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To Our Shareholders:

Disclosed information on the Internet at the Time of Notifying Convocation of the 33rd Annual General Meeting of Shareholders

June 7, 2019

SoftBank Corp.

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All matters above are provided to shareholders of SoftBank Corp. on the website of SoftBank Corp. on the Internet (https://www.softbank.jp/corp/ir/) in accordance with all laws and Article 14 of the Articles of Incorporation of SoftBank Corp.

Status of the Company

(5) Overview of systems to ensure the appropriateness of operations and its implementation status

Overview of the Board of Directors resolution on the systems to ensure the appropriateness of operations

[1] Systems to ensure that the execution of the duties of board directors and employees is in compliance with laws, regulations, and the Articles of Incorporation of the Company

The Company has applied the SoftBank Group Officer and Employee Code of Conduct established by the parent to prescribe the code of conduct to be followed by all board directors and employees to ensure that corporate activities are appropriate based not only on regulatory compliance, but also on high ethical standards, and has established the following structure to continuously reinforce the compliance system:

(1) A chief compliance officer (CCO) is appointed. The CCO proposes and carries out measures required to establish and enhance the Company's compliance system.

(2) Compliance Office is established. The Compliance Office assists the CCO.

(3) A compliance officer and a compliance manager shall be placed in each business unit for thorough compliance.

(4) Internal and external hotlines (compliance reporting desk) are established for direct reporting and consultations by board directors and employees, to quickly identify, rectify, and prevent the reoccurrence of any inappropriate issues in corporate activities. The Company ensures that persons who have reported or consulted on the hotlines will not be treated disadvantageously by prohibiting the disadvantageous treatment of persons on the grounds of having reported or consulted on the hotline in the Compliance Regulations.

(5) Audit & Supervisory Board Members and the Audit & Supervisory Board request measures for improvements to the Board of Directors, if they identify issues in the system for compliance with laws, regulations, and the Articles of Incorporation.

[2] System for the storage and management of information regarding the execution of duties by board directors

The Company has established the following system to appropriately store and maintain documents and other important information related to the execution of duties by board directors including minutes of the Board of Directors meetings and approval papers:

(1) The Company determines retention periods and methods and measures to prevent accidents, based on the Information Management Regulations, and classifies and appropriately stores these documents according to their degree of confidentiality.

(2) A chief information security officer (CISO) has been appointed as the person responsible for information security management, and persons responsible for information security are placed in each business unit to establish a system to store and manage information, based on the Basic Regulations for Information Security.

[3] Regulations and system relating to managing the risk of loss

The Company has established the following system to avoid and minimize risk and to implement necessary measures related to the variety of risks in its business operations:

(1) Responsible divisions are designated to address various risks, manage risks in each responsible division and work to reduce risks and prevent the occurrence of risk events based on the Risk Management Regulations. When an emergency situation arises, an Emergency Response Department will be established according to the flow designated in the Incident Management Regulations, and efforts will be made to mitigate the damage (loss) based on the instructions of the Emergency Response Department.

(2) The internal audit unit will summarize the status of risk evaluation, analysis and response at each division, and regularly report its findings to the Board of Directors.

[4] Systems to ensure the efficiency of board directors in the execution of their duties

The Company has established the following structure to maintain an efficient management system:

(1) The Company has set out the Rules of the Board of Directors to clarify matters to be decided and reported on by the Board of Directors, and the Internal Approval Regulations and other regulations relating to institutional decision-making to clarify decision-making authority.

(2) To strengthen functions for overseeing the execution of duties and enhance objectivity in management, the Board of Directors includes external directors who are independent of the Company.

(3) To ensure that the board directors can discuss matters fully at Board of Directors meetings, they are provided with materials for the meeting in advance, and with additional or supplementary materials upon their request.

(4) The scope of operations and responsibilities necessary for operations are clearly defined in the Organization Management Regulations.

[5] Systems to ensure appropriateness of operations of the Company and the Group consisting of its parent and subsidiaries

The Company shares fundamental concepts and policies throughout the Group and reinforces the management system and compliance in accordance with the SoftBank Group Charter, etc. established by the parent. In addition, the following systems have been established to apply rules shared by Group companies to board directors and employees of the Company and its subsidiaries:

(1) The CCO establishes and reinforces the compliance system of each Group company. For practicing compliance, CCO gives advice, instructions, and orders to the CCOs of each Group

company to ensure that such activities comply with the Group's basic compliance policy. The compliance reporting desk has also been established to receive reports and provide consultation to board directors and employees of each Group company to quickly identify, rectify, and prevent the reoccurrence of any inappropriate issues in corporate activities. The Company ensures that persons who have reported or consulted on the Hotline will not be treated disadvantageously by prohibiting the disadvantageous treatment of persons on the grounds of having reported or consulted on the Hotline in the Compliance Regulations.

(2) The security unit regularly attends the Group IT Governance Liaison Council headed by a group chief information security officer (GCISO), to manage the system on information security and share information on implementation status, knowledge and technologies, etc.

(3) The representative of each Group company must submit a Representative Oath pertaining to the financial reports submitted to SoftBank Corp., thereby ensuring the accuracy of the annual securities report and other reports submitted by the Group.

(4) The internal audit unit comprehensively judges the results of past internal audits, financial position, and carries out internal audits of Group companies deemed as having high risk.

(5) While each Group company addresses risk in an effort to reduce and prevent any possible risks, in the event of emergency, an immediate report to the Company is requested in accordance with the Incident Management Regulations. In addition, the Company will coordinate closely with each Group company according to the situation to minimize damage (loss).

[6] System for excluding antisocial forces

The Company clearly states in the Regulations on Countermeasures against Antisocial Forces its policy of having absolutely no association with antisocial forces that pose a threat to public order and safety. The Company establishes an internal system to counter antisocial forces and has a responsible division in place to carry out overall management. For dealing with inappropriate requests from antisocial forces, the Company will firmly refuse those requests in a resolute manner in cooperation with the police and other external specialist institutions.

[7] Matters relating to support staff that assists the Audit & Supervisory Board Members upon request for such placement from Audit & Supervisory Board Members, matters relating to the independence from the board directors, and matters relating to ensuring the effectiveness of instructions given to the relevant employees

The Company has established the Assistant to Audit Department as an organization to support the work of the Audit & Supervisory Board Members, and has assigned dedicated staff to this department. The appointment of the support staff is notified to the Audit & Supervisory Board Members, and any personnel changes, evaluations, or other such actions require the agreement of the Audit & Supervisory Board Members. In addition, directions and instructions to the support staff are issued by the Audit & Supervisory Board Members to ensure the effectiveness of the instructions.

[8] System for reporting to the Audit & Supervisory Board Members by board directors and employees and other systems for reporting to the Audit & Supervisory Board Members

Board directors and employees will report the following matters to the Audit & Supervisory Board

Members or the Audit & Supervisory Board promptly (or immediately for any urgent matters including facts that may potentially cause severe damage to the Company):

(1) Matters related to the compliance system or use of the compliance reporting desk.

(2) Matters related to finances (including financial reporting and actual results against planned budget).

(3) Matters related to human resources (including labor management).

(4) The status of work related to risk matters on information security.

(5) The status of work related to large-scale disaster and network disruption, etc.

(6) The development status of internal control.

(7) The status of work related to external fraud investigations.

(8) Matters related to violations of laws, regulations, or the Articles of Incorporation.

(9) Results of audits conducted by the internal audit unit.

(10) Other matters which could materially harm the Company or matters that the Audit & Supervisory Board Members have decided that need to be reported in order for them to execute their duties.

[9] Other systems to ensure that the audits by the Audit & Supervisory Board Members are conducted effectively

(1) When the Audit & Supervisory Board Members deem it necessary, opportunities shall be provided for them to interview board directors or employees of the Company and Group companies. In addition, the Audit & Supervisory Board Members periodically meet with the independent auditor and the Audit & Supervisory Board Members of major subsidiaries and other entities for an exchange of information and to ensure cooperation, and also attend important meetings.

(2) The Company ensures a system that persons who have reported or consulted with the Audit & Supervisory Board Members will not be treated disadvantageously on the grounds of having reported or consulted with the Audit & Supervisory Board Members.

(3) The Company shall pay expenses relating to the independent auditor, the attorneys and other professionals, and other expenses associated with the execution of duties by the Audit & Supervisory Board Members.

Overview of the implementation status of systems to ensure the appropriateness of operations

[1] Matters concerning compliance

The Company continues to conduct compliance training for board directors and employees, as well as the offering of information and giving of advice, etc., as necessary, for enhancing the compliance system. In addition, the Company works to ensure the effectiveness of compliance of the Company through setting and operating hotlines so that board directors and employees of the Company and its subsidiaries can report and consult directly. Effects of these measures are reviewed and improved, as necessary.

[2] Matters concerning risk

Based on the Risk Management Rules, responsible units of each risk continuously work on reducing risks and preventing the occurrence thereof. In addition, the internal audit unit summarizes the status of risk evaluation and analysis, as well as measures against and responses to risks, implemented in each responsible unit, and regularly reports its findings to the Board of Directors. The

Group companies also continuously work on reducing risks and preventing the occurrence thereof.

[3] Matters concerning internal audits

The internal audit unit carries out audits on the effectiveness of the system for compliance with laws, regulations and the Articles of Incorporation as well as the risk management process at the Company. In addition, the unit continuously carries out audits of Group companies deemed as having a high risk and reports the results of the audits to the CEO each time.

[4] Matters concerning the execution of duties by board directors and employees

The Company ensures efficiency of the execution of duties by its board directors and employees based on internal regulations such as the Rules of the Board of Directors, Internal Approval Regulations and Organization Management Regulations. The Company also ensures an environment where matters can be fully discussed at the Board of Directors meetings by board directors.

[5] Matters concerning duties of Audit & Supervisory Board Members

Audit & Supervisory Board Members attend the Company’s important meetings and arrange opportunities to interview board directors and employees of the Company and the Group, as necessary. In addition, they continue to enhance cooperation by holding regular meetings with the Independent Auditor and Audit & Supervisory Board Members, etc. of major subsidiaries. Through these efforts, Audit & Supervisory Board Members ensure the effectiveness of audits.

(Note) Within this Business Report, amounts less than stated units are rounded, and ratios less than stated units are rounded.

