



SoftBank Group Corp.

\$2,750,000,000 6.000% Undated Subordinated NC6 Resettable Notes

\$1,750,000,000 6.875% Undated Subordinated NC10 Resettable Notes

Issue Price: 100.00%

The \$2,750,000,000 6.000% Undated Subordinated NC6 Resettable Notes (the “NC6 Notes”) and the \$1,750,000,000 6.875% Undated Subordinated NC10 Resettable Notes (the “NC10 Notes” and, together with the NC6 Notes, the “Notes” and each, a “Tranche,” the terms and conditions of both Tranches being together, the “Conditions”)) will be issued by SoftBank Group Corp. (the “Company”) on or about July 19, 2017 (the “Issue Date”). The Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) July 19, 2023 (in the case of the NC6 Notes) and July 19, 2027 (in the case of the NC10 Notes) at a rate of 6.000 percent and 6.875 percent per annum respectively. Thereafter, the prevailing interest rate on the NC6 Notes and the NC10 Notes shall be 4.226 percent and 4.854 percent per annum, respectively, above the 5 Year Swap Rate for the relevant Reset Period (as defined in the relevant Conditions) and from (and including) July 19, 2038 (in the case of the NC6 Notes) and July 19, 2042 (in the case of the NC10 Notes) (each, a “Second Step-up Date”) the applicable interest rate on the NC6 Notes and the NC10 Notes shall be 4.976 percent and 5.604 percent per annum, respectively, above the 5 Year Swap Rate for the relevant Reset Period. Interest shall be payable, in respect of each Tranche, semi-annually in arrears on January 19 and July 19 in each year. The Second Step-up Date in respect of each Tranche shall, at the election of the Company, be pushed back by 5 years upon the occurrence of certain events relating to the Company’s rating, all as more particularly described in the relevant Conditions.

The Company may, at its sole discretion, elect to defer all or part of any payment of interest on the Notes with any amount so deferred, itself bearing interest and any such deferred payments shall be subject to mandatory settlement upon the occurrence of certain events, all as more particularly described in the relevant Conditions.

The Notes are perpetual securities and accordingly have no final maturity. Each Tranche is redeemable (at the option of the Company) in whole but not in part on the First Reset Date and on any Interest Payment Date (each as defined in the relevant Conditions) thereafter, at the principal amount of the relevant Tranche, together with any accrued and unpaid interest up to (but excluding) such date and any outstanding Arrears of Interest in each case in respect of such Tranche. In addition, upon the occurrence of an Accounting Event, a Rating Methodology Event, a Change of Control Event, a Substantial Repurchase Event, a Tax Deduction Event or a Withholding Tax Event (each such term as defined in the relevant Conditions), each Tranche shall be redeemable (at the option of the Company) in whole but not in part at the prices set out, and as more particularly described, in the relevant Conditions. Should the Company not elect to redeem either Tranche within 30 days following a Change of Control Event the then prevailing interest rate per annum (and each subsequent interest rate per annum otherwise determined in accordance with the relevant Conditions) for such Tranche(s) shall be increased by 3.00 percent per annum with effect from (and including) the 30th day following the date on which such Change of Control Event occurred.

The Notes constitute direct, unsecured and subordinated obligations of the Company and rank *pari passu* and without any preference among themselves. The Notes constitute lowest ranking subordinated obligations of the Company, all as more particularly described in the relevant Conditions. The Notes are expressed to rank *pari passu* with certain of the Company’s existing and future unsecured subordinated bonds with interest deferrable clause and early redeemable option (with a subordination provision) (*ribarai kurinobe jyoukou kigen zen shoukan jyoukou tsuki mu tanpo shasai (retsugo tokuyaku tsuki)*). Although the terms and conditions of both Tranches differ in certain aspects to the terms and conditions governing the aforementioned obligations, the Company believes that a Japanese court would give effect to such ranking upon the occurrence and throughout the continuance of any of the proceedings described in the definition of “Subordination Event” in the relevant Conditions. See, however, “Risk Factors – Risks Relating to the Notes – Japanese insolvency laws may be different from, and not as favorable to you as, insolvency laws in other jurisdictions.”

The Notes are expected to be assigned a rating of “B+” by Standard & Poor’s Financial Services LLC (“S&P”) and “Ba3” by Moody’s Japan K.K. (“Moody’s”). A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or information contained in this offering memorandum. Approval in-principle from the SGX-ST for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, us, our subsidiaries or associated companies (if any) or the Notes. Currently, there is no public market for the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any other jurisdiction. The Notes are being offered and sold in offshore transactions outside the United States to non-U.S. persons (as defined in Regulation S) in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). See “Subscription and Sale” for additional information about eligible offerees and transfer restrictions.

Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 10.

Each Tranche will initially be issued in registered form and represented upon issue by a registered global certificate (each a “Global Certificate”) which will be registered in the name of a nominee for a common depositary on behalf of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”) on or about the Issue Date.

Morgan Stanley	Joint Global Coordinators and Joint Lead Managers BofA Merrill Lynch Joint Bookrunners BofA Merrill Lynch Co-Managers	Deutsche Bank
Morgan Stanley Credit Suisse	Mizuho Securities	Crédit Agricole CIB
Goldman Sachs International Barclays Daiwa Capital Markets Europe	BNP PARIBAS NOMURA	SMBC Nikko Citigroup UBS

The date of this offering memorandum is July 13, 2017.

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

You should rely only on the information contained in this offering memorandum. Neither we nor any of the managers of the offering of the Notes (the “Managers”) have authorized any other person to provide you with information different or inconsistent from what is included in this offering memorandum. If anyone provides you with different or inconsistent information, you should not rely on it.

The information in this offering memorandum is current only as of the date on the cover, and our business or financial condition and other information in this offering memorandum may change after that date. You should not consider any information in this offering memorandum to be legal, business, accounting or tax advice. You should consult your own attorney, business advisor, accountant and tax advisor for legal, business, accounting and tax advice regarding an investment in the Notes. In making an investment decision, you must rely on your own examination of our business and the terms of this offering and the Notes, including the merits and risks involved.

If you purchase the Notes, you will be deemed to have made certain acknowledgements, representations and warranties as detailed under “Subscription and Sale.” You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Managers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. We do not make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Managers shall have any responsibility therefor.

This offering memorandum is confidential and we have prepared this offering memorandum solely for use in connection with the offer of the Notes to persons other than U.S. persons in accordance with Regulation S under the U.S. Securities Act and for application for the listing and quotation of the Notes on the SGX-ST. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You may not distribute this offering memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing, and further agrees not to make any photocopies of this offering memorandum or any documents referred to in this offering memorandum.

None of the Managers, the Trustee, the Principal Paying Agent, the Calculation Agent, the Registrar nor the Transfer Agent represent or warrant that the information herein is accurate or complete. By receiving this document you acknowledge that (i) you have not relied on the Managers, any selling agent or any of their affiliates in connection with your investigation of the accuracy of the information in this document or your investment decision and (ii) no person has been authorized to give any information or make any representation concerning us or the Notes offered hereby other than as contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us, any Manager, the Trustee, the Principal Paying Agent, the Calculation Agent, the Registrar nor the Transfer Agent or any selling agent or any of their affiliates.

We reserve the right to withdraw this offering of the Notes at any time. We and the Managers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

IN CONNECTION WITH THIS OFFERING MORGAN STANLEY & CO. INTERNATIONAL PLC (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

No action is being taken to permit a public offering of the Notes or the distribution of this offering memorandum in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto in certain jurisdictions, including the United States, Japan, the European Economic Area (including the United Kingdom), Hong Kong and Singapore and to persons connected therewith. See "Subscription and Sale."

