	(620,232)	(303,995)	(924,227)
Other operating income	4,689	3,751	8,440
Other operating expenses	(4,770)	-	(4,770)
Operating income	634,946	94,543	729,489
Share of losses of associates accounted for using the equity method	(15,531)	11,182	(4,349)
Financing income	1,270	549	1,819
Financing costs	(43,968)	(1,760)	(45,728)
Gain on sales of equity method investments	6,170	(2,930)	3,240
Impairment loss on equity method investments	(9,095)	-	(9,095)
Profit before income taxes	573,792	101,584	675,376
Income taxes	(181,475)	(40,659)	(222,134)
Net income	392,317	60,925	453,242
Net income attributable to			
Owners of the Company	395,895	27,415	423,310
Non-controlling interests	(3,578)	33,510	29,932
Earnings per share attributable to owners of the Company			
Basic earnings per share (Yen)	82.70	5.73	88.43
Diluted earnings per share (Yen)	82.27	5.70	87.97

(4) Significant accounting policies for Yahoo business

Revenue

Revenues in the commerce business consist of revenues from sale of goods by the ASKUL Group, e-commerce-related services such as *YAHUOKU!*, and membership services such as *Yahoo! Premium.*

Revenues from sale of goods by the ASKUL Group are recognized when a customer obtains control of goods, that is, at the time the customer has the ability to direct the use of goods and to obtain substantially all of the remaining economic benefits from the goods.

Yahoo provides online auction services through *YAHUOKU!* to individual users and corporations. System usage fees charged to the sellers according to auction proceeds are recognized as revenue when the auction transactions are completed.

Yahoo sells the *Yahoo! Premium* service to individual users with which they can enjoy a variety of membership privileges. Its revenues are recognized over the period during which the membership is valid.

Revenues in the media business consist of revenues from paid search advertising, display advertising and other advertising.

Revenues from paid search advertising are recognized based on the per-click rate set by a customer when a visitor of the website clicks the advertisement.

Display advertising mainly comprises premium advertising, *Yahoo! Display Ad Network (YDN)* and others.

Revenues from premium advertising are recognized over the period in which the related advertisement is displayed.

Revenues from *Yahoo! Display Ad Network (YDN)* are recognized based on the per-click rate set by a customer when a visitor of the website clicks the advertisement on the page with the related content.

3. Significant judgments and estimates

In preparing the condensed interim consolidated financial statements under IFRS, management makes judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue, and expenses.

These estimates and underlying assumptions are based on management’s best judgments, through their evaluation of various factors that were considered reasonable as of the respective period end, based on historical experience and by collecting available information.

By the nature of its estimates or assumptions, however, actual results in the future may differ from those projected estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in future periods.

The judgments, estimates and assumptions that have significant impact on the amounts in the condensed interim consolidated financial statements are consistent with those described in the consolidated financial statements for the fiscal year ended March 31, 2019 except for the following items:

Judgments for accounting treatment of contracts including leases

Determining whether an arrangement contains a lease

At the inception of a contract, the Group determines whether contractual arrangements are, or contain, a lease. It is determined that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether the right to control the use of an identified asset is conveyed, the Group assesses the following:

(a) The contract includes the use of an identified asset and the lessor does not have the substantive right to substitute the asset.

(b) The customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.

(c) The customer has the right to direct the use of the asset. If the decisions about how and for what purpose the asset is used are predetermined, it is determined that the customer has the right to direct the use of the asset if either of the following is satisfied:

i. the customer has the right to operate the asset; or

ii. the customer designed the asset in a way that predetermines how and for what purpose the asset will be used.

4. Business combinations

Nine months ended December 31, 2018

(1) Acquisition of LINE MOBILE Corporation

Summary of acquisition

On April 2, 2018, the Company acquired 51% of the equity interest of LINE MOBILE Corporation ("LINE MOBILE") for ¥10,400 million in cash. LINE MOBILE operates an MVNO (mobile virtual network operator) business and provides internet access services, telecommunications, internet telephony, and other information and communications services.