Consolidated Statement of Changes in Equity

(Fiscal year ended March 31, 2019)

(Millions of yen)

	Equity attributable to owners of the Company		
	Common stock	Capital surplus	Retained earnings
As of April 1, 2018	197,694	175,005	339,692
Retrospective adjustments from transactions under common control	-	29,901	(7,039)
Cumulative effect of adopting a new accounting standard	-	-	125,577
As of April 1, 2018 - restated	197,694	204,906	458,230
Comprehensive income			
Net income	-	-	430,777
Other comprehensive income (loss)	-	-	-
Total comprehensive income	-	-	430,777
Transactions with owners and other transactions			
Cash dividends	-	-	(161)
Issuance of new shares	6,615	13,207	-
Changes from transactions under common control	-	(25,652)	5,872
Changes from business combinations	-	-	-
Changes from loss of control	-	-	-
Changes in interests in existing subsidiaries	-	667	-
Share-based payment transactions	-	9,557	-
Transfer from accumulated other comprehensive income (loss) to retained earnings	-	-	(838)
Total transactions with owners and other transactions	6,615	(2,221)	4,873
As of March 31, 2019	204,309	202,685	893,880

	Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Accumulated other comprehensive income (loss)	Total		
As of April 1, 2018	5,743	718,134	4,144	722,278
Retrospective adjustments from transactions under common control	-	22,862	14,543	37,405
Cumulative effect of adopting a new accounting standard	-	125,577	-	125,577
As of April 1, 2018 - restated	5,743	866,573	18,687	885,260
Comprehensive income				
Net income	-	430,777	(5,205)	425,572
Other comprehensive income (loss)	(60,420)	(60,420)	114	(60,306)
Total comprehensive income	(60,420)	370,357	(5,091)	365,266
Transactions with owners and other transactions				
Cash dividends	-	(161)	(226)	(387)
Issuance of new shares	-	19,822	-	19,822
Changes from transactions under common control	-	(19,780)	(4,100)	(23,880)
Changes from business combinations	-	-	4,422	4,422
Changes from loss of control	58	58	(228)	(170)
Changes in interests in existing subsidiaries	-	667	3,898	4,565
Share-based payment transactions	-	9,557	0	9,557
Transfer from accumulated other comprehensive income (loss) to retained earnings	838	-	-	-
Total transactions with owners and other transactions	896	10,163	3,766	13,929
As of March 31, 2019	(53,781)	1,247,093	17,362	1,264,455

Non-consolidated Statement of Changes in Net Assets

(For the fiscal year from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	
Balance as of April 1, 2018	197,694	64,756	29	64,785	388,985	388,985	651,464
Changes of items during period							
Issuance of new shares	6,615	6,615	-	6,615	-	-	13,230
Net income	-	-	-	-	324,786	324,786	324,786
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-
Total changes of items during period	6,615	6,615	-	6,615	324,786	324,786	338,016
Balance as of March 31, 2019	204,309	71,371	29	71,400	713,771	713,771	989,480

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of April 1, 2018	5,595	-	5,595	275	657,334
Changes of items during period					
Issuance of new shares	-	-	-	-	13,230
Net income	-	-	-	-	324,786
Net changes of items other than shareholders' equity	(54,420)	(4,733)	(59,153)	3,206	(55,947)
Total changes of items during period	(54,420)	(4,733)	(59,153)	3,206	282,069
Balance as of March 31, 2019	(48,825)	(4,733)	(53,558)	3,481	939,403

(Basis of Preparation of Consolidated Financial Statements)

1. Basis of preparation of consolidated financial statements

From the fiscal year ended March 31, 2019, the consolidated financial statements of the Group have been prepared on the basis of International Financial Reporting Standards ("IFRS") pursuant to the provisions of Paragraph 1 of Article 120 of the Ordinance on Company Accounting, which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under IFRS.

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

Company names/Abbreviations	Definition
The Company	SoftBank Corp. (stand-alone basis)
The Group	SoftBank Corp. and its subsidiaries
SBG	SoftBank Group Corp. (stand-alone basis)

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 102

(2) Names of main consolidated subsidiaries

Wireless City Planning Inc., SB C&S Corp., SB Payment Service Corp.

(3) Names of new and main consolidated subsidiaries and the reasons thereof

LINE MOBILE Corporation	Newly acquired
SB Media Holdings Corp.	Newly acquired
SoftBank Technology Corp.	Newly acquired
SB Players Corp.	Newly acquired

3. Scope of associates accounted for by the equity method

(1) Number of associates accounted for by the equity method: 38

(2) Names of main associates accounted for by the equity method

Cybereason Inc., WeWork Japan GK, Tpoint Japan Co., Ltd., PayPay Corporation

(3) Names of new and main associates accounted for by the equity method and the reasons thereof

PayPay Corporation	Newly established
Vector Inc.	Newly acquired
Geniee, Inc.	Newly acquired
Scigineer Inc.	Newly acquired

4. Significant accounting policies

(1) Valuation standards and methods for financial assets and financial liabilities

a. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a contractual party to the instrument.

Financial assets and financial liabilities are measured at fair value at initial recognition. Except for financial assets at fair value through profit or loss ("financial assets at FVTPL") and financial liabilities at fair value through profit or loss ("financial liabilities at FVTPL"), transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition. Transaction costs that are directly attributable to the acquisition of the financial assets at FVTPL and financial liabilities at FVTPL are recognized in profit or loss.

b. Non-derivative financial assets

Non-derivative financial assets are classified as "financial assets at amortized cost," "investments in debt instruments at fair value through other comprehensive income ("debt instruments at FVTOCI")," "investments in equity instruments at fair value through other comprehensive income ("equity instruments at FVTOCI")," and "financial assets at FVTPL." The classification depends on the nature and purpose of the financial assets and is determined at initial recognition.

(a) Financial assets at amortized cost

Non-derivative financial assets are classified as "financial assets at amortized cost" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost using the effective interest method less any impairment. Interest income based on the effective interest method is recognized in profit or loss.

(b) Debt instruments at FVTOCI

Non-derivative financial assets are classified as "debt instruments at FVTOCI" if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, debt instruments at FVTOCI are measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. Upon derecognition, previously recognized accumulated other comprehensive income is transferred to profit or loss. Exchange differences arising on monetary financial assets classified as investments in debt instruments at FVTOCI and interest income calculated using the effective interest method relating to debt instruments at FVTOCI are recognized in profit or loss.

(c) Equity instruments at FVTOCI

The Group makes an irrevocable election at initial recognition to recognize changes in fair value of certain investments in equity instruments in other comprehensive income, rather than in profit or loss, and classifies them as investments in equity instruments at FVTOCI. Subsequent to initial recognition, investments in equity instruments at FVTOCI are measured at fair value and gains or losses arising from the changes in fair value are recognized in other comprehensive income.

The Group transfers accumulated gains or losses directly from other comprehensive income to retained earnings in the case of derecognition or decline in fair value significantly or persistently below the cost. Dividends received related to investments in equity instruments at FVTOCI are recognized in profit or loss.

(d) Financial assets at FVTPL

Non-derivative financial assets other than those classified as "financial assets at amortized cost," "debt instruments at FVTOCI," or "equity instruments at FVTOCI" are classified as "financial assets at FVTPL." No financial assets have been designated as those measured at fair value through profit or loss to

eliminate or significantly reduce accounting mismatches.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value and gains or losses arising from changes in fair value, dividend income, and interest income are recognized in profit or loss.

(e) Impairment of financial assets

Allowance for doubtful accounts is recognized for expected credit losses on financial assets at amortized cost, debt instruments at FVTOCI, and contract assets under IFRS 15 “Revenue from Contracts with Customers.” The Group assesses whether credit risk on financial assets has increased significantly since initial recognition at the end of each fiscal year and at the end of each quarter. If the credit risk on financial assets has not increased significantly since the initial recognition, the Group measures the allowance for doubtful accounts at an amount equal to the 12-month expected credit losses. If the credit risk on financial assets has increased significantly since the initial recognition or for credit-impaired financial assets, the Group measures the allowance for doubtful accounts at an amount equal to the lifetime expected credit losses. Allowances for doubtful accounts for trade receivables, contract assets, and lending commitments are always measured at an amount equal to the lifetime expected credit losses.

The Group measures expected credit losses in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date on past events, current conditions and forecasts of future economic conditions.

The Group shall recognize in profit or loss the amount of provision for the allowance of doubtful accounts and the amount of a reversal of the allowance of doubtful accounts if any event occurs that decreases the allowance for doubtful accounts.

The carrying amount of a financial asset is written off against the allowance for doubtful accounts when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

(f) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all the risks and rewards of ownership of the financial asset.

c. Non-derivative financial liabilities

Non-derivative financial liabilities are classified as “financial liabilities at FVTPL” or “financial liabilities at amortized cost,” and the classification is determined upon initial recognition.

Non-derivative financial liabilities are classified as “financial liabilities at FVTPL” when the Group designates the entire hybrid contract that contains one or more embedded derivatives as financial liabilities at FVTPL. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and gains or losses arising from changes in fair value and interest expense are recognized in profit or loss.

Financial liabilities at amortized cost are measured using the effective interest method subsequent to initial recognition.

The Group derecognizes financial liabilities when the Group satisfies its obligations or when the Group’s obligations are discharged, canceled, or expired.

d. Derivatives and hedge accounting

(a) Derivatives

The Group is engaged in derivative transactions, including foreign currency forward contracts and interest rate swap agreements, in order to manage its exposure to foreign exchange rate and interest rate volatility.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at fair value at the end of the fiscal year. Changes in the fair value of derivatives are recognized immediately in profit or loss unless the derivative is designated as a hedging instrument and or works effectively as a hedge. Derivative financial assets not designated as hedging instruments are classified as “financial assets at FVTPL,” and derivative financial liabilities not designated as hedging instruments are classified as “financial liabilities at FVTPL.”

(b) Hedge accounting

The Group designates certain derivative transactions as hedging instruments that are accounted for as cash flow hedges.

At the inception of the hedge, the Group formally designates and documents the hedge relationship qualifying for hedge accounting, along with its risk management objectives and its strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group evaluates whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the relevant hedged item during the underlying period.

Hedges are determined effective when all of the following requirements are met:

i. there is an economic relationship between the hedged item and the hedging instrument;
ii. the effect of credit risk does not dominate the value changes that result from that economic relationship; and
iii. the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirements relating to the hedge ratio, as long as the risk management objectives remains the same, the Group shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

The effective portion of changes in fair value of derivatives that are designated as and qualifies for cash flow hedges is recognized in other comprehensive income and accumulated in accumulated other comprehensive income. Accumulated other comprehensive income is transferred to profit or loss line items related to the hedged item in the consolidated statement of income as long as the cash flows from the hedged item affect profit or loss. Any ineffective portion of changes in the fair value of derivatives is recognized immediately in profit or loss.