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"), and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). The Notes may not be offered or sold in Japan, to any person resident in Japan, or to others for reoffering or resale directly or indirectly in Japan, or to a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

In addition, the Notes are not, as part of the initial distribution by the Managers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a gross recipient, except as specifically permitted under the Special Taxation Measures Act. A "gross recipient" for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, (ii) a Japanese financial institution or financial instruments business operator as designated in Article 3-2-2, Paragraph 28 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) relating to the Special Taxation Measures Act that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. **By subscribing for the Notes, an investor will be deemed to have represented that it is a gross recipient.**

Interest payments on the Notes will be subject to Japanese withholding tax unless the holder establishes that the Note is held by or for the account of a holder that is (1) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, and in compliance with certain requirements for tax exemption under the Special Taxation Measures Act, or (2) a Japanese designated financial institution or financial instruments business operator as described in Article 6, Paragraph 9 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that Paragraph.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this offering memorandum or any applicable supplement;
- b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- d) understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets and of any financial variable which might have an impact on the return on the Notes; and
- e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Prospective investors should also consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to

what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. In some cases these forward-looking statements can be identified by the use of terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "may," "plan," "potential," "predict," "projected," "should," or "will" or, in each case, the negative of such terms, or other variations or comparable terminology. Forward-looking statements appear in a number of places throughout this offering memorandum and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industries in which we operate are consistent with the forward-looking statements contained in this offering memorandum, such results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- Any adverse conditions in the economy could adversely affect us.
- Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in Japanese yen.
- We face risks associated with operation and investment in multiple markets, and if we are unable to manage these risks effectively, it could impair our ability to expand our business.
- The loss of key senior management personnel, including Mr. Masayoshi Son in particular, could negatively affect our business.
- Fast-paced innovations in technology and business models, as well as alternative telecommunication technologies may make our services, technology or business models obsolete.
- We face intense competition, including from other large and established competitors, and such competition may intensify.
- We depend on the satisfactory performance of our network systems and sufficient spectrum to operate our telecommunications services.
- We depend on the telecommunications lines and facilities of other companies in certain circumstances and could be materially and adversely affected if our access was restricted or terminated or if related utilization or connection fees were increased.
- We purchase and lease various equipment, products and services from suppliers and our inability to procure such equipment, products and services or defects therein could adversely affect our business.
- We rely on subcontractors and other third-parties for certain of our operations.
- Our financial results may be significantly affected by cost of fund procurement and leasing.
- A downgrade of the credit rating of the Company or our subsidiaries could have a negative effect on us.
- The acquisition of other companies, businesses or technologies, such as the recent acquisition of ARM Holdings plc, could result in operating difficulties, dilution or other harmful consequences.

- Our financial results may be significantly affected by risks relating to Sprint, its operations and financial performance.
- Our business development may be significantly affected by risks relating to ARM Holdings plc's operations.
- Our financial results may be significantly affected by risks relating to the Vision Fund, its operations and financial performance.
- Our holdings in Sprint, Yahoo Japan and our strategic associates such as Alibaba will not necessarily generate cash that can be used to pay principal or interest on the Notes or our other indebtedness.
- Other factors discussed in this offering memorandum.

We urge you to read the sections of this offering memorandum entitled "Risk Factors," "Recent Business Review" and "Business" for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur.

We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements above and contained elsewhere in this offering memorandum.

CERTAIN DEFINITIONS

In this offering memorandum, unless the context otherwise requires, references to the "Company" refer to SoftBank Group Corp., and references to "we," "our," "us," "SoftBank" and the "SoftBank Group" refer to the Company, its consolidated subsidiaries and equity-method non-consolidated subsidiaries and associates, as the context requires. References to "Sprint" are to Sprint Corporation and its consolidated subsidiaries, as the context requires. References to "Yahoo Japan" are to Yahoo Japan Corporation and its consolidated subsidiaries as the context requires. References to "Brightstar" are to Brightstar Corp. and its consolidated subsidiaries as the context requires. References to "Supercell" are to Supercell Oy and its consolidated subsidiaries as the context requires. References to "SB Group US" are to SB Group US, Inc. and its consolidated subsidiaries as the context requires. References to the "Vision Fund" are to SoftBank's private equity fund, SoftBank Vision Fund L.P. References to "Alibaba" are to Alibaba Group Holding Ltd. and its consolidated subsidiaries as the context requires. References to "ARM" are to ARM Holdings Inc. and its consolidated subsidiaries as the context requires.

Unless otherwise noted, the mobile communications market of Japan comprises SoftBank Corp., NTT DOCOMO and KDDI.

CURRENCY PRESENTATION

In this offering memorandum:

- "¥" or "yen" means the lawful currency of Japan;
- "\$," "U.S. dollars" or "dollars" means the lawful currency of the United States;
- "£" or "pounds" means the lawful currency of the United Kingdom;
- "RMB" or "renminbi" means the lawful currency of the People's Republic of China; and
- "KRW" or "won" means the lawful currency of South Korea.

Solely for your convenience, this offering memorandum contains translations of certain yen amounts into U.S. dollar amounts.

Unless otherwise indicated, yen amounts have been translated into U.S. dollars at the rate of ¥112.19= \$1.00, the approximate rates of exchange based on the average of buying and selling rates of

telegraphic transfers from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 10:00 a.m. (Tokyo time), prevailing as of March 31, 2017. However, these translations should not be construed as representations that the yen amounts have been, could have been or could be converted into U.S. dollars at those or any other rates.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial statements, selected historical financial information for the fiscal years ended March 31, 2015, 2016 and 2017 included in this offering memorandum are presented in accordance with International Financial Reporting Standards (“IFRS”). Financial information of Sprint is also presented in IFRS unless otherwise specified as presented in accordance with accounting principles generally accepted in the United States (“US-GAAP”). Our annual consolidated financial statements included elsewhere in this offering memorandum are audited by our independent auditor, Deloitte Touche Tohmatsu LLC.

Except as otherwise indicated, all financial information with respect to us presented in this offering memorandum is presented on a consolidated basis.

Where information is presented in trillions, billions, millions or other stated amounts, amounts of less than the stated amount have been rounded. As a result, certain numerical figures shown in tables in this offering memorandum may not be exact arithmetic aggregations of the figures that precede them. All percentages have been rounded to the nearest one tenth of one percent or one hundredth of one percent, as the case may be.

PRESENTATION OF OPERATIONAL INFORMATION

Market and Industry Data

In this offering memorandum, we rely on and refer to statistical and other information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this offering memorandum were obtained from market research, governmental and other publicly available information, industry publications and reports prepared by industry consultants. Industry publications and other third-party surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we have endeavored to accurately extract and reproduce data from such sources, we have not independently verified such data and cannot guarantee the accuracy or completeness thereof.

As noted in this offering memorandum, we have obtained market and industry data relating to our business from providers of industry data, including:

- BMI Research (“BMI Research”), a provider of economic, industry and financial market analysis. BMI Research provides historical information and forecasts about the U.S. and Japanese telecommunications markets—both fixed and mobile—for the calendar year ended December 31, 2016.
- International Data Corporation (“IDC”) Worldwide Telecommunications Markets, a provider of market intelligence and advisory services for the information technology, telecommunications and consumer technology markets. This source provides historic market data and forecasts related to user spending in fixed and mobile telecommunications markets globally.
- The World Bank, an international financial institution and data aggregator. The World Bank collects and possesses large amounts of data, which it makes available to the public. This source provides per capita gross domestic product statistics.
- Ministry of Internal Affairs and Communications (“MIC”), a Japanese government ministry held with overseeing, among other things, administration of information and communications systems. This source provides volume, subscriber and market share information for the fixed, mobile and broadband telecommunications industries.
- Ovum Ltd. (“Ovum”), a provider of analysis covering the IT and telecommunications industries. Ovum provides historical information and forecasts about international and Japanese mobile telecommunications markets.
- World Semiconductor Trade Statistics (“WSTS”), an independent non-profit organization of semiconductor product companies, providing worldwide semiconductor market data and forecasts.

Additionally, certain market data contained in this offering memorandum is from Agoop Corp., our subsidiary that produces and operates a mobile application that aggregates data connectivity information.

Market Share Data

In this offering memorandum, we make reference to our market share and the market shares of our competitors. We measure our market share by number of subscribers. Subscriber data for us under both the *SoftBank* and *Y!mobile* brands (including PHS) as well as our competitors, NTT DOCOMO and KDDI, is derived from Ovum.

Key Performance Indicators

General

Adjusted EBITDA. Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, deduction of gain from remeasurement relating to business combination in our Yahoo Japan and ARM segments and other adjustments. Other adjustments are special items such as acquisition-related costs and impairment loss mainly included in other operating income and loss. These adjustments include gain on spectrum license exchange and loss on contract termination in our Sprint segment, loss on disaster in our Yahoo Japan segment, impairment loss on goodwill in the distribution segment and acquisition-related costs in our ARM segment.

Adjusted EBITDA should not be considered in isolation or as substitutes for measures of our operating performance or liquidity reported in accordance with IFRS. Adjusted EBITDA has limitations as do any analytical tools, some of which are as follows:

- Adjusted EBITDA does not reflect the significant interest expense on our debt or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA excludes certain tax payments that may represent a reduction in cash available to us;
- other companies in the industry in which we operate may calculate Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures; and
- our calculation and presentation of Adjusted EBITDA in this offering memorandum is similar to, but different from, the calculation of Adjusted EBITDA under certain of the agreements and instruments governing our indebtedness. Accordingly, Adjusted EBITDA does not provide precise indications as to the level of our adherence to the terms of such indebtedness.

Because of these limitations, we rely primarily on our IFRS financial information and use Adjusted EBITDA only to supplement such information. You are encouraged to evaluate each of the adjustments reflected in our presentation of Adjusted EBITDA and whether you consider each to be appropriate.

Domestic Telecommunications segment

We utilize number of subscribers, ARPU, churn rate and upgrade rate to analyze and develop strategies for our sales channels and mobile services. We believe these measures are important in understanding the performance of our mobile operations and facilitate operating performance comparisons.