The table below shows the fair value of assets and liabilities, non-controlling interests, and goodwill as of the date of obtaining control:

		(Millions of yen) Acquisition date (April 2, 2018)
Cash and cash equivalents		11,513
Trade receivables		1,299
Other current assets		252
Non-current assets		22
Total assets		13,086
Current liabilities		4,059
Non-current liabilities		3
Total liabilities		4,062
Net assets	A	9,024
Non-controlling interests[1]	B	4,422
Acquisition cost	C	10,400
Goodwill[2]	C-(A-B)	5,798

Notes:

1. Non-controlling interests that give the holder a pro-rata share of the net assets of the acquiree at the time of liquidation are measured at the recognized amounts of the acquiree's identifiable net assets as of the date of obtaining control, multiplied by the ratio of the non-controlling interests as of the date of obtaining control after the business combination.
2. Goodwill reflects the ability to generate excess earnings resulting from expected future business development and synergies between the Company and the acquiree.

The table below shows proceeds from obtaining control of the subsidiary:

	(Millions of yen) Acquisition date (April 2, 2018)
Cash and cash equivalents held by the acquiree at the time of obtaining control	11,513
Consideration paid in cash	(10,400)
Cash received from obtaining control of the subsidiary	1,113

Revenue and net income of the acquiree:

Description is omitted as the revenue and net income of the acquiree after the date of obtaining control are immaterial.

(2) Acquisition of investments in subsidiaries and associates

a. Summary of acquisition

On April 1, 2018, the Company acquired the shares of domestic subsidiaries and associates owned by SBGJ through the issuance of 176,197 thousand shares of the Company with an equivalent value of ¥109,771 million. On May 1, 2018, the Company acquired the shares of domestic subsidiaries owned by Z Holdings Corporation, which is a subsidiary of SBG, through a cash payment of ¥19,500 million. As a result of these transactions, the number of subsidiaries and associates of the Company increased by 41 companies.

The major subsidiaries and associates acquired are as follows:

Subsidiaries:

Company name	Business description
SB Media Holdings Corp.	Intermediate holdings company that owns ITmedia Inc. and others
SoftBank Technology Corp.[1]	Online business solutions and services
SB Players Corp.	Solution services for government

Note:

1.On October 1, 2019, SoftBank Technology Corp. changed its name to SB Technology Corp..

Associates:

Company name	Business description
Vector Inc.[1]	Software sales and advertising sales
Geniee, Inc.	Marketing technology business
Scigineer Inc.	Internet marketing support services

Note:

1.Following the acquisition of Z Holdings Corporation as a subsidiary, Vector Inc. is retrospectively consolidated as a subsidiary from the opening balance sheet date of the comparative period as part of the condensed interim consolidated financial statements of the Group, as a result of adding up the Vector Inc. equity interests held by Z Holdings Corporation.

b. Summary of accounting treatment

The acquisition of the subsidiaries above was accounted for as a transaction under common control. For transactions under common control, the Company accounts for those transactions based on the book value of SBG, and regardless of the actual transaction date, retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent, SBG, obtained control of the transferred companies prior to the transfer or the opening balance sheet date of the comparative period as part of the consolidated financial statements of the Group.

The equity interests of the associates acquired in the transaction above are accounted for using the equity method starting on the date on which they were acquired by the Company.

Nine months ended December 31, 2019

(1) Acquisition of investments in Z Holdings Corporation

a. Summary of acquisition

The Company underwrote a capital increase by third-party allotment conducted by Z Holdings Corporation. The purpose of the underwriting is to further enhance growth, development, and corporate value of the Group by jointly and actively developing non-telecommunications business including FinTech as well as making optimal deployment of management resources between the Company and Z Holdings Corporation based on an integrated strategy so as to maximize synergy effects. On June 27, 2019, the Company acquired 1,511,478 thousand new shares issued by Z Holdings Corporation for ¥456,466 million. As a result of this transaction, together with 613,889 thousand shares the Company acquired for ¥221,000 million excluding transaction costs in August 2018, the ratio of voting rights held by the Group in Z Holdings Corporation became 44.6%. In addition, officers from the Company were appointed as members of Z Holdings Corporation's Board of Directors. As a result, Z Holdings Corporation is considered substantially controlled by the Company and became a subsidiary of the Company.