When the hedged forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Group transfers the associated gains or losses previously recognized in other comprehensive income in accumulated other comprehensive income to the historical cost of the non-financial asset or non-financial liability at initial recognition.

Hedge accounting is discontinued prospectively only when the hedge relationship no longer meets the criteria for hedge accounting, such as when the hedging instrument expires, is sold, is terminated, or is exercised.

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remain in equity and are recognized in profit or loss when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gains or losses recognized in accumulated other comprehensive income are recognized immediately in profit or loss.

(c) Embedded derivatives

Derivatives embedded in non-derivative financial assets (“embedded derivatives”) are not separated from the host contract and accounted for as an integral part of the entire hybrid contract.

Derivatives embedded in non-derivative financial liabilities (“embedded derivatives”) are separated from the host contract and accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contract and also if the whole financial instrument, including the embedded derivative, is not classified as a financial liability at FVTPL. The Group is required to separate an embedded derivative from its host contract. In case that the Group is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent fiscal year, the entire hybrid contract is designated and accounted for as a financial liability at FVTPL.

(2) Valuation standards and methods for inventories

Inventories are stated at the lower of cost or net realizable value. Inventories mainly consist of mobile devices and accessories. Their costs comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs are calculated primarily by the moving-average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale, namely marketing, selling, and distribution costs.

(3) Valuation standards and methods for property, plant and equipment and intangible assets, and methods of depreciation and amortization thereof

a. Property, plant and equipment

Property, plant and equipment are measured on a historical cost basis and are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement, and site restoration.

Depreciation of property, plant and equipment is calculated mainly by the straight-line method over the estimated useful lives of each component, using the depreciable amount. The depreciable amount is calculated as the cost of an asset, less its residual value. Land and assets under construction are not depreciated.

The estimated useful lives of major components of property, plant and equipment are as follows:

Buildings and structures		
Buildings	31 - 50	years
Structures	10 - 50	years
Building fixtures	8 - 22	years
Network equipment		
Radio network equipment, core network equipment and other network equipment	5 - 15	years
Towers	10 - 42	years
Other	5 - 30	years
Furniture, fixtures and equipment		
Leased mobile devices (lessor)	2 - 3	years
Other	4 - 10	years

The depreciation methods, useful lives, and residual values of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in accounting estimate.

b. Intangible assets

Intangible assets are measured on a historical cost basis and are stated at historical cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired individually are measured at cost upon initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill upon initial recognition and are measured at fair value at the acquisition date. Any internally generated research and development expenditure is recognized as an expense when it is incurred, except for expenditures on development activities eligible for capitalization (internally generated intangible assets). The amount of internally generated intangible assets is measured upon initial recognition as the sum of the expenditures incurred from the date when the intangible asset first meets all of the capitalization criteria to the date the development is completed.

Except intangible assets with indefinite useful lives, intangible assets with finite useful lives are amortized over their respective estimated useful lives. Amortization of customer relationships is calculated by the sum-of-the-digits method and intangible assets with finite useful lives other than customer relationships are amortized by the straight-line method.

The estimated useful lives of major categories of intangible assets with finite useful lives are as follows:

Software	
Software related to radio network equipment	10 years
Other	5 - 8 years
Customer relationships	6 - 9 years
Spectrum migration costs	18 years
Other	5 - 20 years

Spectrum migration costs are, based on the termination campaign, the Company's share of costs arising from the migration of pre-existing users of the spectrums newly assigned to the Company to other spectrums. Useful lives are estimated based on the actual utilization of the frequency spectrum in the past.

Amortization methods, useful lives, and residual values of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortized. An intangible asset with indefinite useful life or the cash-generating unit to which the asset belongs is tested for impairment at a certain timing within the fiscal year and when any indication of impairment exists.

The Group's only intangible asset with an indefinite useful life is its trademark usage right of the *SoftBank* brand.

c. Leased assets

Assets held under finance leases are depreciated over their estimated useful lives when there is certainty that ownership will be obtained by the end of the lease term. However, when there is no certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term or their estimated useful lives.

(4) Accounting treatment of goodwill

Please refer to "(9) Accounting treatment of business combinations" for the measurement of goodwill at initial recognition. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortized and is tested for impairment when there is an indication of impairment in operating segments to which goodwill has been allocated, and at a certain timing within the fiscal year, irrespective of whether there is any indication of impairment. For the details of impairment, please refer to "(5) Impairment of property, plant and equipment; intangible assets; and goodwill."

Any excess in the cost of acquisition of an associate or a joint venture over the Group's interest in the net fair value of the identifiable assets and liabilities recognized at the date of acquisition is recognized as goodwill and included within the carrying amount of the investments in associates and joint ventures.

Since goodwill is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of the investment in associates or joint ventures, including goodwill, is tested for impairment as a single asset whenever objective evidence indicates the investment may be impaired.

(5) Impairment of property, plant and equipment, intangible assets, and goodwill

a. Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Group determines whether there is any indication that property, plant and equipment and intangible assets may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment when any indication of impairment exists and at a certain timing within the fiscal year, regardless of whether there is any indication of impairment.

The recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects

the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, and an impairment loss is recognized in profit or loss.

At the end of the fiscal year, the Group evaluates whether there is any indication that an impairment loss recognized in prior years for assets other than goodwill has decreased or has been extinguished. If such an indication of a reversal of an impairment loss exists, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount of an asset or cash-generating unit is estimated to be higher than its carrying amount, a reversal of an impairment loss is recognized to the extent the increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (less depreciation and amortization) that would have been recognized had no impairment loss been recognized.

b. Impairment of goodwill

Goodwill is allocated to operating segments that are expected to benefit from the synergies arising from the business combination and is tested for impairment when there is an indication of impairment in the operating segments to which goodwill has been allocated, and at a certain timing within the fiscal year, irrespective of whether there is any indication of impairment. If, at the time of the impairment test, the recoverable amount of the asset group which belongs to the operating segment is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the operating segment and then to the other assets proportionately based on the carrying amount of each asset in the operating segment.

Any impairment loss for goodwill is recognized directly in profit or loss and is not reversed in subsequent periods.

(6) Accounting treatment of defined benefit plans

The liability recognized in respect of the defined benefit plans (the defined benefit liability) is the present value of the defined benefit obligation less the fair value of the plan assets at the end of the fiscal year.

The defined benefit obligation is determined by independent actuaries using the projected unit credit method, and its present value is determined by applying a discount rate based on the yield curve of high-quality corporate bonds over the approximate period of the benefit payments.

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and remeasurement of the net defined benefit liability (asset). Service cost and net interest are recognized in profit or loss. Net interest is determined using the discount rate described above.

The Group’s remeasurement, which comprises actuarial gains and losses, is recognized in other comprehensive income and transferred to retained earnings immediately from accumulated other comprehensive income.

Since March 2007, the Group has frozen all defined benefit lump-sum plans. Liabilities for the frozen defined benefit lump-sum plans are calculated on the basis of retirement benefits vested at the time the plans were frozen and are recognized as defined benefit liabilities until they are paid in the form of a lump sum at the time of future retirement of employees. Therefore, service cost is not incurred for those defined benefit plans for the current fiscal year.

(7) Criteria for recording significant provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured using the estimated future cash flows, discounted using a pretax rate reflecting the time value of money and the specific risks of the liability, after taking into account the risks and uncertainties surrounding the obligation at the end of the fiscal year.

The Group recognizes asset retirement obligations and allowance for losses on orders received as provisions.

The allowance for losses on orders received has been completely reversed as the relevant contracts for telecommunications services expired in December 2018.

(8) Revenue recognition

a. Revenue

Consumer business

Revenues in the Consumer business consist mainly of revenues from mobile communications services, sales of mobile devices, and broadband services for individual customers.

(a) Mobile communications services and sales of mobile devices

The Group provides mobile communications services, which consist of voice call services, data transmission services, and related optional services to subscribers, and sells mobile devices to customers.

In providing mobile communications services, sales revenue is mainly generated from basic monthly charges, mobile communications services, and other fees. Revenues from the sales of mobile devices are generated from the sales of mobile devices and accessories to subscribers or dealers.

The business flow of the above transactions consists of “Indirect” sales, where the Group sells mobile devices to dealers and enters into mobile communications service contracts with subscribers through dealers, and “Direct” sales, where the Group sells mobile devices to subscribers and enters into mobile communications services contracts directly with subscribers.

Basic charges and mobile communications service fees are billed to subscribers on a monthly basis and are generally due within a short period of time. Mobile device payments for indirect sales are billed to dealers at the time of sale to the respective dealers and are generally due within a short period of time. In addition, mobile device payments for direct sales can be paid in full at the time of sale or paid in monthly installment over the contract period, normally due within a short period of time. The Company has determined that these transaction prices do not include significant financing components due to the timing of payment and have not been adjusted for such financing components.

For mobile communications services and sales of mobile devices, the Company is obliged to allow returns and provide refunds for a certain period of time after the inception of the contract. Return and refund obligations are estimated and deducted from transaction prices for each type of good and service based on historical experience.

The Company provides optional additional warranty services for mobile devices, which are separate performance obligations under the contracts in which these services are provided.

i. Indirect sales

Revenues from the sales of mobile devices are recognized when mobile devices are delivered to dealers, which is when dealers are deemed to have obtained control over the mobile devices. Dealers involved in indirect sales have primary responsibility for fulfilling contracts, carry all inventory risk, and may independently establish their own inventory pricing. Accordingly, the Group considers that dealers involved in indirect sales act as principals.

Basic monthly charges and mobile communications service fees are recognized as revenue when mobile communications services are provided to subscribers. Discounts on mobile communications charges are deducted from the revenues recognized from monthly mobile communications services.

Other fees are primarily made up of activation fees and upgrade fees. These fees are recognized as contract liabilities, then reversed when the mobile communications services are provided, and are recognized as revenue.

ii. Direct sales

For direct sales, as the revenues from the sales of mobile devices and mobile communications services, including related fees, are considered to be one transaction, the total amount of transaction prices is allocated to sales of mobile devices and mobile communications services revenue based on the ratio of their stand-alone selling prices. Discounts on mobile communications charges related to mobile communications service revenue are deducted from the total transaction prices. In addition, if the amount of revenue recognized at the time of sales of mobile devices exceeds the amount of consideration received from the subscribers, the difference is recognized as contract assets and subsequently transferred to trade receivables when the claim is determined as a result of the provision of mobile communications services. If

the amount of revenue recognized at the time of sales of mobile devices is less than the amount of consideration received from the subscribers, the difference is recognized as contract liabilities, which is then reversed when the mobile communications services are provided, and is recognized as revenue.