Subscribers. The number of mobile service subscriber is based on the cumulative number of assigned telephone numbers, including telephone numbers assigned to tablets, modules and PHS. The number of *SoftBank Hikari* subscribers is based on the cumulative number of users for which the physical connection of a fiber-optic line at the central office of Nippon Telegraph and Telephone East Corporation (“NTT East”) or Nippon Telegraph and Telephone West Corporation (“NTT West”) has been completed and includes the number of subscribers to *SoftBank Air*.

Main mobile subscribers. Subscribers of smartphones, feature phones, tablets, mobile data communications devices and others, such as voice call SIMs. These are all sources of revenue and profit and we have concentrated its efforts on acquiring and maintaining such subscribers.

ARPU. We measure the average monthly revenue generated per customer, or ARPU, in our Domestic Telecommunications segment. ARPU for our main mobile subscribers for a given month is calculated as (i) data-related revenue, basic monthly charge, voice-related revenues, device warranty services, content-related revenues and advertising revenues, etc., for the month, divided by (ii) the number of active main mobile subscribers at the beginning of the month, *plus* the number of active main mobile subscribers at the end of the month, *divided by* two and rounded to the nearest ¥10. The calculation of ARPU excludes revenues that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees.

We calculate a separate ARPU for each of our broadband services, which is calculated as device warranty services, advertising revenues and content-related services, divided by the number of active subscribers at the beginning of the month, plus the number of active subscribers at the end of the month, divided by two and rounding the result to the nearest ¥10.

Churn. The number of main mobile subscribers who terminate their service in any particular period. Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service (excluding subscribers who switch between *SoftBank* and *Y!mobile* using MNP), or churn, relative to the total main mobile subscriber base for a given period. We calculate churn rate by dividing the total number of main mobile subscribers who churned in the relevant period by the average number of main mobile subscribers for the same period. The average number of main mobile subscribers for a given month is the average of the number of main mobile subscribers at the beginning of the month and the number of main mobile subscribers at the end of the month. To calculate churn rate for multi-month periods, which is presented as a monthly average, we divide the total number of main mobile subscribers who churned in the relevant months by the sum of the average number of main subscribers for each month in the period.

Sprint Segment

We utilize subscribers, ARPU, ABPU and churn rate to analyze and develop strategies for our sales channels and mobile services. We believe these measures are important in understanding the performance of our mobile operations and facilitate operating performance comparisons.

Subscribers. A subscriber is defined as an individual line of service associated with each device activated by a customer. Subscribers that transfer from their original service category classification to another platform, or another service line within the same platform, are reflected as a net loss to the original service category and a net addition to their new service category. There is no net effect for such subscriber changes to the total wireless net additions (losses) or end of period subscribers.

ARPU. The average monthly revenue generated per customer, or ARPU, is calculated by dividing service revenue by the sum of the monthly average number of subscribers in the applicable service category. Changes in average monthly service revenue reflect subscribers for either the postpaid or prepaid service category who change rate plans, the level of voice and data usage, and the amount of service credits which are offered to subscribers, plus the net effect of average monthly revenue generated by new subscribers and deactivating subscribers.

ABPU. We track and disclose, average billings per customer, or ABPU, in addition to ARPU. ABPU is calculated by dividing service revenue and equipment billings (representing installment billings under our installment billing programs and lease fees under our lease programs) by the sum of the monthly average number of subscribers in the applicable service category.

Churn. The number of customers who terminate their service in any particular period. Postpaid and prepaid churn consist of both voluntary churn, where the subscriber makes his or her own determination to cease being a subscriber, and involuntary churn, where the subscriber's service is terminated due to a lack of payment or other reasons. Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service, or churn, relative to the total subscriber base for a given period. Churn is calculated by dividing net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter. For postpaid accounts comprising multiple subscribers, such as family plans and enterprise accounts, net deactivations are defined as deactivations in excess of subscriber activations in a particular account within 30 days.

TRADEMARKS

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. One of the more important trademarks that we own that appears in this offering memorandum is “SoftBank,” which is registered in Japan and registered and/or pending registration in other jurisdictions, as appropriate to the needs of the relevant business. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is the property of its respective owner.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and financial statements contained elsewhere in this offering memorandum. Certain capitalized terms used but not defined in this summary are used herein as defined elsewhere in this offering memorandum. Prospective investors should carefully consider the information set forth under the caption “Presentation of Financial Information,” “Risk Factors” and all other information in this offering memorandum, prior to making an investment in the Notes.

The Company

Overview

We are a leading global technology company that aspires to drive the Information Revolution. We are a holding company, SoftBank Group Corp., and its global portfolio of subsidiaries and associates, which include advanced telecommunications, internet services, robotics, IoT and clean energy technology providers.

Our Domestic Telecommunications business, comprising 36% of our consolidated net sales, and 47% of our consolidated Adjusted EBITDA and a primary source of our cash flow, in each case for the fiscal year ended March 31, 2017, is one of Japan’s leading mobile communications providers with approximately 42.7 million subscribers, as of March 31, 2017, and approximately 26% subscriber market share, according to Ovum.

We helped transform the Japanese smartphone market when we were the first to offer the *iPhone* in Japan in 2008 and built a brand centered on the mobile internet—data-intensive, highly-connected and reliable. Our unique brand and outperformance have also been supported by high quality LTE network infrastructure, well developed over a recently-completed cycle of significant capital expenditure, which covers nearly all of the population of Japan, with robust and reliable connectivity. We have two mobile service brands, *SoftBank* and *Y!mobile*. Our flagship *SoftBank* brand focuses on the high-end of the market, including the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users (mostly *iPhone*). We also offer the *Y!mobile* brand, targeting the low-cost smartphone market to capture first-time, younger or more cost conscious customers.

We combine our stable and profitable domestic telecommunications operations with selected strategic investments in global internet, technology and communications companies, differentiating us from other mobile operators and providing opportunities for mutually-advantageous growth among our group companies. Our leadership team is led by Japan’s technology and business innovator, Masayoshi Son, our founder, Chairman and CEO.

- We control one of the four largest telecommunications operators in the United States, Sprint, which had a market capitalization of ¥3,885 billion (\$34,626 million) as of March 31, 2017.
- We control Yahoo Japan, which operates Japan’s most frequently visited portal site offering a wide range of internet services with a market capitalization of ¥2,926 billion (\$26,082 million) as of March 31, 2017.
- We own 100% of Brightstar, one of the world’s largest specialized wireless device distributors in terms of net sales.
- We own ARM, a British company specializing in the design of microprocessor intellectual property.
- We hold a significant minority stake in one of the world’s largest e-commerce companies, Alibaba, with a market value of our owned shares of ¥7,996 billion (\$71,269 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract) as of March 31, 2017.
- We invest in and one of our overseas subsidiaries manages, as its general partner, the Vision Fund, a unique investment fund intended to make investments in a wide range of technology sectors globally. In May 2017, we completed the first closing of the Vision Fund with \$93.2 billion in committed capital.

We generated net sales of ¥8,901 billion (\$79,339 million) for the fiscal year ended March 31, 2017, of which ¥3,194 billion (\$28,468 million) (35.9%) was contributed by our Domestic Telecommunications segment. We generated Adjusted EBITDA of ¥2,564 billion (\$22,858 million) for the fiscal year ended March 31, 2017, of

which ¥1,209 billion (\$10,777 million) (47.1%) was contributed by our Domestic Telecommunications segment. We maintain a long-term corporate credit rating of BB+ from S&P and Ba1 from Moody's. We are listed on the Tokyo Stock Exchange with a market capitalization of ¥8,564 billion (\$76,334 million) as of March 31, 2017.

Strengths

- Well-established position as a leading mobile communications company in Japan, one of the largest and most attractive mobile communications markets in the world, through our well-invested, high-quality network that provides clear and stable communication services
 - One of the wealthiest and most technologically advanced countries in the world, supporting stable and high levels of mobile spending
 - A well-established and stable competitive environment, which benefits from a regulatory stance that discourages excessive competition among major operators
 - Stable customer base backed by large postpaid subscribers with low churn rate
 - Growth opportunities from potential to increase penetration of smartphones and increasing data usage
- Strong cash flow generation and prudent financial management
- Broad range of strategic assets providing significant value, sufficient liquidity and financial flexibility to our group
- World-class management team led by Japan's most successful entrepreneur, with a track record of growing businesses and risk control through disciplined portfolio management

Strategies

- Domestic Telecommunications: Leverage our leading market position in the attractive Japanese telecommunications market to enhance revenue generation
 - Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers by intensifying our dual-brand strategy
 - Offer higher-value, data-intensive pricing plans
 - Continue to expand our discount bundle services which combine mobile services and fixed-broadband services
 - Continue to pursue operating efficiencies and extract synergies from our investments, especially Yahoo Japan
 - Maintain our current level of capital expenditures and generate sustainable free cash flow
- Sprint: Further enhance the operational and financial performance of Sprint through a unique and differentiated value proposition
- ARM: Capture IoT opportunities by leveraging ARM
- Strategic Investments: Continue to make growth investments and manage portfolio strategically

Recent Developments

- *Vision Fund First Closing.* In May 2017, we completed the first closing of the Vision Fund with an initial commitment of \$93.2 billion from investors that include SoftBank Group Corp., the Public

Investment Fund of the Kingdom of Saudi Arabia, the Mubadala Investment Company of the United Arab Emirates, Apple Inc., Foxconn Technology Group, Qualcomm Incorporated and Sharp Corporation, or their respective affiliates. Our commitment to invest up to \$28 billion in the Vision Fund will be partially satisfied through an in-kind contribution of a total of 24.99% of shares in ARM to satisfy approximately \$8.2 billion of our commitment. We will continue to retain control of, directly or indirectly, 100% of the voting rights in ARM.