Z Holdings Corporation is engaged in the "Commerce business" and the "Media business." The "Commerce business" mainly comprises sales of products, planning and sales of services, and settlement - and finance-related services, all of those are provided via the internet for small to medium-sized businesses and individual customers. The "Media business" mainly comprises planning and sales of internet-based advertising-related services, information listing services, and other corporate services.

b. Summary of accounting treatment

The abovementioned transaction was accounted for as a transaction under common control. For transactions under common control, the Company accounts for this transaction based on the book value of SBG, and regardless of the actual transaction date, retrospectively combines the financial statements of the acquired companies as if such transaction was executed by the Group on April 1, 2018 as part of the condensed interim consolidated financial statements of the Group. For details of the impact of the transaction on the consolidated statement of financial position and the condensed interim consolidated statement of income previously disclosed, refer to "(3) Transactions under common control" under "Note 2. Significant accounting policies."

(2) Acquisition of ZOZO, Inc.

Summary of acquisition

Z Holdings Corporation, a subsidiary of the Company, conducted a tender offer for the common stock of ZOZO, Inc., which was resolved at its Board of Directors' meeting held on September 12, 2019 for the purpose of strengthening clothing/fashion e-commerce category in order to further expand its e-commerce business. The tender offer was completed on November 13, 2019, and Z Holdings Corporation acquired 152,953 thousand common stock of ZOZO, Inc. for ¥400,737 million in cash. Z Holdings Corporation acquired 50.1% of the equity interest of ZOZO, Inc., and ZOZO, Inc. became a subsidiary of the Group. In addition, in order to procure part of the fund necessary to acquire the target shares for this business combination, Z Holdings Corporation made a borrowing of ¥400,000 million. For further details of this borrowing, refer to "Note 6. Interest-bearing debt."

The business of ZOZO, Inc. is planning and operation of fashion online shopping website "ZOZOTOWN", planning and development of private brand "ZOZO", customer support and operation of logistics center "ZOZOBASE".

The table below shows the fair value of assets and liabilities, non-controlling interests, and goodwill as of the date of obtaining control[1]:

		(Millions of yen) Acquisition date (November 13, 2019)
Cash and cash equivalents		22,876
Trade and other receivables		30,443
Other current assets		7,770
Property, plant and equipment		8,610
Right-of-use assets		20,964
Intangible assets[2]		503,017
Other non-current assets		13,799
Total assets		607,479
Interest-bearing debt (current and non-current)		42,589
Trade and other payables		28,362
Other current liabilities		9,263
Deferred tax liabilities		150,269
Other non-current liabilities		3,420
Total liabilities		233,903
Net assets	A	373,576
Non-controlling interests[3]	B	185,750
Acquisition cost	C	400,737
Goodwill[4]	C-(A-B)	212,911

Notes:

1. Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. The above amounts, which are provisional fair values based on the best estimate at present, may change in a year from the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date may be obtained.
2. The amount of intangible assets includes ¥502,199 million of identifiable assets and the table below shows the breakdown of the identifiable assets. The estimated useful lives of customer relationships are from 18 to 25 years, and trademarks are classified as intangible assets with indefinite useful lives.

	(Millions of yen) Acquisition date (November 13, 2019)
Customer relationships	322,070
Trademarks	178,720
Other identifiable assets	1,409
Total	502,199

3. Non-controlling interests that give the holder a pro-rata share of the net assets of the acquiree at the time of liquidation are measured at the recognized amounts of the acquiree's identifiable net assets as of the date of obtaining control, multiplied by the ratio of the non-controlling interests as of the date of obtaining control after the business combination.
4. Goodwill reflects the ability to generate excess earnings resulting from expected future business development and synergies between the Group and the acquiree.

The table below shows payments for obtaining control of the subsidiary:

	(Millions of yen) Acquisition date (November 13, 2019)
Consideration paid in cash	(400,737)
Cash and cash equivalents held by the acquiree at the time of obtaining control	22,876
Cash paid for obtaining control of the subsidiary	(377,861)

Revenue and net income of the acquiree:

Description is omitted as the revenue and net income of the acquiree after the date of obtaining control are immaterial.