Stand-alone selling prices of mobile devices and mobile communications services are priced at their observable prices when the mobile devices and mobile communications services are sold independently to customers at the inception of the contract.

The amount allocated to sales of mobile devices is recognized as revenue at the time of delivery to the subscribers, representing the point in time when subscribers are considered to have obtained control of the mobile devices. Amounts allocated to mobile communications service revenues are recognized as revenue when mobile communications services are provided to subscribers.

Contract assets are included in “other current assets” in the consolidated statement of financial position.

(b) Broadband services

For broadband services, revenues are mainly generated from basic monthly charges and telecommunications service fees primarily related to Internet connection (“revenues from broadband services”), and other fees.

Revenues from broadband services are recognized when broadband services are provided to subscribers, based upon fixed monthly charges plus the fees charged for usage of the network. Activation fees are recognized as contract liabilities, then reversed when the broadband services are provided, and are recognized as revenue.

Enterprise business

Revenues in the Enterprise business mainly consist of revenues from mobile communications services and mobile device rental services, fixed-line communications services, and business solution services and others for enterprise customers.

(a) Mobile communications services and mobile device rental services

Revenues from mobile communications services mainly consist of revenues from mobile communications services and other fees. Mobile device rental services are provided on the condition that mobile communications service contracts are entered into. Consideration arising from these transactions is allocated to lease and other based on the fair value of leased mobile devices and mobile communications services. The fair value is the price at which the mobile devices are sold individually and the price at which the mobile communications services are provided individually. Consideration allocated to other is recognized as revenues based on fixed monthly charges and the fees charged for usage of the network when services are provided to subscribers.

(b) Fixed-line communications services

Revenues from fixed-line communications services mainly consist of voice telecommunications service fees and data transmission service fees. Revenues from fixed-line communications services are recognized when services are provided to subscribers, based on fixed monthly charges and the fees charged for usage of the network.

(c) Business solution services and others

Revenues from business solution services and other mainly consist of equipment sales service fees, engineering service fees, management service fees, data center service fees, and cloud service fees.

Revenues from business solution services and other are recognized when products or services are provided to customers, based upon the consideration receivable from customers.

Distribution business

Revenues in the Distribution business are mainly generated from the sales of hardware, software, and services in relation to Information and Communication Technology (“ICT”), cloud and Internet of Things (“IoT”) solutions for enterprise customers. Revenues are also driven by the sales of PC software, IoT products, and mobile device accessories for individual customers.

Revenues in the Distribution business are recognized as revenue at the time of delivery to customers, representing the point in time when customers are deemed to have obtained control over the goods and other items.

For transactions conducted by the Group on behalf of third parties, revenues are presented on a net basis by excluding payment to third parties from the total consideration received from customers.

b. Contract costs

The Group recognizes the costs of obtaining telecommunications service contracts with subscribers that it would not have incurred if the contracts had not been obtained, and if it expects to recover those costs as contract assets. Contract acquisition costs to be capitalized by the Group are mainly sales commissions to dealers related to the acquisition and renewal of mobile communications services contracts between the Group and subscribers.

The Group recognizes the costs to fulfill a contract as an asset if the costs relate directly to the contract or to an anticipated contract that the Group can specifically identify, the costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future, and the costs are expected to be recovered. The costs to fulfill contracts capitalized by the Group are mainly setup costs that are incurred prior to the provision of *SoftBank Hikari* high-speed Internet connection service via optical fiber lines.

Contract acquisition costs are amortized on a straight-line basis over the period (normally two to three years) during which goods or services directly related to such costs are expected to be provided. The costs to fulfill contracts are amortized on a straight-line basis over the period (mainly two years) during which goods or services directly related to such costs are expected to be provided.

The Group utilizes the practical expedient under IFRS 15 that allows the Group to recognize contract acquisition costs as an expense when incurred if the amortization period of the asset that the Group otherwise would have recognized is one year or less.

(9) Accounting treatment of business combinations

Business combinations are accounted for by the acquisition method at the acquisition date.

The consideration transferred in business combinations is measured as the sum of the assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree, and the fair value at the acquisition date of the equity interests issued by the Group. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefits are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits,” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” at the acquisition date; and
- assets or disposal groups that are classified as held-for-sale are measured in accordance with IFRS 5 “Non-current Assets Held-for-Sale and Discontinued Operations.”

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired at the acquisition date is recorded as goodwill. If the consideration transferred and the amount of any non-controlling interest in the acquiree is less than the fair value of the identifiable net assets of the acquired subsidiary, the difference is recognized immediately in profit or loss.

On an acquisition-by-acquisition basis, the Group chooses a measurement basis of non-controlling interests at either fair value or by the proportionate share of the non-controlling interests in the recognized amounts of the acquiree’s identifiable net assets. When a business combination is achieved in stages, the Group's previously held interest in the acquiree is remeasured at fair value at the acquisition date and gain or loss from the remeasurement, if any, is recognized in profit or loss. The amount arising from changes in the value of interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are accounted for in the same way as those used in the disposal of the interests in the acquiree.

If the initial accounting for a business combination is incomplete by the end of the fiscal year, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. The Group retrospectively adjusts the provisional amounts recognized at the acquisition date as an adjustment during the

measurement period when new information about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognized amounts for the business combination. The measurement period shall not exceed one year from the acquisition date.

Goodwill arising from business combinations that occurred before the date of transition to IFRS is carried over at the carrying amount under the previous accounting principles (Japanese Generally Accepted Accounting Principles) as of the date of transition to IFRS and recorded by that carrying amount after an impairment test.

For transactions under common control (all of the combining companies or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory) in the current fiscal year, the Company accounts for those transactions based on the book value of the parent company 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 beginning of the previous fiscal year.

(10) Accounting method of consumption taxes

National consumption taxes and local consumption taxes are accounted for using the tax excluded method of reporting.

5. Changes in accounting policies

The Group adopted IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” from the fiscal year ended March 31, 2019, which resulted in a change to its accounting policies.

(1) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 is a new standard for revenue recognition and replaces IAS 18 “Revenue,” which covers contracts for goods and services, and IAS 11 “Construction Contracts,” which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for adoption.

The Group applied a full retrospective approach, using the practical expedients allowed under IFRS 15. The cumulative effect of adopting this standard on periods before the fiscal year ended March 31, 2018 is recognized as an adjustment to the opening balance of retained earnings as of April 1, 2017.

As a result of adopting IFRS 15, the opening balance of retained earnings for this fiscal year as of April 1, 2018, increased by ¥125,577 million.

(2) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39, “Financial Instruments,” which relates to the recognition, classification, and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets, and hedge accounting.

The adoption of IFRS 9 since April 1, 2018, the beginning of this fiscal year, resulted in changes to the Group’s accounting policy. In accordance with the transitional provisions of Paragraph 7.2.8 of IFRS 9, all financial assets classified as available for sale under IAS 39 have been reclassified to investments in equity instruments at fair value through other comprehensive income on the date of adoption.

From April 1, 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

There is no significant impact from the adoption of IFRS 9 on the Group’s operating results and financial position.

(Notes Relating to Consolidated Statement of Financial Position)

1. Assets with limited property rights due to installment purchase

Assets with limited property rights due to installment purchase by the Group are as follows:

	(Millions of yen)
Property, plant and equipment	15,879
Intangible assets	4,665
Total	20,544

Liabilities related to the assets with limited property rights above are as follows:

	(Millions of yen)
Interest-bearing debt:	
Current portion of installment payables	7,601
Installment payables	686
Total	8,287

2. Allowance for doubtful accounts directly deducted from assets

	(Millions of yen)
Trade and other receivables	10,526
Other financial assets (current)	1,007
Other financial assets (non-current)	10,740
Total	22,273

3. Accumulated depreciation of assets

	(Millions of yen)
Accumulated depreciation of property, plant and equipment	2,665,531

Accumulated depreciation includes accumulated impairment losses.

4. Contingencies

(1) Lending commitments

The details of lending commitments are as follows:

	(Millions of yen)
Total lending commitments	4,315
Funded	1,306
Unfunded	3,009

(2) Litigation

The Group is a party to a number of pending legal and administrative proceedings. As it is difficult to reasonably estimate the final results of such matters, provisions have not been recorded. Based on the information currently available, we do not expect that the results of these proceedings will have a material adverse effect on our financial position or results of operations.

a. On April 30, 2015, the Company filed a lawsuit with the Tokyo District Court against Japan Post Information Technology Co., Ltd. (“JPiT”), claiming for payment of remuneration, etc., for additional services provided in connection with the installation of telecommunication lines, etc., that were ordered by JPiT in relation to a project to migrate the communications network connecting approximately 27,000 sites (post offices, etc.) countrywide to a new network, the 5th PNET.

   Pursuant to a contract dated February 7, 2013, the Company was requested by JPiT to carry out, among other services, installation services for telecommunication lines for Japan Post Group’s business sites countrywide. The Company performed such services and upon JPiT’s request. The Company also performed services that exceeded the scope of services stipulated in the contract.

   Although the Company negotiated with JPiT over an extended period regarding the remuneration, etc. (approximately ¥14.9 billion) for these additional services, the Company and JPiT were unable to arrive at a settlement. Accordingly, the Company duly filed the lawsuit, claiming for payment of remuneration, etc., for such additional services.

b. On April 30, 2015, JPiT filed a lawsuit against the Company and Nomura Research Institute, Ltd. (“NRI”) as co-defendants.

   In such lawsuit, JPiT alleges that the Company and NRI delayed performance, etc., of the ordered services related to the project for migration to the 5th PNET mentioned in a. above, and alleges that such delay caused damages to JPiT (¥16.15 billion). JPiT made joint and several claims against both the Company and NRI for such alleged damages.

   The Company intends to fully contest JPiT’s claims in this lawsuit.

An order to consolidate the abovementioned lawsuits was made on July 29, 2015. The Company modified the amount of claim from approximately ¥14.9 billion to approximately ¥20.4 billion on November 13, 2015 as a result of a review of the remuneration etc. with respect to additional services regarding the lawsuit mentioned in a. above. In addition, in light of increased procurement costs of telecommunication lines for JPiT, the Company modified the amount of claim to approximately ¥22.3 billion on October 12, 2016, and further to approximately ¥24.0 billion on September 7, 2017.