- *Fortress Investment Group, Inc. Acquisition.* In February 2017, we announced that we will acquire 100% of the outstanding shares of Fortress Investment Group, Inc. (“Fortress”) for approximately \$3.3 billion. The expected closing of the acquisition will be in the second half of 2017 and is subject to Fortress shareholders’ approval at a special meeting of Fortress shareholders expected to be held in July 2017. We are planning to bring in partners for a portion of the investment following the closing of this acquisition.
- *Didi Chunxing Investment.* In April and May 2017, one of our overseas subsidiaries made a total investment of \$5 billion in Xiaoju Kuaizhi Inc. (“Xiaoju”), the operator of a taxi allocation service Didi Chunxing, one of the largest ride sharing app providers in China by user base. After the investment, Xiaoju has not been and is not classified as a subsidiary or an associate of the Company.

The Offering

The following overview refers to certain provisions of the “Terms and Conditions of the NC6 Notes” and the “Terms and Conditions of the NC10 Notes,” and is qualified by the more detailed information contained elsewhere in this offering memorandum. Capitalized terms used herein have the meaning given to them in “Terms and Conditions of the NC6 Notes” or, as the case may be, “Terms and Conditions of the NC10 Notes.”

Issuer	SoftBank Group Corp.
Trustee	The Bank of New York Mellon, London Branch
Principal Paying Agent and Calculation Agent	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Issue Size	\$2,750,000,000 of the NC6 Notes \$1,750,000,000 of the NC10 Notes
Issue Date	July 19, 2017
No fixed maturity	The Notes will be perpetual securities in respect of which there is no fixed redemption date.
Interest	Subject to “—Change of Control” below, the NC6 Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) July 19, 2023 (the “NC6 Notes First Reset Date”) at a rate of 6.000 percent per annum, payable semi-annually in arrear on January 19 and July 19 in each year. Thereafter, unless previously redeemed, the NC6 Notes will bear interest from (and including) the First Reset Date (as defined below) to (but excluding) July 19, 2038 at a rate per annum which shall be 3.976 percent (the “NC6 Initial Credit Spread”) plus 0.25 percent above the 5 Year Swap Rate (as defined in the “Terms and Conditions of the NC6 Notes” (the “NC6 Notes Conditions”)) for the relevant Reset Period (as defined in the NC6 Notes Conditions), payable semi-annually in arrear on January 19 and July 19 in each year. From (and including) July 19, 2038 the NC6 Notes will bear interest at a rate per annum which shall be the NC6 Initial Credit Spread plus 1.00 percent above the 5 Year Swap Rate (the “6-Year Second Step-Up”) for the relevant Reset Period payable semi-annually in arrear on January 19 and July 19 in each year, all as more particularly described in “Terms and Conditions of the NC6 Notes—Interest Payments.”
	Subject to “—Change of Control” below, the NC10 Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) July 19, 2027 (the “NC10 Notes First Reset Date”) at a rate of 6.875 percent per annum, payable semi-annually in arrear on January 19 and July 19 in each year. Thereafter, unless previously redeemed, the NC10 Notes will bear interest from (and including) the First Reset Date (as defined below) to (but excluding) July 19, 2042 at a rate per annum which shall be 4.604 percent (the “NC10 Initial Credit Spread”) plus 0.25 percent per annum above the 5 Year Swap Rate (as defined in the “Terms and Conditions of the NC10 Notes” (the “NC10 Notes Conditions” and, together with the NC6 Notes Conditions, the “Conditions”)) for the relevant Reset Period (as defined in the NC10 Notes Conditions), payable semi-annually in arrear on January 19 and July 19 in each year. From (and including) July 19, 2042, the NC10 Notes will bear interest at a rate per annum which shall be the NC10 Initial Credit Spread plus 1.00 percent above

the 5 Year Swap Rate (the “10-Year Second Step-Up”) for the relevant Reset Period payable semi-annually in arrear on January 19 and July 19 in each year, all as more particularly described in “Terms and Conditions of the NC10 Notes—Interest Payments.”

Notwithstanding the foregoing, if, at any time prior to the First Reset Date, the Company is assigned an issuer credit rating of Investment Grade from S&P (all as more particularly defined and described in the relevant Conditions), then the Company may elect that the definition of “Margin” in the relevant Conditions shall be deemed to be immediately, and irrevocably, replaced in such a manner as to apply the 6-Year Second Step-Up and the 10-Year Second Step-Up from (and including) July 19, 2043 and July 19, 2047 respectively, all as more particularly described in “Terms and Conditions of the NC6 Notes—Interest Payments—Change to the definition of ‘Margin’” and “Terms and Conditions of the NC10 Notes—Interest Payments—Change to the definition of ‘Margin’.”

References herein to the “First Reset Date” shall be construed as the NC6 Notes First Reset Date or the NC10 Notes First Reset Date, as appropriate.

Issue Price

100.00 percent in respect of the NC6 Notes.
100.00 percent in respect of the NC10 Notes.

Status

The Notes constitute direct, unsecured and subordinated obligations of the Company and rank *pari passu* and without any preference among themselves.

Subordination

Upon the occurrence of a Subordination Event, there shall be payable by the Company in respect of each Note an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest, *provided* that the obligation of the Company to make such payment shall (except as otherwise provided by mandatory provisions of law) be subordinated to all Senior Obligations, rank *pari passu* with all Parity Obligations and rank senior to all Junior Obligations, and so long as such Subordination Event continues, no such payment shall be made with respect to such Note unless and until the relevant Subordinate Payment Conditions have been satisfied, and to the extent any Senior Preference Shares are then outstanding, the Holder of such Note shall only be entitled to the Subordination Claim Amount, *provided* further that no amount in respect of the Notes shall, merely as a result of the commencement of proceedings set forth in (iii), (iv) and (in the case of those proceedings analogous to the proceedings specified under limbs (iii) and (iv) of the definition of “Subordination Event” only) (v) of the definition of “Subordination Event,” be or become payable sooner than the same would otherwise have been or become payable by the Company had no such proceedings been commenced. See “Terms and Conditions of the NC6 Notes—Subordination” and “Terms and Conditions of the NC10 Notes—Subordination.”

The Notes are expressed to rank *pari passu* with the Company’s 1st Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610AG97), the Company’s 2nd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610BG96), the Company’s 3rd Unsecured Subordinated Bonds with interest deferrable clause and

early redeemable option (with a subordination provision) (ISIN: JP343610CG95) (together, the “2016 Notes”) and any other unsecured subordinated bonds with interest deferrable clause and early redeemable option (with a subordination provision) (*ribarai kurinobe jyoukou kigen zen shoukan jyoukou tsuki mu tanpo shasai (retsugo tokuyaku tsuki)*) issued by the Company from time to time (excluding the Company’s 1st Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AEC4) and 2nd Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AF23)). Although the terms and conditions of both Tranches differ in certain aspects to the terms and conditions governing the aforementioned obligations, the Company believes that a Japanese court would give effect to such ranking (in the case of future bonds and notes, where such obligations would rank *pari passu* with the 2016 Notes) upon the occurrence and throughout the continuance of any of the proceedings described in the definition of “Subordination Event” in the relevant Conditions. See, however, “Risk Factors—Risks Relating to the Notes—Japanese insolvency laws may be different from, and not as favourable to you as, insolvency laws in other jurisdictions.”

Optional Interest Deferral

The Company may, at its discretion, elect to defer all or part of any Interest Payment (a “Deferred Interest Payment”) which is otherwise scheduled to be paid on an Interest Payment Date by giving a Deferral Notice of such election to the Holders, the Trustee and the Principal Paying Agent. Subject as described in “Mandatory Settlement,” if the Company elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Enforcement Event or any other breach of the Company’s obligations under the Notes or for any other purpose.

Arrears of Interest in respect of either Tranche may be satisfied at the option of the Company in whole or in part at any time (the “Optional Deferred Interest Settlement Date”) following delivery of a notice to such effect given by the Company to the relevant Holders, the Trustee and the Principal Paying Agent informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment (or part thereof) shall itself bear interest (such further interest together with the Deferred Interest Payment, being “Arrears of Interest”), at the Interest Rate prevailing from time to time, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b) of the relevant Notes, in each case such further interest being compounded on each Interest Payment Date. Non-payment of Arrears of Interest shall not constitute a default by the Company under the relevant Notes or for any other purpose, unless such payment is required in accordance with Condition 5(b) of the relevant Notes.