5. Segment information

(1) Summary of reportable segments

The reportable segments of the Group are based on operating segments for which separate financial information is available, and which the Board of Directors (the Group's chief operating decision maker) regularly reviews to determine the allocation of management resources and evaluate their performance. The Group has "Consumer," "Enterprise," "Distribution," and "Yahoo" as its reportable segments. No operating segments have been aggregated in arriving at the reportable segments of the Group.

In the "Consumer" segment, the Group provides mobile communications and broadband services to individual customers. In mobile communications services, the Group provides mobile communications services under the *SoftBank*, *Y!mobile*, and *LINE MOBILE* brands, and sells mobile devices such as phones and tablets. In broadband services, the Group provides internet services, including *SoftBank Hikari*, and sells and rents related customer-premises equipment for broadband services.

In the "Enterprise" segment, the Group provides a wide range of services to enterprise customers, including mobile communications services, voice call services and fixed-line communications services, data transmission and dedicated services, telecommunications consulting and construction for telecommunications carriers and general service providers, rental and maintenance of telecommunications facilities, housing, data center services, and sales and rental of telecommunications equipment.

In the "Distribution" segment, the Group provides hardware, software, and services in relation to ICT, cloud, and IoT solutions to enterprise customers. The Group also provides PC software, IoT products, and mobile device accessories to individual customers.

In the "Yahoo" segment, the Group is engaged in the "Commerce business" and the "Media business." The "Commerce business" mainly comprises sales of products, planning and sales of services, and settlement- and finance-related services, all of those are provided via the internet for small to medium-sized businesses and individual customers. Under the "Media business," the Group comprises planning and sales of internet-based advertising-related services, information listing services, and other corporate services. The "Yahoo" segment was newly established from the nine months ended December 31, 2019, due to consolidation of Z Holdings Corporation in June 2019.

Information not included in the preceding reportable segments is summarized in "Other." "Other" mainly includes operating results of subsidiaries, such as SB Payment Service Corp., One Tap BUY Co., Ltd., and others.

"Adjustments" includes eliminations of intersegment transactions and expenses not allocated to each reportable segment.

The following segment information includes the financial information of subsidiaries acquired through common control transactions by December 31, 2019 because the Group retrospectively consolidates these subsidiaries as if they are acquired on the date of the opening balance sheet date of the comparative period, that is April 1, 2018, based on the accounting policy of the Group.

(2) Segment revenue, income, and other information of reportable segments

Income of reportable segments is defined as "Operating income." Intersegment transaction prices are determined by taking into consideration the equivalent prices for an arm's length transaction or gross costs after price negotiation.

Income and loss which are not attributable to operating income and loss, such as financing income, financing costs, and income and loss on equity method investments, are not managed by each reportable segment and therefore these income and losses are excluded from segment income. Assets and liabilities are not allocated to reportable segments and are not monitored by the Board of Directors.

Nine months ended December 31, 2018

(Millions of yen)

	Reportable segments							
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	1,997,543	450,088	265,990	692,279	3,405,900	48,594	-	3,454,494
Intersegment revenue or transferred revenue	12,460	5,721	25,194	15,804	59,179	16,757	(75,936)	-
Total	2,010,003	455,809	291,184	708,083	3,465,079	65,351	(75,936)	3,454,494
Segment income	547,588	73,749	13,438	116,190	750,965	(19,787)	(1,689)	729,489
Depreciation and amortization[1]	255,058	77,412	887	38,510	371,867	3,900	-	375,767

Nine months ended December 31, 2019

(Millions of yen)

	Reportable segments							
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	2,026,232	462,697	334,215	743,469	3,566,613	51,347	-	3,617,960
Intersegment revenue or transferred revenue	9,667	8,198	29,515	16,144	63,524	23,104	(86,628)	-
Total	2,035,899	470,895	363,730	759,613	3,630,137	74,451	(86,628)	3,617,960
Segment income	567,543	77,063	16,051	123,542	784,199	10,283	645	795,127
Depreciation and amortization[1]	311,728	118,041	2,175	58,330	490,274	6,869	-	497,143

Note:

1. Depreciation and amortization includes amortization of long-term prepaid expenses which are recorded in "Other non-current assets" in the condensed interim consolidated statement of financial position.