5. Financial covenants

The Company's interest-bearing debt is subject to financial covenants mainly as follows:

- At March 31 and September 30 of each year, the Company is required to maintain equity in the consolidated statement of financial position of the Group at a minimum of 75% of that of the same date during the previous fiscal year.
- At March 31 and September 30 of each year, the Company is required to maintain net assets in the non-consolidated balance sheet of the Company at a minimum of 75% of that of the same date during the previous fiscal year.
- The Company must not incur operating losses or net losses in the consolidated statement of income of the Group for two consecutive fiscal years.
- The Company must not incur operating losses or net losses in the non-consolidated statement of income of the Company for two consecutive fiscal years.
- At March 31 and September 30 of each year, the Company is required to maintain a net leverage ratio(*) below a certain value:

* Net leverage ratio: Net debt (a) divided by adjusted EBITDA (b)

a. "Net debt" means the total amount of interest-bearing debt shown in the consolidated statement of financial position of the Group after deducting cash and cash equivalents adjusted for certain items. Interest-bearing debt is adjusted for certain items, such as an exclusion of interest-bearing debt resulting from financing transactions using an asset securitization scheme.

b. "Adjusted EBITDA" means EBITDA adjusted for certain items as specified in the loan agreement.

(Notes Relating to Consolidated Statement of Income)

Other operating income and other operating expenses

In the sports content distribution services of the Group, the business partner (the "Licensor") lost its broadcast rights for major soccer leagues due to its delay in payment of license fees for the broadcast rights. As a result, the Group received a notification from the Licensor which terminated the broadcasting contract.

Due to the termination of the broadcasting contract, the Group recognized a write-down of ¥4,770 million for acquired distribution rights from the Licensor as "other operating expenses" for the fiscal year ended March 31, 2019. At the same time, the Group recognized a gain of ¥4,689 million as "other operating income" for the fiscal year ended March 31, 2019 due to release of related payment obligations to acquire the distribution rights.

(Notes Relating to Consolidated Statement of Changes in Equity)

1. Class and total number of outstanding shares

Class of shares	Number of shares at beginning of the current fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at end of the current fiscal year
Common stock (Thousands of shares)	4,610,948	176,197	-	4,787,145

Note: The increase of 176,197 thousand shares in total issued shares is the result of an equity issuance through a contribution in kind by third-party allotment to the parent SoftBank Group Japan Corporation. For details, refer to "2. Acquisition of investments in subsidiaries and associates" under "Notes Relating to 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 the related fair values of investments in associates and amounts of common stock and capital surplus increased by the issuance of the shares were recognized in capital surplus.

2. Dividends

(1) Dividends paid

Transactions between entities under common control are accounted for based on the book value of SBG and, regardless of the actual date of the transaction under common control, the acquired companies are consolidated 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 beginning of the previous fiscal year. As a result, the following dividend paid by SoftBank Technology Corp. before the date of the transaction under common control is included in "cash dividends" in the consolidated statement of changes in equity.

SoftBank Technology Corp.
General meeting of shareholders held on June 18, 2018

Class of shares	Common stock
Total dividends[1]	¥297 million
Dividends per share[2]	¥15.00
Record date	March 31, 2018
Effective date	June 19, 2018

Notes:
1. The amount of dividends paid to owners of the Company was ¥161 million.
2. On June 1, 2017, SoftBank Technology Corp. conducted a 2-for-1 stock split of common stock.

(2) Dividends for which the record date is in the fiscal year ended March 31, 2019, and the effective date for payment is in the following fiscal year

The resolution planned at the Board of Directors meeting on May 21, 2019 is as follows:

The Company
Board of Directors' meeting held on May 21, 2019

Class of shares	Common stock
Total dividends	¥179,518 million
Dividends per share	¥37.50
Record date	March 31, 2019
Effective date	June 10, 2019

3. Class and number of shares for stock acquisition rights as of March 31, 2019

(Excluding stock acquisition rights for which the commencement date of exercise period has not yet arrived)

There are no applicable items.

(Notes Relating to Financial Instruments)

1. Matters regarding conditions of financial instruments

The Group is promoting diversification of its business and is subjected to various financial risks (credit risk, market risk, and liquidity risk) due to factors in its business and financial market environments. The Group manages its risks based on established policies to prevent and reduce these financial risks.

(1) Credit risk

Credit risk is a risk of the financial loss of the Group resulting from the counterparties of the financial assets held failing to meet their contractual obligations.

In the course of the Group's business, trade and other receivables, contract assets, and other financial assets (including deposits, equity securities, debt securities, and derivatives) are exposed to the credit risks of its counterparties.

In order to prevent and reduce the risk, the Group does not expose itself to significant concentrations of credit risk for such receivables and financial assets.

Equity instruments at FVTOCI consist primarily of shares of companies with which the Group has business relationships and are exposed to the issuer's credit risk. This risk is managed by continuously monitoring the financial conditions of issuers and other factors.

Notes and trade receivables include receivables from dealers, communications fee receivables from customers, and installment receivables of mobile devices, and are exposed to the credit risk of dealers and customers. To manage credit risk for receivables from dealers, the Group performs due date controls and balance controls for each dealer in accordance with its internal credit management policies and regularly monitors major dealers' credit statuses. For customer credit risk, the Group conducts screening in accordance with its internal company standards upon entering into an agreement with customers, and checks the status of usage and collection of each customer from time to time to avoid an increase in any uncollectible amounts. Regarding installment receivables, the Group refers to external institutions for credit risk information.

Derivative transactions are executed and managed in accordance with internal rules, and the Group enters into derivative transactions only with highly creditworthy financial institutions in order to mitigate credit risk.

The carrying amount of financial instruments, net of impairment, which is presented in the consolidated statement of financial position, as well as the amount of lending commitments, represents the Group's maximum exposure to credit risk on its financial assets. The value of collateral held and other credit enhancements are not included.

Trade receivables, contract assets, and lending commitments are measured at the lifetime expected credit losses. For other receivables and financial assets, the Group assesses a significant increase in their credit risk, and then the future expected credit losses are measured accordingly. The Group determines whether credit risk has increased significantly or not, based on the change in the risk of default by considering the counterparty's past due information, deterioration of business performance, external credit rating, and other factors. For receivables and financial assets other than trade receivables and contract assets, the expected credit losses are measured at an amount equal to the 12-month expected credit losses in principle, but are measured at an amount equal to the lifetime expected credit losses when the credit risk has increased significantly since initial recognition.

Regarding events that have a detrimental impact on the estimated future cash flows of financial assets such as those listed below, the Group deems the financial assets to be credit-impaired and measures the expected credit losses individually. When financial assets are not individually significant, the expected credit losses are measured collectively based on the credit risk characteristics and the nature of the transactions that have occurred.

- significant financial difficulty of the issuer or borrower
- breach of contract, such as a default or delinquency in interest or principal payments
- high possibility of the borrower filing for bankruptcy or entering financial reorganization

(2) Market risk

a. Foreign exchange risk

The Group is affected by exchange rate fluctuations resulting from the translation of foreign currency-denominated trade receivables from non-functional currencies into their functional currencies at the exchange rate prevailing at the end of the reporting period. The Group, however, is not exposed to significant foreign exchange risk as there were no significant foreign currency-denominated transactions with counterparties overseas.

b. Price risk

The Group, for the purposes of its business strategy, holds equity instruments traded on active markets, such as publicly-traded shares, and is exposed to market price fluctuation risk. Equity instruments are acquired to mutually expand businesses and enhance business relationships, and are not held for trading in the short term. To manage the market price fluctuation risk, the Group continuously monitors issuers' financial conditions and market prices, and reviews the holding status of the instruments considering the business relationships with those issuers.

c. Interest rate risk

The Group raises capital through interest-bearing loans including those with floating interest rates, and hence is exposed to the risk of an increase in the interest payments resulting from rising interest rates. In order to prevent or reduce the risk of interest rate fluctuations, the Group maintains an appropriate mix of interest-bearing debt with fixed and floating interest rates, and uses interest rate swap agreements for certain borrowings with floating interest rates to avoid the risk of interest rate fluctuations and convert the floating rates into fixed rates. For floating interest rate debt, the Group also continuously monitors interest rate fluctuations.

(3) Liquidity risk

The Group is exposed to liquidity risk through its potential difficulty to meet its obligations such as trade payables, accounts payable, borrowings, and lease obligations.

In order to prevent and reduce liquidity risk, the Group maintains access to diversified fundraising sources, including both indirect financing, such as bank loans and leases, and direct financing, such as securitization, taking market conditions and its current/non-current debt ratios into consideration. Funds are mainly invested in short-term deposits.

The Group also continuously monitors its forecasted and actual cash flows and liquidity.

2. Fair value of financial instruments

The carrying amounts and fair values of financial instruments as of the end of the current fiscal year are shown below. The table below does not include financial instruments that are measured at fair value in the consolidated statement of financial position or financial instruments whose carrying amounts are reasonably similar to fair values.

(Millions of yen)

	Carrying amount	Fair value
Interest-bearing debt (non-current)		
Long-term borrowings	1,651,614	1,664,622
Lease obligations	727,197	735,480
Installment payables	686	657

(1) Fair value measurement of financial instruments

The major valuation techniques for fair value measurements of the financial liabilities above are as follows:

a. Long-term borrowings

Fair values of the non-current portion of long-term borrowings with floating interest rates are measured based on the discounted cash flow method using observable inputs, such as market interest rates.

Fair values of the non-current portion of long-term borrowings with fixed rates are measured based on a discounted cash flow method using an interest rate, considering the credit spread that would be used for a borrowing with the same terms and maturity.

b. Lease obligations

Fair values of the non-current portion of lease obligations are measured based on the discounted cash flow method using an interest rate that would be used for a lease agreement with the same terms and maturity.

c. Installment payables

Fair values of the non-current portion of installment payables are measured based on the discounted cash flow method using the interest rate considering the remaining repayment period and credit risk.