Mandatory Settlement

Notwithstanding the provisions of Condition 5(a) relating to the ability of the Company to defer Interest Payments, the Company shall

	<p>pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.</p>
Optional Redemption	<p>The Company may redeem all, but not some only, of either Tranche of Notes on the First Reset Date or any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest in respect of the relevant Tranche.</p>
Special Event Redemption	<p>If a Special Event has occurred and is continuing, then the Company may redeem at any time all, but not some only, of either Tranche of Securities at:</p> <ul style="list-style-type: none"> (i) in the case of a Rating Methodology Event, Tax Deduction Event or Accounting Event where the relevant date fixed for redemption falls prior to the First Reset Date, 101 percent of their principal amount; (ii) in the case of a Rating Methodology Event, Tax Deduction Event or Accounting Event where the relevant date fixed for redemption falls on or after the First Reset Date, their principal amount; or (iii) in the case of a Substantial Repurchase Event or a Withholding Tax Event where any such redemption occurs at any time, their principal amount, <p>in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest in respect of the relevant Tranche.</p>
Change of Control	<p>If a Change of Control Event (as defined in the relevant Conditions) has occurred and is continuing, the Company may elect to redeem all, but not some only, of either Tranche at any time at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest in respect of the relevant Tranche. To our knowledge, we are not directly or indirectly owned or controlled by an individual, corporation or government. We know of no arrangements the operation of which may result in a change of control, howsoever described, in us.</p> <p>If the Company does not elect to redeem either Tranche of the Notes in accordance with Condition 6(g) thereof within 30 days following the occurrence of a Change of Control Event, the then prevailing interest rate per annum (and each subsequent interest rate per annum otherwise determined in accordance with the relevant Conditions) for such Tranche(s) shall be increased by 3.00 percent per annum with effect from (and including) the 30th day after the occurrence of such Change of Control Event, see “Terms and Conditions of the NC6 Notes—Interest Payments—Step-up after Change of Control Event” and “Terms and Conditions of the NC10 Notes—Interest Payments—Step-up after Change of Control Event.”</p>
Enforcement Event	<p>If a default is made by the Company for a period of 7 days or more in the payment of any principal or 14 days or more in the payment of any interest, in each case in respect of the Notes and which is due, then the Company shall without notice from the Trustee be deemed to</p>

be in default under the relevant Trust Deed and the relevant Notes and the Trustee at its sole discretion may, institute proceedings for the winding-up of the Company and/or prove in the winding-up of the Company and/or claim in the liquidation of the Company, for such payment, with any rights and claims of Holders subordinated as provided in “—Subordination” above.

Additional Amounts

Payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, taxes of Japan, unless such withholding or deduction is required by law. In the event that any such withholding or deduction is made, additional amounts may be payable by the Company, subject to certain exceptions as are more fully described in “Terms and Conditions of the NC6 Notes—Taxation” and “Terms and Conditions of the NC10 Notes—Taxation.”

Replacement Intention

The Company intends (without thereby assuming a legal obligation) at any time that it will redeem or repurchase the Notes only to the extent that the aggregate principal amount of the Notes to be redeemed or repurchased does not exceed such part of the net proceeds received by the Company or any Subsidiary of the Company during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Company or such Subsidiary to third party purchasers (other than group entities of the Company) of securities which are assigned by S&P and Japan Credit Rating Agency, Ltd. (“JCR”), at the time of sale or issuance, an aggregate “equity credit” (or such similar nomenclature used by S&P and JCR from time to time) that is equal to or greater than the “equity credit” assigned to the Notes to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Notes), unless:

- i. such redemption or repurchase will not render the Company’s creditworthiness weaker than it was as of the end of the fiscal year which ended March, 31 2016, or
- ii. such repurchase is of less than (a) 10 percent of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (b) 25 percent of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years, or
- iii. the Notes are redeemed pursuant to any Special Event Redemption other than a Substantial Repurchase Event, or
- iv. the Notes are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase, or
- v. in the case of any repurchase, up to the maximum amount of Notes repurchased that would allow the Company’s aggregate principal amount of securities/hybrid capital remaining outstanding after such repurchase to be equal to or greater than the maximum aggregate principal amount of securities/hybrid capital to which S&P would assign “equity credit” (or such similar nomenclature then used by S&P at the time of such repurchase); or

- vi. such redemption or repurchase occurs on or after the Reset Date falling on July 19, 2038 in respect of the NC6 Notes (or, to the extent the definition of “Margin” is replaced, July 19, 2043) and July 19, 2042 in respect of the NC10 Notes (or, to the extent the definition of “Margin” is replaced, July 19, 2047).

Form

The Notes will be in registered form represented on issue by a Global Certificate which will be registered in the name of a nominee for Euroclear and Clearstream, Luxembourg on the Issue Date. Save in limited circumstances, Certificates will not be issued in exchange for interests in the relevant Global Certificate.

Denominations

\$200,000 and integral multiples of \$1,000 in excess thereof.

Listing and Admission to Trading

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of \$200,000 (or its equivalent in foreign currencies). For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a Paying Agent in Singapore, where the definitive Notes in definitive registered form may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for Notes in definitive registered form. In addition, in the event that a Global Note is exchanged for definitive Notes in definitive registered form, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes in definitive registered form, including details of the Paying Agent in Singapore.

Governing Law

English law.

Ratings

The Notes are expected to be assigned a rating of “B+” by S&P and “Ba3” by Moody’s. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

Use of Proceeds

The net proceeds of the issue of the Notes will be applied by the Company for general corporate purposes.

ISIN

XS1642682410 in respect of the NC6 Notes.
XS1642686676 in respect of the NC10 Notes.

Common Code

164268241 in respect of the NC6 Notes.
164268667 in respect of the NC10 Notes.

RISK FACTORS

An investment in our Notes involves significant risk and uncertainty. You should consider carefully the risk factors described below as well as other information contained in this offering memorandum, including our financial statements and the related notes included elsewhere in this offering memorandum, before making any investment decision. The risks and uncertainties discussed below, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially affect our business, financial condition and results of operations, affect our ability to make payments on the Notes or cause the market price of the Notes to decline. This could result in you losing all or part of your investment.

Risks Relating to Our Business

Any adverse conditions in the economy could adversely affect us.

Demand for the services and products that we provide, including, but not limited to, telecommunications services and internet advertising, depends on the performance of the Japanese, American, Chinese and global economies, which involves factors beyond our control. Additionally, we procure the funds we require for developing new and existing businesses by borrowing from financial institutions, by issuing corporate bonds and from other sources. Therefore, disruptions in the economy that result in a deterioration of economic conditions in Japan or globally could adversely affect us or diminish our ability to procure funds. Our business and results of operations could be adversely affected under difficult economic or market conditions. In addition, the Japanese population, which represents the primary market of our domestic telecommunications products and services, is both aging and declining. As a result, the number of net new subscribers we acquire each month may decline in the future and we may not obtain the number of subscribers we expect.

Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in Japanese yen.

We invest in overseas companies directly at the holding company level or through our subsidiaries outside of Japan, as well as through other means. Additionally, a material portion of our operations is conducted in currencies other than Japanese yen, or most significantly, U.S. dollars, and as we increase our non-yen revenues, the relative percentage of our non-yen business may increase. Our business is therefore sensitive to fluctuations in foreign currency exchange rates, especially the yen-U.S. dollar exchange rate, and a foreign exchange loss may be recognized if we sell our equity interests when the yen is stronger than at the time of investment. Likewise, the presentation of our results of operations may be affected by the translation of foreign currencies into yen for the purpose of our consolidated financial statements. Also, a weak yen could have the effect of exacerbating losses incurred by our foreign subsidiaries, such as Sprint, as reflected in our consolidated results of operations. We may not be successful in managing our exposure to currency exchange risks and this may have a material adverse effect on our business, financial condition and results of operations.

In connection with the Notes offering and other debt obligations, should we choose to issue in currencies other than yen, we expect to be exposed to increased foreign exchange rate fluctuation risks. To the extent we are unable to successfully hedge our overall risks related to outstanding monetary assets and liabilities, we may record gains or losses in future periods solely attributable to the effects of fluctuations in relevant foreign exchange rates.

We face risks associated with operation and investment in multiple markets, and if we are unable to manage these risks effectively, it could impair our ability to expand our business.

We conduct business and invest in multiple regions including the United States, China, India, Europe and Central and South America as well as other regions and countries and may continue expanding our operations outside of Japan. We do not have a history of successfully operating in these regions, which in some cases have a different level of economic development or different economic structure from that of our traditional region of operations.