Reconciliations of segment income to consolidated profit before income taxes are as follows:

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Segment income	729,489	795,127
Share of losses of associates accounted for using the equity method	(4,349)	(29,948)
Financing income	1,819	4,971
Financing costs	(45,728)	(44,215)
Gains on sales of equity method investments	3,240	3,662
Impairment loss on equity method investments	(9,095)	-
Profit before income taxes	675,376	729,597

Three months ended December 31, 2018

(Millions of yen)

	Reportable segments							
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	715,246	151,893	91,507	239,034	1,197,680	18,428	-	1,216,108
Intersegment revenue or transferred revenue	5,721	2,317	8,058	5,259	21,355	5,537	(26,892)	-
Total	720,967	154,210	99,565	244,293	1,219,035	23,965	(26,892)	1,216,108
Segment income	164,073	23,009	5,037	38,181	230,300	(18,828)	(186)	211,286
Depreciation and amortization[1]	85,482	25,976	338	13,563	125,359	1,342	-	126,701

Three months ended December 31, 2019

(Millions of yen)

	Reportable segments							
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	697,446	153,473	107,912	269,881	1,228,712	16,144	-	1,244,856
Intersegment revenue or transferred revenue	2,405	3,326	10,700	5,588	22,019	10,120	(32,139)	-
Total	699,851	156,799	118,612	275,469	1,250,731	26,264	(32,139)	1,244,856
Segment income	165,927	22,461	5,047	47,881	241,316	1,764	83	243,163
Depreciation and amortization[1]	106,390	38,847	752	22,177	168,166	1,694	-	169,860

Note:

1. Depreciation and amortization includes amortization of long-term prepaid expenses which are recorded in “Other non-current assets” in the condensed interim consolidated statement of financial position.

Reconciliations of segment income to consolidated profit before income taxes are as follows:

(Millions of yen)

	Three months ended December 31, 2018	Three months ended December 31, 2019
Segment income	211,286	243,163
Share of losses of associates accounted for using the equity method	(2,895)	(12,618)
Financing income	312	1,701
Financing costs	(15,520)	(15,098)
Gains (losses) on sales of equity method investments	2,799	(1,794)
Impairment loss on equity method investments	(9,095)	-
Profit before income taxes	186,887	215,354

6. Interest-bearing debt

The components of interest-bearing debt are as follows:

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Current		
Short-term borrowings[1, 2]	41,120	744,131
Commercial papers	-	107,000
Current portion of long-term borrowings[3, 4]	571,681	726,961
Current portion of lease obligations[5]	328,326	-
Current portion of lease liabilities[5]	-	389,955
Current portion of corporate bonds	5,000	15,000
Current portion of installment payables	7,603	1,099
Total	953,730	1,984,146
Non-current		
Long-term borrowings[2, 3, 4]	1,864,143	2,297,422
Lease obligations[5]	548,158	-
Lease liabilities[5]	-	725,882
Corporate bonds	125,000	344,291
Installment payables	687	319
Total	2,537,988	3,367,914

Notes:

1. On November 14, 2019, Z Holdings Corporation, a subsidiary of the Company entered into a loan agreement. Summary of the loan agreement is as follows:

(1) Lender:	5 financial institutions
(2) Amount of borrowing:	¥400,000 million
(3) Interest rate:	Bank base rate + Spread
(4) Execution date:	November 19, 2019
(5) Maturity:	November 14, 2020

2. On October 24, 2019, the Company entered into a loan agreement and on October 31, 2019, the Company repaid in full ¥150,000 million of short-term borrowings under a loan agreement which the Company contracted on June 21, 2019. Summary of the loan agreement which the Company contracted on October 24, 2019 is as follows:

(1) Lender:	16 financial institutions
(2) Amount of borrowing:	¥325,000 million
(3) Interest rate:	Bank base rate + Spread
(4) Execution date:	October 31, 2019
(5) Maturity:	Repayments of the borrowings start from the last business day of March 2020 and are to be made every six months thereafter, to end on the last business day of September 2024.