(2) Redemption schedule for interest-bearing debt

Redemption schedule for interest-bearing debt is as follows:

(Millions of yen)

	Carrying amount	Aggregation of redemption schedule	Within 1 year	1 year to 2 years
Interest-bearing debt				
Short-term borrowings	445	445	445	-
Long-term borrowings (including current portion)	2,122,065	2,137,141	471,846	391,495
Lease obligations	1,158,644	1,158,644	431,447	315,951
Installment payables	8,287	8,287	7,601	409
Total	3,289,441	3,304,517	911,339	707,855

	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Interest-bearing debt				
Short-term borrowings	-	-	-	-
Long-term borrowings (including current portion)	304,309	212,268	222,274	534,949
Lease obligations	216,740	135,038	50,454	9,014
Installment payables	147	56	46	28
Total	521,196	347,362	272,774	543,991

(Notes Relating to Per Share Data)

1. Equity per share attributable to owners of the Company ¥260.51

2. Basic earnings per share ¥89.99

(Notes Relating to Business Combinations)

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 is in 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

Summary of acquisition

On April 1, 2018, the Company acquired the shares of domestic subsidiaries and associates owned by the parent of the Company, SoftBank Group Japan Corporation, 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 Yahoo Japan Corporation, which is a subsidiary of the ultimate parent company of the Company, SBG, through a cash payment of ¥19,500 million. As a result of this transaction, 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.
SoftBank Technology Corp.	Online business solutions and services
SB Players Corp.	Solution services for government

Associates:

Company name	Business description
Vector Inc.	Online gaming business, software sales, and advertising sales
Geniee, Inc.	Ad-technology business
Scigineer Inc.	Internet marketing support services

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 date of the transaction under common control, consolidates 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 beginning of the previous fiscal year. Changes in equity items associated with this transaction are included within “retrospective adjustments from transactions under common control” in the consolidated statement of changes in equity. The differences between the amount paid by the Company for subsidiaries that were acquired through transactions under common control and SBG’s book value of the subsidiaries at the time of acquisition are included within “changes from transactions under common control.”

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.

(Notes Relating to Significant Subsequent Events)

1. Acquisition of new shares issued by Yahoo Japan Corporation ("Yahoo") through third-party allotment and Yahoo's tender offer for its own shares (the "Tender Offer") with the intention of making Yahoo a subsidiary of the Company

a. Acquisition of new shares of Yahoo's common stock issued through third-party allotment

On May 8, 2019, Ken Miyauchi, Representative Director, President & CEO of the Company, pursuant to an entrustment by the Company's board of directors' meeting held on May 7, 2019, decided to acquire new shares issued by third-party allotment (the "Capital Increase by Third-Party Allotment") for which the Company will be the allottee, and which will be conducted by Yahoo with the intention of making Yahoo a subsidiary of the Company.

The Company will acquire all of 1,511,478,050 new shares to be issued by Yahoo for ¥456,466 million in the Capital Increase by Third-Party Allotment. The Company currently owns 12.08% of the total number of issued and outstanding shares of Yahoo (excluding the number of treasury shares). After Yahoo completes the Tender Offer for its own shares as described below and the Company completes the acquisition of new shares of Yahoo, the Company is expected to own 44.64% of the total number of issued and outstanding shares of Yahoo (excluding the number of treasury shares). In addition, officers from the Company will be appointed as members of Yahoo's Board of Directors. As a result, Yahoo is considered substantially controlled and expected to become a subsidiary of the Company.

b. Outline of the Capital Increase by Third-Party Allotment

The Company plans to acquire the total number of shares to be issued through the Capital Increase by Third-Party Allotment under the following conditions:

(a) Payment date	June 27, 2019
(b) Number of shares to be acquired	1,511,478,050 shares of Yahoo's common stock
(c) Per share amount to be paid	¥302 per share
(d) Total amount to be paid	¥456,466 million

However, the purchase by the Company of the Capital Increase by Third-Party Allotment will be on the condition that on the payment date (which furthermore will be June 27, 2019, as set forth above, although the purchase agreement executed by the Company and Yahoo stipulates that the Company will pay the amount in full by June 26, 2019), (i) the registration in accordance with the Financial Instruments and Exchange Act has come into effect, and (ii) the tender offer period for the Tender Offer for its own shares has expired and the receipt of assignment of the Yahoo's common stock is complete.

c. Purpose of underwriting the Capital Increase by Third-Party Allotment

The Company and Yahoo have been enhancing their collaboration from before, but they also recognize many opportunities for further collaboration. While it is essential for the Company to further strengthen non-telecommunications business fields including FinTech in order to respond to drastic changes in the recent competitive environment and continue to grow, the Company and Yahoo have taken independent initiatives in these fields because they are future growth areas for both companies.

The Company has recognized that it is vital for the Company to deepen its collaboration with Yahoo in the non-telecommunications business fields, including FinTech, to maximize synergies, expand and enhance the customer base, and accelerate the provision of services to customers.

In this situation, the Company has come to conclude that it is more desirable for the Company and Yahoo to promote non-telecommunications business areas including FinTech in a unified and active manner, and for both companies to deploy management resources optimally based on an integrated strategy and to maximize synergy effects by making Yahoo a subsidiary of the Company.

According to a press release from Yahoo, after having considered conducting the Tender Offer of Yahoo's common stock held by SoftBank Group Japan Corporation in parallel with the additional acquisition of Yahoo's common stock by the Company, Yahoo informed SBG in late February 2019 of its intentions regarding the Capital Increase by Third-Party Allotment and the Tender Offer and then proceeded with consultations. At the beginning of March 2019, Yahoo determined that conducting the Capital Increase by Third-Party Allotment and the Tender Offer would contribute to the interests of Yahoo's shareholders and reached an agreement with SBG on carrying out the Tender Offer.

d. Number of acquired shares, acquisition price, and status of shareholding ratios before and after acquisition

(a) Number of shares held before change	613,888,900 shares (Number of voting rights: 6,138,889 units) (Ratio of voting rights held: 12.08%)
(b) Number of shares acquired	1,511,478,050 shares (Number of voting rights: 15,114,780 units)
(c) Acquisition price	Yahoo's common stock ¥456,466 million Advisory fees, etc. (estimated) ¥20 million Total (estimated) ¥456,486 million
(d) Number of shares held after change	2,125,366,950 shares (Number of voting rights: 21,253,669 units) (Ratio of voting rights held: 44.64%)

Note:

The ratio of voting rights held under "(d) Number of shares held after change" is stated as the ratio after the completion of the purchase of the entire amount planned in the Tender Offer. The ratio indicated only applies when SoftBank Group Japan Corporation accepts the Tender Offer is indicated.

e. Outline of Yahoo

(a) Name	Yahoo Japan Corporation
(b) Location	1-3 Kioicho, Chiyoda-ku, Tokyo
(c) Name and Title of Representative	Kentaro Kawabe, President and Representative Director
(d) Description of Business	Internet advertising, e-commerce, membership services and other businesses
(e) Capital	¥8,939 million (as of March 31, 2019)
(f) Date of Incorporation	January 31, 1996

Yahoo's financial results for the fiscal year ended March 31, 2019 are summarized as follows:

	(Millions of yen)
Total assets	2,429,601
Total liabilities	1,519,077
Revenue	954,714
Operating income	140,528
Profit before income taxes	123,370
Net income attributable to owners of the Company	78,677

f. Impact on future performance of the Group

Through the Capital Increase by Third-Party Allotment, the Tender Offer, and the appointment of officers from the Company to Yahoo's Board of Directors, Yahoo and its subsidiaries are expected to become consolidated subsidiaries of the Company during the fiscal year ending March 31, 2020.

When Yahoo and its subsidiaries become consolidated subsidiaries of the Company, the Capital Increase by Third-Party Allotment and the Tender Offer will be treated as transactions under common control. In accordance with the Group's accounting policy, this common control transaction will be consolidated as if it occurred on April 1, 2017, the beginning of the previous fiscal year.

2. Third-party allotment of new shares of PayPay Corporation ("PayPay") to SBG

PayPay, a joint venture with Yahoo which is treated as a jointly controlled entity of the Company, decided on a third-party allotment of new shares of its own common stock to SBG based on a resolution at PayPay's board of directors meeting held on April 22, 2019. The payment of ¥46,000 million from the transaction is expected to be received from May 15, 2019 to June 28, 2019. After the completion of this transaction, the ratio of voting rights held by the Company is expected to decrease from 50% to 25%.

The Company is still evaluating impacts from this transaction on the consolidated financial statements of the Company.

Notes to Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets

(1) Securities

Shares of subsidiaries and associates	: Stated at cost determined by the moving-average method
Available-for-sale securities	
With market quotations	: Stated at fair value, which represents the market prices at the balance sheet date (unrealized gains/losses at the end of the period are directly included in net assets; cost of securities sales during the period is determined by the moving-average method)
Without market quotations	: Stated at cost determined by the moving-average method
(2) Derivative instruments	: Stated at fair value
(3) Inventories	: Stated at cost determined primarily by the moving-average method (the balance sheet value is determined by the write-down method based on a decline in profitability.)

2. Depreciation and amortization

(1) Property, plant and equipment (including leased assets)	: Calculated using the straight-line method
(2) Intangible assets (including leased assets)	: Calculated using the straight-line method
(3) Long-term prepaid expenses	: Calculated using the straight-line method

3. Principles for allowances and provisions

(1) Allowance for doubtful accounts

In anticipation of uncollectible receivables, allowance for doubtful accounts is calculated based on bad debt ratio, as well as considering the collectability of the account on an individual basis.

(2) Provision for retirement benefits

Provision for retirement benefits is calculated based on the expected retirement benefit obligation at the end of the current fiscal year.

From March 31, 2007, the Group has frozen all defined benefit lump-sum plans.

1) Attributing expected retirement benefits to periods

In determining its retirement benefit obligation, the expected retirement benefits are attributed to periods until the end of the current fiscal year based on the benefit formula basis.

2) Accounting for unrecognized differences and prior service costs

Actuarial gains (losses) and past service costs are all expensed in the fiscal year when they are incurred.

(3) Provision for bonuses

Expected bonus payments are recorded based on the amount to be incurred in the current fiscal year.

(4) Allowance for losses on orders received

An allowance for losses on orders received is calculated based on the amount of expected future cost of delivery for contracted telecommunications services that exceeds the contracted amount.

The allowance for losses on orders received has been completely reversed as the relevant contracts for telecommunications services expired in December 2018.

4. Principles for revenue and expenses

Revenue from finance lease transactions

Revenue and cost of sales are recorded at the inception of lease contracts.

5. Other basis of presentation of financial statements

(1) Accounting for hedge transactions

Interest rate swaps

1) Hedge accounting

Recognitions of gains or losses resulting from changes in fair value of derivative instruments for hedging are deferred until the related gains and losses on hedged items are recognized.