Operating and investing in multiple geographic markets exposes us to a number of risks, including:

- difficulties and costs relating to compliance with the different commercial and legal requirements of the markets in which we operate and the potential that such requirements could change to our disadvantage;

- difficulties in staffing and managing international operations;
- government regulations or restrictions on foreign investment, particularly any preventing us from repatriating internationally derived revenue, or foreign tax structures that make repatriation prohibitively expensive, which could affect our ability to effectively reinvest or utilize such revenues in our business; and
- other country risks, including the occurrence of political, social, or economic turbulence in such countries and regions, due to the outbreak of wars, conflicts, and terror attacks, the enactment of economic sanctions and the outbreak of communicable diseases.

Our failure to successfully manage or address any of the above-listed risks could have a material adverse effect on our business, financial condition and results of operations.

The loss of key senior management personnel, including Mr. Masayoshi Son in particular, could negatively affect our business.

Our performance is substantially dependent on our senior management and other key personnel. These individuals have acquired specialized knowledge and skills with respect to the companies that form the SoftBank Group and our businesses. This familiarity, in addition to the managerial and financial experience of these individuals as well as their decision-making abilities, makes them especially critical to our success. If one or more members of our key personnel were unable or unwilling to continue to remain in their positions with us, our business and operations could be disrupted and our growth potential could be impaired.

In particular, we depend in large part on the knowledge, expertise and services of Mr. Masayoshi Son, our founder, Chairman and CEO, especially for identifying new business and investment opportunities and creating new business models. Mr. Son's reputation and personal contacts in the industries in which we operate give us access to many opportunities which would not otherwise be available to us. There can be no assurance that the departure of Mr. Son would not have a material adverse effect on our business, financial condition or results of operations.

Fast-paced innovations in technology and business models, as well as alternative telecommunication technologies may make our services, technology or business models obsolete.

Our future success depends, in part, on our ability to anticipate and adapt in a timely manner to the fast-paced changes in technology and business models that characterize the industries in which we operate. We expect that new services, technologies and business models will emerge on a continuous basis and that existing services, technologies and business models will also further develop. We make significant capital expenditures in connection with the deployment of new or improved technologies. However, if we fail to adapt to the rapidly changing technological development characterized by the introduction and proliferation of new or improved high-speed wireless data technology, fail to upgrade or adapt our existing mobile and fixed-line telecommunications networks or other businesses in a timely and satisfactory manner, or fail to introduce new services based upon such technological innovations, our services may become less attractive to consumers. This could limit our ability to acquire new customers and cause us to lose existing customers to competitors, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that the new technologies we anticipate will be developed according to expected schedules, that they will perform according to expectations, that common standards and specifications will be achieved or that they will achieve commercial acceptance. Any failure of new technologies to meet our expectations, or the failure of any technology to achieve commercial acceptance, could place us behind our competitors in terms of technological development. Any such factors may adversely affect our business, financial condition and results of operations.

We face intense competition, including from other large and established competitors, and such competition may intensify.

One of our primary business domains is the information industry, particularly the Japanese mobile communications industry, where we compete for consumer spending with other domestic communications companies such as NTT DOCOMO, Inc. ("NTT DOCOMO") and KDDI Corporation ("KDDI"). We have substantial competitors in the markets in which we operate, and, in certain instances, we may face competitors

(including but not limited to mobile communications operators and mobile virtual network operator services (“MVNOs”)) that have larger operations than we do, or otherwise have a competitive advantage over us in terms of, for example, capital, services and products, price competitiveness, customer base, sales capability, brand awareness or public recognition.

Going forward, the competition among operators may further intensify, as a result of which we may revise our billing plans, offer discounts or take other steps to capture new subscriptions and maintain existing subscriptions, that could adversely affect our profitability. For example, in September 2016, we introduced *Data Flat-rate (20 GB)* and *Data Flat-rate (30 GB)* (collectively known as “*Giga Monster*”). However, we cannot be certain that these rate revisions will enable us to acquire new and maintain existing subscribers. Also, the subscription ratio for *Giga Monster* or the migration trend to *Giga Monster* may not meet our expectations and may result in a larger decline in ARPU than expected.

If our competitors were to sell services or products that harness their competitive advantages to a greater extent than they currently do, we may be placed at a disadvantage in sales competition or may be unable to provide services and products or acquire or retain customers as anticipated. Moreover, even if we introduce highly competitive services, products or sales methods ahead of our competitors, our competitive advantages may lessen if our competitors deploy equivalent or better services, products or sales methods.

In addition, the Japanese population, which represents the primary market of our domestic telecommunications products and services, is both aging and declining. The total number of domestic mobile communications service subscribers reached 163 million, as of March 31, 2017, and the penetration rate for mobile phones in Japan stood at approximately 128.3%, as of March 31, 2017, indicating ownership of more than one handset per person. This suggests that the market may be approaching saturation, which could result in a lower number of customer additions.

Any of the above consequences could have a material adverse effect on our business, financial condition and results of operations.

We depend on the satisfactory performance of our network systems and sufficient spectrum to operate our telecommunications services.

The quality of our telecommunications services depends on, among other things, our network systems and the spectrum that the government allocates to us. In order to remain competitive and retain and grow our customer bases in each of the telecommunications markets in which we operate, we will need to undertake continuous maintenance and upgrades to our mobile and fixed-line networks to ensure adequate capacity.

Constraints on network capacity may cause unanticipated system disruptions and slower response times, adversely affecting data transmission. We must accurately predict our future capacity needs based on present and historical amounts of network traffic. If we underestimate the amount of capacity our business requires, or if we are unable to upgrade our network systems quickly enough to accommodate future traffic levels, avoid obsolescence or successfully integrate newly developed or acquired technology with our existing systems, we could experience service problems, adverse consequences to our reputation, a reduction in subscriber base, difficulties in acquiring new subscribers, or the need to make additional unanticipated capital expenditures.

Like all major telecommunications services providers, we are vulnerable to the occurrence of major service disruptions or declines in service quality due to human error, equipment problems or other causes. If such disruptions or declines in quality were to become widespread or if significant time were required to restore services in the event of such a disruption, our credibility and corporate and/or brand image could deteriorate, which could have an adverse effect on our mobile and fixed-line telecommunications businesses.

We are also heavily dependent on the availability of spectrum in order to provide our mobile communications services. As traffic on our mobile communications network continues to increase due to the spread of smartphones, we will need to secure additional spectrum as well as enhance effective use of our frequency band by using LTE technology. We use frequency bands that are allocated to us by MIC and while MIC rarely exercises such authority, it does have the power to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of frequency spectrum, taking into consideration the effect that such actions may have on other spectrum users. See “Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum.” If we are unable to secure the required spectrum in the future, service quality may decline, which could make it difficult to acquire or retain subscribers. Additionally, the Japanese government has

considered the implementation of a spectrum auction system in the past. If an auction system were officially implemented in Japan or if bidding prices increase in U.S. spectrum auctions, securing spectrum could require considerable expenses and could enable new competitors to enter the market.

We depend on the telecommunications lines and facilities of other companies in certain circumstances and could be materially and adversely affected if our access was restricted or terminated or if related utilization or connection fees were increased.

We utilize certain telecommunications lines and facilities owned by other operators when providing our telecommunications services. For instance, certain of our group companies in Japan are party to interconnection agreements and agreements with respect to optical broadband services with Nippon Telegraph and Telephone Corporation (“NTT”) group companies. See “Business—Important Relationships—Nippon Telegraph & Telephone Corp.” The potential failure of such third-party operators to comply with relevant interconnection agreements or to properly maintain networks or interconnection facilities may create interruptions or quality problems for our telecommunications services. In addition, if relevant agreements with such operators are not extended or are extended on less favorable conditions, for example if utilization or connection rates were to be increased, we could experience a material adverse effect on our business, financial condition and results of operations.

We purchase and lease various equipment, products and services from suppliers and our inability to procure such equipment, products and services or defects therein could adversely affect our business.

We procure telecommunications equipment, network devices, mobile devices and various other hardware, software, support and services from various vendors. We rely upon certain key vendors such as Apple, Nokia and Ericsson to supply the network equipment, mobile handsets, software, content and services that we require in our business.

Although we generally expect vendors to supply products and services in a timely manner, in accordance with the specifications contained in the applicable agreements with such vendors, and to cure any defects should they arise, we may be unable to switch suppliers or equipment in a timely manner should problems occur. We do not have direct operational or financial control over these key vendors, and there can be no assurance that such vendors will continue to provide equipment and services at attractive prices or that we will be able to obtain such equipment and services in the future from those or other providers, on the scale and within the time frames that we require, if at all.

Our contractual arrangements with these counterparties also expose us to certain risks. We cannot assure you that we will be able to reach commercially reasonable agreements on the procurement of handsets, installation and maintenance of telecommunications equipment or other key aspects of our business or that the terms of such agreements will not deteriorate over time.

Supply interruptions, delivery delays, order volume shortfalls, defects and the cessation of maintenance and inspection services, as well as any other similar problem could impede our provision of services, making it difficult to acquire and retain customers, or causing us to incur additional costs. Suppliers may also cease providing the maintenance and inspection services required for telecommunications equipment to maintain performance.