3. As described in "(1) Application of new accounting standards and interpretations" under "Note 2. Significant accounting policies," the Group does not apply IFRS 16 to leases of intangible assets. Consequently, obligations associated with the leases of software that were previously recorded as lease obligations are included in current portion of long-term borrowings and long-term borrowings as financial liabilities under IFRS 9, and are restated by component as of March 31, 2019. Borrowings associated with such transactions included in current portion of long-term borrowings and long-term borrowings as of December 31, 2019 are ¥94,996 million and ¥153,714 million, respectively (¥102,879 million and ¥191,297 million, respectively as of March 31, 2019).

4. For certain network equipment, the Group raises capital through a series of transactions comprising purchasing contracts and lease agreements. Of these transactions, for those executed after the date of adoption of IFRS 16, the transfers of assets under the purchasing contracts do not satisfy the requirements of IFRS 15 and therefore are not accounted for as sales. Accordingly, capital raised through such transactions is accounted for as long-term borrowings. Borrowings associated with such transactions included in current portion of long-term borrowings and long-term borrowings as of December 31, 2019 are ¥65,872 million and ¥182,766 million, respectively. Of these transactions, transactions executed prior to the date of adoption of IFRS 16 are, in accordance with the transitional provisions of IFRS 16, accounted for as leases even after the adoption of IFRS 16.

5. The Group has adopted IFRS 16 from the three months ended June 30, 2019. Therefore, the Group recognizes lease liabilities for leases as of December 31, 2019 rather than lease obligations. For further details, refer to “(1) Application of new accounting standards and interpretations” under “Note 2. Significant accounting policies.”

7. Equity

(1) Common stock and capital surplus

Nine months ended December 31, 2018

After the Company acquired the shares of domestic subsidiaries and associates owned by SBGJ through an equity issuance on April 1, 2018, the number of shares issued increased by 176,197 thousand shares. For details, refer to "(2) Acquisition of investments in subsidiaries and associates" under "Note 4. Business combinations."

As a result of the issuance of the shares, common stock and capital surplus increased by ¥6,615 million and ¥6,615 million under the Companies Act of Japan, respectively.

In addition to the above, the differences between related fair values of investments in associates accounted for using the equity method at the time of acquisition and the amounts of common stock and capital surplus increased by the issuance of the shares were recognized in capital surplus.

Nine months ended December 31, 2019

There are no significant equity transactions to be disclosed.

(2) Treasury stock

Changes in treasury stock are as follows:

(Thousands of shares)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Balance at the beginning of the period	-	-
Increase during the period[1]	-	46,000
Decrease during the period	-	-
Balance at the end of the period	-	46,000

Note:

1. For the nine months ended December 31, 2019, due to a purchase of treasury stock under the resolution passed at the Board of Director meeting held on July 24, 2019, the number of treasury stock increased by 46,000 thousand shares and total acquisition cost was ¥68,709 million.

8. Dividends

Dividends paid are as follows:

The Company

Nine months ended December 31, 2018

There are no significant dividends paid to be disclosed.

Nine months ended December 31, 2019

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2019	Common stock	37.50	179,518	March 31, 2019	June 10, 2019
Board of Directors' meeting held on October 28, 2019	Common stock	42.50	202,584	September 30, 2019	December 6, 2019

Transactions under common control result in the Group retrospectively combining the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent, SBG, obtained control of the transferred companies prior to the transfer or the opening balance sheet date of the earliest comparative period as part of the consolidated financial statements of the Group. As a result, the following dividends paid by Z Holdings Corporation and SB Technology Corp. (formerly SoftBank Technology Corp.) and before the date of the transaction under common control are included in “Cash dividends” in the condensed interim consolidated statement of changes in equity.

Z Holdings Corporation

Nine months ended December 31, 2018

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)[1]	Record date	Effective date[2]
Board of Directors' meeting held on April 27, 2018	Common stock	8.86	50,449	March 31, 2018	June 26, 2018

Notes:

1. The amount of dividends paid to owners of the Company was ¥21,668 million.
2. At the Board of Directors Meeting held on May 31, 2018, Z Holdings Corporation resolved to change the scheduled dividend payment date (effective date) from June 5, 2018 to June 26, 2018.