2) Derivative instruments for hedging and hedged items

Derivative instruments for hedging : Interest rate swap contracts
Hedged items : Interest expense on borrowings

3) Hedging policy

In accordance with internal policy, the Company uses derivative financial instruments to hedge the risk of exposures to fluctuations in interest rates, regarding loans payable with variable interest rates.

4) Effectiveness of hedge transactions

The effectiveness of hedge transactions is assessed by measuring the correlation between the variability of cash flows associated with the interest rate of hedged items and the variability of cash flows of hedge instruments.

(2) Accounting method of consumption taxes

National consumption taxes and local consumption taxes are accounted for using the tax excluded method of reporting.

(Notes to Changes in Presentation)

(Changes upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

In accordance with “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, issued February 16, 2018), the Company has applied “Ministerial Ordinance on Partial Amendments to the Ordinance for Enforcement of the Companies Act and the Ordinance on Company Accounting" (Ministry of Justice Order No. 5 of March 26, 2018) from the current fiscal year. Accordingly, deferred tax assets are presented in investments and other assets and deferred tax liabilities are presented in non-current liabilities.

(Balance sheet)

“Assets under construction” (¥42,877 million in the current fiscal year), which was presented as a separate item under “intangible assets” in the previous fiscal year, is included in “other intangible assets” in the current fiscal year, due to a decrease in materiality.

(Statement of income)

“Dividend received” (¥658 million in the current fiscal year) and “gain on bad debts recovered” (¥1,275 million in the current fiscal year), which were presented as separate items under “non-operating income” in the previous fiscal year, are included in “miscellaneous income” in the current fiscal year, due to a decrease in materiality.

(Notes Relating to Balance Sheet)

1. Assets with limited property rights due to installment purchase

	(Millions of yen)
Assets with limited property rights:	
Machinery	14,806
Antenna facilities	383
Software	4,665
Total	19,854

	(Millions of yen)
Accounts payable - other : as of March 31, 2019	
Accounts payable	7,601

2. Contingencies

(1) Lending commitments

The Company entered into lending commitment contracts with subsidiaries.

The details of lending commitments with subsidiaries are as follows:

	(Millions of yen)
Total lending commitments	50,325
Funded	25,996
Unfunded	24,329

(2) Litigation

The Company is party to a number of pending legal and administrative proceedings. As it is difficult to reasonably estimate the final results of such matters, provisions have not been recorded. Based on the information currently available, we do not expect that the results of these proceedings will have a material adverse effect on our financial position or results of operations.

c. On April 30, 2015, the Company filed a lawsuit with the Tokyo District Court against Japan Post Information Technology Co., Ltd. (“JPiT”), claiming for payment of remuneration, etc., for additional services provided in connection with the installation of telecommunication lines, etc., that were ordered by JPiT in relation to a project to migrate the communications network connecting approximately 27,000 sites (post offices, etc.) countrywide to a new network, the 5th PNET.

Pursuant to a contract dated February 7, 2013, the Company was requested by JPiT to carry out, among other services, installation services for telecommunication lines for Japan Post Group’s business sites countrywide. The Company performed such services and upon JPiT’s request, the Company also performed services that exceeded the scope of services stipulated in the contract.

Although the Company negotiated with JPiT over an extended period regarding the remuneration, etc. (approximately ¥14.9 billion) for these additional services. The Company and JPiT were unable to arrive at a settlement. Accordingly, the Company duly filed the lawsuit, claiming for payment of remuneration, etc., for such additional services.

d. On April 30, 2015, JPiT filed a lawsuit against the Company and Nomura Research Institute, Ltd. (“NRI”) as co-defendants.

In such lawsuit, JPiT alleges that the Company and NRI delayed performance, etc., of the ordered services related to the project for migration to the 5th PNET mentioned in a. above, and alleges that such delay caused damages to JPiT (¥16.15 billion). JPiT made joint and several claims against both the Company and NRI for such alleged damages.

The Company intends to fully contest JPiT’s claims in this lawsuit.

An order to consolidate the abovementioned lawsuits was made on July 29, 2015. The Company modified the amount of claim from approximately ¥14.9 billion to approximately ¥20.4 billion on November 13, 2015 as a

result of a review of the remuneration, etc. with respect to additional services regarding the lawsuit in a. above. In addition, in light of increased procurement costs of telecommunication lines for JPiT, the Company modified the amount of claim to approximately ¥22.3 billion on October 12, 2016, and further to approximately ¥24.0 billion on September 7, 2017.

3. Accumulated reduction entry of property, plant and equipment due to subsidies received from governments and others

	(Millions of yen)
	6,567

4. Non-current assets - incidental business

"Non-current assets - incidental business" are included in "non-current assets - telecommunications business" because the amount is not material. The amount of "non-current assets - incidental business" is ¥1,336 million as of the end of the current fiscal year.

5. Financial covenants

The Company's interest-bearing debt is subject to financial covenants mainly as follows:

- At March 31 and September 30 of each year, the Company is required to maintain equity in the consolidated statement of financial position of the Group at a minimum of 75% of that of the same date during the previous fiscal year.
- At March 31 and September 30 of each year, the Company is required to maintain net assets in the non-consolidated balance sheet of the Company at a minimum of 75% of that of the same date during the previous fiscal year.
- The Company must not incur operating losses or net losses in the consolidated statement of income of the Group for two consecutive fiscal years.
- The Company must not incur operating losses or net losses in the non-consolidated statement of income of the Company for two consecutive fiscal years.
- At March 31 and September 30 of each year, the Company is required to maintain a net leverage ratio(*) below a certain value:

* Net leverage ratio: Net debt (a) divided by adjusted EBITDA (b)

a. "Net debt" means the total amount of interest-bearing debt shown in the consolidated statement of financial position of the Group after deducting cash and cash equivalents adjusted for certain items. Interest-bearing debt is adjusted for certain items, such as an exclusion of interest-bearing debt resulting from financing transactions using an asset securitization scheme.

b. "Adjusted EBITDA" means EBITDA adjusted for certain items as specified in the loan agreement.

6. Monetary receivables from and payables to subsidiaries and associates

Monetary receivables from and payables to subsidiaries and associates are as follows:

	(Millions of yen)
Long-term monetary receivables	95
Long-term monetary payables	2,040
Short-term monetary receivables	68,184
Short-term monetary payables	130,577

(**Notes Relating to Statement of Income**)

1. Transactions with subsidiaries and associates

	(Millions of yen)
Operating revenue	117,995
Operating expenses	241,541
Non-operating transactions	17,781

2. Recognition of profit (loss) due to termination of broadcasting contract

In the sports content distribution services of the Company, the business partner (the "Licensor") lost its broadcast rights for major soccer leagues due to its delay in payment of license fees for the broadcast rights. As a result, the Company received a notification from the Licensor which terminated the broadcasting contract.

Due to the termination of the broadcasting contract, the Company recognized a write-down of ¥4,770 million for acquired distribution rights from the Licensor as "miscellaneous expenses" in the current fiscal year. At the same time, the Company recognized "gain from reversal of liability" of ¥4,689 million for the current fiscal year from the release of related payment obligation to acquire the distribution rights.

(Notes Relating to Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

Deferred tax assets	(Millions of yen)
Non-qualified contribution-in-kind	113,868
Depreciable assets	28,606
Accounts payable - other and accrued expenses	27,660
Asset retirement obligations	18,303
Valuation difference on available-for-sale securities	17,022
Allowance for doubtful accounts	11,663
Provision for bonuses	9,036
Inventories, etc.	8,951
Loss on valuation of investment securities	6,143
Prepaid expenses	5,824
Enterprise tax payable	4,702
Advances received and unearned revenue	4,227
Others	10,482
Gross deferred tax assets	266,487
Less: Valuation allowance	(140,475)
Total deferred tax assets	126,012
Offset against deferred tax liabilities	(22,821)
Net deferred tax assets	103,191

Deferred tax liabilities	(Millions of yen)
Removal costs for asset retirement obligations	(10,444)
Lease investment assets	(6,500)
Intangible assets (customer relationships)	(2,443)
Others	(3,434)
Total deferred tax liabilities	(22,821)
Offset against deferred tax assets	22,821
Net deferred tax liabilities	-

(Notes Relating to Non-current Assets Used under Leases)

Leased assets used under finance lease transactions

Non-current assets - telecommunications business	(Millions of yen)
Machinery	641,008
Antenna facilities	288,984
Terminal facilities	53,631
Local line facilities	1,369
Long-distance line facilities	2,897
Engineering facilities	9,983
Buildings	31,130
Structures	3,485
Machinery and equipment	9
Tools, furniture and fixtures	2,007
Software	311,432
Total	1,345,935

(Notes Relating to Financial Instruments)

1. Status of financial instruments

(1) Policy relating to financial instruments

The Company manages funds mainly in short-term deposits, and raises funds through loans from financial institutions, securitization of receivables and sale and lease back transactions. The funds raised are primarily intended for capital expenditures.

(2) Details of financial instruments, related risks and risk management system thereof

As investment securities consist primarily of shares of companies with which the Company aims to expand business, maintain its competitive advantage or create synergies in business operations, these securities are exposed to the issuer’s credit risk and market price fluctuation risk. These risks are managed by continuously monitoring the financial conditions of issuers and other factors considering market price fluctuations.

Notes and trade receivables, which include receivables from dealers, communications fee receivables from customers, and installment receivables of mobile devices, and are exposed to the credit risk of dealers and customers. To manage credit risk for receivables from dealers, the Company performs due date controls and balance controls for each dealer in accordance with its internal credit management policies and regularly monitors major dealers’ credit statuses. For customer credit risk, the Company conducts screening in accordance with its internal standards upon entering into an agreement with customers, and checks the status of usage and collection of each customer from time to time to avoid an increase in any uncollectible amounts. Regarding installment receivables, the Company refers to external institutions for credit risk information.

Lease obligations are intended to raise funds required for capital expenditures. “Accounts payable – trade” and “accounts payable – other” in trade payables are generally due within one year.

Short-term loans payable mainly consist of loans from the Company’s subsidiaries, Wireless City Planning Inc. and SB Payment Service Corp. Loans from Wireless City Planning Inc. are provided through the Trust, which is a money trust agreement with Wireless City Planning Inc. as a consignor, a trust bank as a trustee, and the Company as the investment destination. Current portion of non-current liabilities and long-term loans payable are loans from financial institutions.