Any of the above could have a material adverse effect on our business, financial condition and results of operations.

We rely on subcontractors and other third-parties for certain of our operations.

We consign sales activities, acquisition and retention of customers mainly for telecommunications services, and the execution of other related operations in whole or part to subcontractors. We also use subcontractors for network construction and maintenance service. Our business development could therefore be impacted if for some reason these subcontractors are unable to execute their duties in line with our expectations.

We also have a network of subcontractors responsible for the sale of our services and products. Damage to the credibility or image of these subcontractors could also have a negative impact on our credibility or corporate image. This could hinder business development and the acquisition and retention of customers, which could impact our operating results. Furthermore, if these subcontractors should fail to comply with laws and

regulations, we could receive a warning or administrative guidance from the regulatory authorities, or be investigated or sanctioned for non-fulfillment of our supervisory responsibility, and our credibility or corporate image could deteriorate as a result, making it difficult to acquire and retain customers. This could have a material adverse effect on our business, financial condition and results of operations.

Our financial results may be significantly affected by cost of fund procurement and leasing.

We procure the funds required to develop our business by borrowing from financial institutions, issuing corporate bonds and other sources. We also execute capital expenditure utilizing leases. The cost of procuring funds could increase because of rising interest rates or a decline in our creditworthiness stemming mainly from a downgrading of our credit ratings. An increase in fund procurement costs could impact our results of operations. Furthermore, depending on the financial market conditions and our credit standings, we may be unable to procure funds or structure leases as planned. This could impact our business development, results of operations and financial position. In addition, various covenants are attached to our borrowings from financial institutions, corporate bonds and other transactions. If the potential arises for any of these covenants to be breached and we are unable to take steps to avoid breaching them, we could forfeit the benefit of terms relating to the obligation concerned, and in conjunction with this loss we could be requested to repay or redeem other borrowings in one lump sum as well. As a result, our financial position could be adversely affected.

We may sell some of our assets or take other measures to secure resources for repaying the procured funds (excluding the debts non-recourse to SoftBank Group Corp.). This could impact the Group's results of operations and business development.

A downgrade of the credit rating of the Company or our subsidiaries could have a negative effect on us.

Our long-term corporate credit rating is BB+ from S&P, Ba1 from Moody's and A- from JCR. There can be no assurance that our current ratings will not be downgraded further. Also, our net interest-bearing debt-to-EBITDA ratio, which was 4.2x as of March 31, 2017, could make us susceptible to future credit downgrades. A downgrade of our credit ratings or the credit ratings of our subsidiaries may cause us to lose our ability to access bank lending or the capital markets, renew bank credit facilities and access other sources of financing.

Downgrades could also increase our costs of borrowing and affect our ability to make payments on outstanding debt instruments and to comply with other existing obligations. Such events could have a material adverse effect on our business, financial condition and results of operations. Also, even if we hold investments in equity-method associates that experience significant increases in value, there is no assurance that credit rating agencies will take this into account when determining our credit ratings.

The acquisition of other companies, businesses or technologies, such as the recent acquisition of ARM Holdings plc, could result in operating difficulties, dilution or other harmful consequences.

In order to set up new businesses, or expand our existing businesses, we have made and may pursue further acquisitions and investments, including through the establishment of joint ventures and subsidiaries, as well as investments in operating or holding companies (including companies that we effectively control through various contracts) and funds, and we may also in certain instances provide subsequent financial assistance in the form of loans, securities or otherwise to such investees. We also may acquire other assets which we believe are strategic, any of which could be material to our business, financial condition and results of operations. In particular, we have made a number of strategic investments in companies in emerging markets and in businesses we view to be in growth industries, such as e-commerce and taxi booking platforms for mobile devices. In September 2016, we acquired all of the issued and outstanding shares of ARM, a British microprocessor intellectual property design firm, for approximately £24.0 billion. See "—Our business development may be significantly affected by risks relating to ARM Holdings plc's operations." Also, in May 2017, we completed the first closing of the Vision Fund with an initial commitment of \$93.2 billion as of May 20, 2017 from investors that include SoftBank Group Corp. and the Public Investment Fund of the Kingdom of Saudi Arabia. See "Business—Strategies—Strategic Investments: Continue to make growth investments and manage portfolio strategically." If an investee is included in our scope of consolidation in conjunction with these investment activities, this could positively or negatively affect our consolidated results of operations and financial position.

In addition, we carry significant amounts of goodwill and other intangible assets on our balance sheet as a result of our corporate acquisitions and investments. If an investee is unable to conduct its business as

anticipated at the time of investment, our results of operations and financial position could be impacted, for example, through write-downs on assets recognized in conjunction with the investment activities including goodwill, property, plant and equipment, intangible assets or financial assets such as shares. In addition, any decline in the value of assets that were obtained through these investment activities, including investment equities, could cause us to recognize a valuation loss which could have an attendant impact on our results of operations and distributable amounts in our non-consolidated financial statements. Under IFRS, goodwill is tested for impairment whenever there is any indication of potential impairment, and at least annually, while intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment whenever there is any indication of potential impairment. We also have a number of equity-method associates, for which the impairment test is used. For example, we recorded a loss from financial instruments carried at FVTPL (Fair Value through Profit and Loss) of ₹160 billion in our consolidated financial statements for the fiscal year ended March 31, 2017. Financial instruments at FVTPL included preferred shares of Jasper Infotech Private Limited, who operates “snapdeal.com,” an e-commerce site in India, and ANI Technologies Private Limited, who operates *Ola*, a taxi booking platform also in India. Furthermore, we recognized a loss on valuation of shares of subsidiaries and associates of ₹114 billion as special losses in our non-consolidated financial statements for the fiscal year ended March 31, 2017. The losses represented impairments of our investments in subsidiaries and associates, including STARFISH I PTE LTD, an intermediate holding company that owns preferred shares in Jasper Infotech Private Limited. In addition, our debt burden may increase if we borrow funds to finance any future acquisition or investment, which could have a negative impact on our cash flows and our ability to finance our overall operations. An acquired company may also be subject to an increased interest burden. There can be no assurance that we will be successful in completing business acquisitions or investments or fully integrating previously acquired companies.

If our acquirees or investees fail to maintain adequate internal controls or sustain legal or regulatory compliance, we could suffer reputational harm and otherwise suffer adverse effects to our business, financial condition and results of operations.

Although we conduct due diligence investigations of those companies, businesses or technologies which we seek to acquire, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. Our inquiries may fail to uncover all material issues before an acquisition and we may experience unexpected losses arising from such issues after an acquisition. There can be no assurance that our assessments or due diligence of, and assumptions regarding, acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations.

In certain cases we may consolidate or de-consolidate these investments from our consolidated financial results and doing so may affect our results negatively. As a result, period-to-period comparisons of our results of operations are not necessarily meaningful or indicative of future performance in this regard.

Furthermore, proposed acquisitions may require approval by government authorities, which can block, impose conditions on, or delay the process, which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In the event conditions are imposed and we fail to meet them in a timely manner, the relevant government authority may impose fines and, if in connection with a merger transaction, may require restorative measures, such as a mandatory disposition of assets or divestiture of operations.

Any of the above factors could have a material adverse effect on our business, financial condition and results of operations or prevent us from achieving improvements in our financial condition and operating margins that could have otherwise been achieved by us without any particular investment.

Our financial results may be significantly affected by risks relating to Sprint, its operations and financial performance.

Our consolidated subsidiary, Sprint, accounted for 43.6% and 40.7% of our net sales for the years ended March 31, 2016 and 2017, respectively. Sprint is in the business of selling communications services to subscribers and faces business risks associated with the telecommunications industry as well as risks unique to Sprint. Sprint’s ability to retain its existing subscribers, to compete successfully for new subscribers and reduce its churn rate depends on, among other things:

- Sprint’s ability to anticipate and respond to various competitive factors, including its successful execution of marketing and sales strategies; the acceptance of its value proposition; service delivery and customer care activities, including new account set up and billing; and execution under credit and collection policies;

- The actual or perceived quality and coverage of Sprint's network;
- Public perception about Sprint's brand;
- Sprint's ability to anticipate, develop and deploy new or enhanced technologies, products and services that are attractive to existing or potential subscribers;
- Sprint's ability to continue to access spectrum and acquire additional spectrum capacity; and
- Sprint's ability to maintain its current MVNO relationships and to enter into new MVNO arrangements.

Sprint's ability to retain subscribers may be negatively affected by industry trends related to subscriber contracts. Sprint has seen aggressive customer acquisition efforts by its competitors. For example, most service providers, including Sprint, are offering wireless service plans without any long-term commitment. Furthermore, some service providers are reimbursing contract termination fees, including paying off the outstanding balance on devices, incurred by new customers in connection with such customers terminating service with their current wireless service providers. Sprint's competitors' aggressive customer contract terms, such as those described above, could negatively affect Sprint's ability to retain subscribers and could lead to an increase in its churn rates if Sprint is not successful in providing an attractive product, price and service mix, which could adversely affect its operating results.