Nine months ended December 31, 2019

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)[1]	Record date	Effective date
Board of Directors' meeting held on May 16, 2019	Common stock	8.86	45,042	March 31, 2019	June 4, 2019

Note:

1. The amount of dividends paid to owners of the Company was ¥16,253 million.

SB Technology Corp. (formerly SoftBank Technology Corp.)

Nine months ended December 31, 2018

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)[1]	Record date	Effective date
General Meeting of Shareholders held on June 18, 2018	Common stock	15.00	297	March 31, 2018	June 19, 2018

Note:

1. The amount of dividends paid to owners of the Company was ¥161 million.

Nine months ended December 31, 2019

There are no significant dividends paid to be disclosed.

9. Revenue

The components of revenue are as follows:

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Consumer business		
Telecommunications service revenues		
Mobile communications	1,201,666	1,264,983
Broadband	268,242	286,593
Revenues from sales of goods and others	527,635	474,656
Subtotal	1,997,543	2,026,232
Enterprise business		
Mobile communications[3]	194,734	199,990
Fixed-line	156,652	145,302
Business solution services and others[3]	98,702	117,405
Subtotal	450,088	462,697
Distribution business	265,990	334,215
Yahoo business		
Commerce	468,964	517,435
Media	221,459	224,343
Other	1,856	1,691
Subtotal	692,279	743,469
Other	48,594	51,347
Total	3,454,494	3,617,960

Notes:

1. The components of revenue represent sales to external customers.
2. The components of revenue include revenue from leases and others. Revenue from leases and others for the nine months ended December 31, 2019 and 2018 were ¥79,772 million and ¥71,771 million, respectively.
3. Mobile communications and business solution services and others within the Enterprise business include telecommunications service revenues and revenues from sales of goods and others. Telecommunications service revenues for the nine months ended December 31, 2019 and 2018 were ¥252,184 million and ¥236,677 million, respectively. Revenues from sales of goods and others for the nine months ended December 31, 2019 and 2018 were ¥65,211 million and ¥56,759 million, respectively.

10. Earnings per share

Basic earnings per share and diluted earnings per share are as follows:

Nine months ended December 31, 2018 and 2019

(1) Basic earnings per share

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income used in the calculation of basic earnings per share (Millions of yen)		
Net income attributable to owners of the Company	423,310	436,637
Weighted-average number of shares of common stock outstanding (Thousands of shares)	4,787,145	4,774,462
Basic earnings per share (Yen)	88.43	91.45

(2) Diluted earnings per share

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income used in the calculation of diluted earnings per share (Millions of yen)		
Net income attributable to owners of the Company	423,310	436,637
Effect of dilutive securities issued by subsidiaries and associates	(11)	(9)
Total	423,299	436,628
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share (Thousands of shares)		
Weighted-average number of shares of common stock outstanding	4,787,145	4,774,462
Increase in the number of shares of common stock due to stock acquisition rights	24,623	64,006
Total	4,811,768	4,838,468
Diluted earnings per share (Yen)	87.97	90.24

Three months ended December 31, 2018 and 2019

(1) Basic earnings per share

	Three months ended December 31, 2018	Three months ended December 31, 2019
Net income used in the calculation of basic earnings per share (Millions of yen)		
Net income attributable to owners of the Company	108,705	109,213
Weighted-average number of shares of common stock outstanding (Thousands of shares)	4,787,145	4,754,708
Basic earnings per share (Yen)	22.71	22.97

(2) Diluted earnings per share

	Three months ended December 31, 2018	Three months ended December 31, 2019
Net income used in the calculation of diluted earnings per share (Millions of yen)		
Net income attributable to owners of the Company	108,705	109,213
Effect of dilutive securities issued by subsidiaries and associates	(4)	(4)
Total	108,701	109,209
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share (Thousands of shares)		
Weighted-average number of shares of common stock outstanding	4,787,145	4,754,708
Increase in the number of shares of common stock due to stock acquisition rights	44,951	64,819
Total	4,832,096	4,819,527
Diluted earnings per share (Yen)	22.50	22.66

11. Subsequent events

There are no significant subsequent events to be disclosed.