Derivative transactions are interest rate swap agreements to avoid the risk of interest rate fluctuations for long-term loans with floating interest rates and convert the floating rates into fixed rates. Derivative transactions are executed and managed in accordance with the internal rules, and the Company enters into derivative transactions only with highly creditworthy financial institutions in order to mitigate credit risk.

(3) Supplementary explanation on matters regarding fair value of financial instruments

The fair value of financial instruments is based on market price or, when no market price is available, a reasonably determined value. Since certain assumptions and factors are reflected in determining the fair value, different assumptions and factors could result in a different fair value.

2. Fair value of financial instruments

The carrying amount, the fair value, and the differences between them as of the end of the current fiscal year are as follows.

Financial instruments whose fair values are extremely difficult to determine are not included in the table below. (Please refer to Note 2.)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	188,329	188,329	-
(2) Shares of subsidiaries and associates	4,706	32,472	27,766
(3) Cash and deposits	257,787	257,787	-
(4) Accounts receivable – trade	825,120		
Less: Allowance for doubtful accounts (current assets) (*1)	(19,137)		
	805,983	805,983	-
(5) Accounts receivable – other	71,646		
Less: Allowance for doubtful accounts (current assets) (*2)	(142)		
	71,504	71,504	-
Total assets	1,328,309	1,356,075	27,766
(6) Long-term loans payable	1,336,526	1,336,542	16
(7) Lease obligations (non-current liabilities)	663,838	671,843	8,005
(8) Current portion of non-current liabilities	137,412	137,412	-
(9) Accounts payable - trade	89,228	89,228	-
(10) Short-term loans payable	87,600	87,600	-
(11) Lease obligations (current liabilities)	402,690	402,690	-
(12) Accounts payable - other	695,484	695,484	-
(13) Income taxes payable	82,404	82,404	-
(14) Deposits received	54,675	54,675	-
Total liabilities	3,549,857	3,557,878	8,021
(15) Derivative transactions (*3)	(6,822)	(6,822)	-

(*1) This amount represents the allowance for “accounts receivable - trade.”
(*2) This amount represents the allowance for “accounts receivable - other.”
(*3) The net amount of assets and liabilities arising from derivative transactions is presented, and the amount in parentheses represents a net liability position.

(Note 1) Method for measuring fair value of financial instruments, securities and derivative transactions

(1) Investment securities and (2) Shares of subsidiaries and associates

The fair value of stocks is based on quoted market price, and the fair value of investment trusts is based on net asset value.

(3) Cash and deposits and (5) Accounts receivable - other

The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

(4) Accounts receivable - trade

Installment receivables are stated at carrying amount because their carrying amounts approximates their fair values which were determined based on the future cash inflows discounted using interest rates adjusted for the remaining period to maturity and credit risk. “Accounts receivable – trade” other than installment receivables are stated at carrying amount because they are settled in the short term and their carrying amounts approximates their fair values.

(6) Long-term loans payable

The carrying amounts of long-term loans payable with floating interest rates are considered to approximate their fair value because the fair value reflects market interest rates, and the Company’s credit standing has

not changed significantly since the origination of the loans. Accordingly, long-term loans payable are stated at carrying amount. The fair values of long-term loans payable with fixed interest rates are measured by discounting the total of principal and interest at a rate that would be used for a similar new loan.

(7) Lease obligations (non-current liabilities)
The fair values of lease obligations are estimated by discounting the total of principal and interest at an interest rate that would be used for a lease contract with the same terms and maturity.

(8) Current portion of non-current liabilities, (9) Accounts payable - trade, (10) Short-term loans payable,
(12) Accounts payable - other, (13) Income taxes payable, and (14) Deposits received
These instruments are stated at carrying amount because they are settled in the short term and their carrying amount approximates their fair value.

(11) Lease obligations (current liabilities)
Lease obligations are stated at carrying amount because their carrying amount approximates their fair value which was estimated by discounting the total of principal and interest at an interest rate that would be used for a lease contract with the same terms and maturity.

(15) Derivative transactions

1) Derivative transactions for which hedge accounting is not applied

There are no applicable items.

2) Derivative transactions for which hedge accounting is applied

The contract amount or notional amount specified in the contract for each hedge accounting method as of the end of the current fiscal year is as follows:

(Millions of yen)

Hedge accounting method	Transaction type, etc.	Main hedged item	Contract amount, etc.	Contract amount maturing over 1 year	Fair value (*1)
General treatment	Interest rate swaps Pay fixed / Receive floating	Long-term loans payable	500,000	500,000	(6,822)

(*1) Fair value measurement based on quoted prices by counterparty financial institutions

(Note 2) Financial instruments whose fair values are extremely difficult to determine

(Millions of yen)

Category	Carrying amount
Investment securities	
Unlisted shares	4,019
Shares of subsidiaries and associates	
Unlisted shares	305,675
Other	34,023

As there are no market prices available for these instruments, their fair values are extremely difficult to determine and therefore not subject to disclosure.

(Notes Relating to Profit and Loss on Equity Method Investments, etc.)

	(Millions of yen)
Amount of investments in associates	95,114
Amount of investments on equity method	68,341
Amount of investment losses on equity method	37,951

(Note) The amount of investments on equity method and the amount of investment losses on equity method are presented in accordance with IFRS pursuant to the provisions of the first paragraph of Article 120 of the Ordinance on Company Accounting.
The amount of losses on equity method investments includes impairment losses.

(Notes Relating to Related-Party Transactions)

Parent companies

Category	Name	Nature of business or profession	Voting rights (%)	Relationship with related-party	Nature of transaction	Amount of transaction (Millions of yen)	Balance as of March 31, 2019	
							Account	Amount (Millions of yen)
Parent company	SoftBank Group Corp.	Holding company	(Owned) Indirect 66.5	Interlocking directorate Borrowing of loans	Borrowing of loans	238,873	-	-
					Repayment of loans	1,600,000	-	-
					Interest payment	15,909	-	-
Parent company	SoftBank Group Japan Corporation	Holding company	(Owned) Direct 66.5	Interlocking directorate	Acquisition of shares of subsidiaries and associates	109,771	-	-

The terms of transactions and policies

(Notes)1. The interest rates for borrowings from related parties are reasonably determined in reference to market interest rates.

2. The acquisition price of shares of subsidiaries and associates are reasonably determined in negotiations with the parent company based on a price determined by an independent third party.

3. The transaction amount does not include consumption taxes.

(Notes Relating to Asset Retirement Obligations)

Asset retirement obligations that are reported on the balance sheet

1. Summary of asset retirement obligations

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal of equipment or site restoration for part of base stations, data centers, network centers, and offices including the corporate headquarters building.

The estimate is based on the current business plan and both the amounts provided for and timing of payments are uncertain and dependent on future business plan developments.

2. Calculation method for the amount of asset retirement obligations

The expected usage period is estimated and the average yield of interest-bearing government bonds is used as a discount rate.

3. Increase or decrease in the total amount of asset retirement obligations during the current fiscal year

	(Millions of yen)
Balance at the beginning of the current fiscal year	39,959
Increase due to acquiring property, plant and equipment	11,559
Adjustment due to passage of time	156
Decrease due to payments for asset retirement obligations	(5,412)
Increase due to changes in estimates	13,463
Other	50
Balance at the end of the current fiscal year	59,775

4. Changes in estimates of asset retirement obligations

The Company considered the demands of communication traffic, efficient operation of network equipment and equipment replacement and concluded that it has become highly probable that certain network equipment will be disposed of. Accordingly, the Company recognized asset retirement obligations of ¥13,463 million.

(Notes Relating to Per Share Data)

Net assets per share	¥195.51
Net income per share	¥67.85

(Notes Relating to Business Combinations)

Transactions, etc., under common control

In accordance with a resolution by the Board of Directors at the meeting held on May 7, 2018, the Company absorbed and merged Sports Live Entertainment Corporation and TV Bank Corporation, both of which were the Company's wholly-owned subsidiaries, effective as of July 1, 2018.

(1) Summary of transaction

1) Company name and business description of the parties to the business combination

Name of the absorbed company: Sports Live Entertainment Corporation

Business description: Sports content distribution services

Name of the absorbed company: TV Bank Corporation

Business description: Video content production and distribution

2) Date of business combination

July 1, 2018

3) Legal form of business combination

An absorption-type merger in which the Company is the surviving company, and Sports Live Entertainment Corporation and TV Bank Corporation were dissolved and extinguished.

4) Name of the surviving company

SoftBank Corp.

5) Other matters related to summary of transaction

To improve its operational efficiency of the Group's content business, the Company absorbed and merged Sports Live Entertainment Corporation and TV Bank Corporation.

(2) Summary of the accounting treatment

In accordance with "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued September 13, 2013) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued September 13, 2013), the business combination is accounted for as a transaction under common control.

The net amount of assets acquired and liabilities assumed from the extinguished companies by absorption on the effective date of the merger was less than the carrying amount of the subsidiaries' shares held by the Company. The shortfall of ¥9,648 million was recorded as an extraordinary loss (loss on extinguishment of tie-in shares).

Notes other than those above are omitted, as they are provided in "Notes Relating to Business Combinations" under "Notes to Consolidated Financial Statements."

(Notes Relating to Significant Subsequent Events)

Acquisition of new shares issued by Yahoo Japan Corporation ("Yahoo") through third-party allotment and Yahoo's tender offer for its own shares (the "Tender Offer") with the intention of making Yahoo a subsidiary of the Company

On May 8, 2019, Ken Miyauchi, Representative Director, President & CEO of the Company, pursuant to an entrustment by the Company's Board of Directors' meeting held on May 7, 2019, decided to acquire new shares issued by third-party allotment (the "Capital Increase by Third-Party Allotment") for which the Company will be the allottee, and which will be conducted by Yahoo with the intention of making Yahoo a subsidiary of the Company.

The Company will acquire all of the 1,511,478,050 new shares to be issued by Yahoo for ¥456,466 million in the Capital Increase by Third-Party Allotment. The Company currently owns 12.08% of the total number of issued and outstanding shares of Yahoo (excluding the number of treasury shares). After Yahoo completes the Tender Offer for its own shares and the Company completes the acquisition of new shares of Yahoo, the Company is expected to own 44.64% of the total number of issued and outstanding shares of Yahoo (excluding the number of treasury shares). In addition, officers from the Company will be appointed as members of Yahoo's Board of Directors. As a result, Yahoo is considered substantially controlled and expected to become a subsidiary of the Company.

The details are as described in "Notes Relating to Significant Subsequent Events" under "Notes to Consolidated Financial Statements."