We expect Sprint to continue to incur expenses, such as the reimbursement of subscriber termination fees and other subscriber acquisition and retention expenses, to attract and retain subscribers, but there can be no assurance that Sprint's efforts will generate new subscribers or result in a lower churn rate. Subscriber losses and a high churn rate could adversely affect Sprint's business, financial condition and results of operations.

Moreover, Sprint and its competitors continue to gain a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers. To the extent Sprint cannot compete effectively for new subscribers or if Sprint attracts more subscribers that are not creditworthy, its revenues and results of operations could be adversely affected.

Sprint's service plans allow certain subscribers to purchase or finance the use of an eligible device under an installment or lease contract payable generally over a period of up to 24 months. Subscribers who take advantage of these plans are not required to sign a fixed-term service contract to obtain postpaid service. Sprint could experience a higher churn rate than it expects, due to the ability of subscribers to more easily change service providers, which could adversely affect its results of operations. In addition, because Sprint's lease and installment billing contracts permit customers to pay for devices over time, Sprint maintains a certain level of debt to support its investment in these contracts.

Sprint's installment billing program subjects it to increased risks relating to consumer credit issues, which could result in increased costs, including increases to its bad debt expense and write-offs of installment billing receivables. Sprint also leases devices to certain of its subscribers. Its financial condition and results of operations depend, in part, on its ability to appropriately assess the credit risk of its lease subscribers and the ability of its lease subscribers to perform under its device leases.

We believe that Sprint's business and capital expenditure plans are tailored to Sprint's ability to generate cash from operations and obtain financing on acceptable terms. We consider Sprint to be a public company with substantial independence and the means to secure adequate financing through, among other things, capital markets issuances, securitization of receivables and vendor finance and improvements in cash from operations. However, if Sprint is unable to conduct its business as anticipated, is unable to create sufficient synergies with other Group companies, or requires more funds than anticipated to develop its business, we may provide Sprint with financial assistance such as loans.

Our business development may be significantly affected by risks relating to ARM Holdings plc's operations.

The operations of ARM could substantially affect our business development. ARM's business is subject to risks including:

- *Competition in and changes to the semiconductor industry.* ARM operates in the semiconductor market, which is highly competitive and has been characterized by rapid technological change, short product lifecycles, high capital expenditures and intense pricing pressure. ARM currently competes with both large semiconductor companies and smaller semiconductor intellectual property companies. For example, Intel Corporation is currently developing an x86-based processor for tablets, mobile phones and IoT, or Internet of Things, which would compete with ARM's products. In growing markets, such as the IoT market, there are low barriers to entry, which allows many small-sized semiconductor intellectual property companies to compete with ARM. The success of the products of ARM's competitors could negatively impact ARM's market share and the value of its intellectual property.
- *Risks associated with international sales.* ARM's customers are located in many locations around the world, including in countries and locations (such as Russia, South America and Africa) where ARM has little knowledge or experience with the political culture or regulatory environment. In addition, the proportion of ARM's sales to customers in China is increasing and it is expected that this trend will continue, and ARM believes that the share will continue to increase. The semiconductor industry has been the subject of repeated disputes over government assistance to domestic manufacturers and fair trading policies, the outcomes of which could materially and adversely affect ARM's access to particular markets or ARM's competitive position generally.
- *Changes in customer needs.* The semiconductor market is characterized by rapidly changing technology that affects industry standards and the types of products that ARM's customers demand. The changing needs of ARM's customers may result in ARM's products no longer meeting customer specifications or being otherwise incompatible with customer-intended end uses. If we are unable to invest sufficient resources to meet the needs of ARM's customers, if we do so in an inefficient or untimely manner or if ARM's customers develop the capability to design semiconductors internally, ARM may lose market share and the value of its intellectual property could decrease.
- *Customer concentration risk.* Due to changes in technological trends and economic conditions, merger activities in the semiconductor industry may increase, resulting in a smaller number of customers to which ARM sells its products and increasing ARM's reliance on orders from a smaller number of larger customers, increasing the impact on sales of a reduction of orders by individual customers. For example, if a key customer's products incorporating ARM's products fail to achieve success in the market, or if a key customer foresees such failure, the relevant customer may reduce purchases of ARM's products. This risk is especially acute for customers that compete in the highly competitive, rapidly evolving mobile device market. Also, a smaller number of key customers could increase product development costs, as key customers could require ARM to develop or modify its products more frequently than expected.
- *Inability to retain and motivate qualified personnel.* The number of ARM's employees has increased rapidly in the last few years, as it has accelerated the hiring of engineers to develop the next-generation of processors that will meet customer demands. We plan to double the number of ARM's employees since the acquisition. There is no assurance that we will be able to adapt ARM's organizational structure, corporate culture and infrastructure to accommodate this increase in employees, particularly if the increase in employees continues at the current rate.
- *Reputational risk.* ARM's technologies are incorporated into products that are used around the globe by numerous individuals and companies. These products, in turn, are used to accumulate, manage and transmit massive amounts of private, personal and proprietary information. As a result, if issues arise with these products, as a result of problems or defects with ARM's technologies, ARM could suffer significant reputational harm and the value of ARM's brand and intellectual property could be negatively affected. As ARM's technologies are becoming increasingly complex, the risk of problems or defects arising may also increase.
- *Risk of infringing on the intellectual property rights of others.* Although ARM pays considerable attention to establishing and maintaining its products' integrity, if ARM is involved in a dispute with

another company for infringement of intellectual property, it may become necessary for ARM to defend its intellectual property and its technologies. Occasionally, a third party asserts patent rights, copyrights or other intellectual property rights against ARM's technologies. Such assertion against ARM or a licensee of ARM's technologies may cause ARM to incur a significant amount of expenses, and ARM may become obligated to compensate its licensee pursuant to license agreements.

- *Dependence on Intellectual Property Licensees.* ARM is dependent on its licensees to manufacture and market microprocessors and other intellectual property based on ARM's architecture in order to receive royalties in the future. ARM is also dependent on licensees to add value to its license architecture by providing complete ARM-based microprocessor solutions to meet specific application needs of systems companies. If one or more of ARM's licensees stops licensing microprocessors or other intellectual property, reduces its orders, fails to pay license or royalty fees due or does not produce products containing ARM microprocessors or other intellectual property, ARM's operating results could be materially and negatively affected.
- *ARM and its customers fail to invest in the ecosystem of developers who build ARM-based products and services.* ARM processors often run software created by independent software vendors ("ISVs") or through consortiums of companies working together. Each end market has its own ecosystem of consortia and ISVs. These ecosystems need to be supported by engineers from ARM and its customers and through direct monetary investment. Insufficient investment may result in the ecosystems providing better support for products based on non-ARM-based technology leading to equipment manufacturers not choosing ARM-based chips, leading to a reduction in ARM's revenues.

Our financial results may be significantly affected by risks relating to the Vision Fund, its operations and financial performance.

The Vision Fund, which was established overseas, started its operations in May 2017. The Vision Fund seeks to acquire minority and majority interests in both private and public companies, from emerging technology businesses to established, multi-billion dollar companies requiring substantial growth funding across a wide range of technology sectors, as long as the investments fall within the Vision Fund's investment strategy. Investments of \$100 million or more within the Vision Fund's investment strategy are generally required to be carried out through the Vision Fund or its associated vehicles, with us making certain other investments, including (but not limited to) investments not meeting the \$100 million threshold, strategic investments at the operating company level, and/or other investments that do not fall within the Vision Fund's investment strategy and criteria. One of our overseas subsidiaries manages the Vision Fund as its general partner (the "General Partner"), and the General Partner will be advised by another overseas subsidiary in the UK following such entity's registration with the UK Financial Conduct Authority. The investment decisions of the Vision Fund will be made by an investment committee expected to be established at the above-mentioned subsidiary in the UK. Furthermore, we invest in the Vision Fund as its limited partner. Committed capital to the Vision Fund totals \$93.2 billion as of May 20, 2017, with committed capital from us totaling \$28 billion, including contribution of shares of ARM Holdings plc or its certain operating subsidiaries by in-kind contribution in satisfaction of approximately \$8.2 billion. The final closing of the Vision Fund is expected to occur no later than six months following the above-mentioned date. See "Business—SoftBank Vision Fund." However, if the Vision Fund does not realize the anticipated return on its investments, the overseas subsidiary may be unable to sufficiently obtain carried interest that would be anticipated when the Vision Fund's performance reaches or exceeds a certain level; moreover, we may be unable to realize the anticipated return on our investment into the Vision Fund as a limited partner.

We expect that the Vision Fund will be consolidated by us for accounting purposes. Therefore, the results of operations, assets and liabilities of the Vision Fund will be included in our consolidated financial statements. The portfolio companies of the Vision Fund that we are deemed to control from an IFRS perspective will be treated as our subsidiaries and their results of operations, assets and liabilities will be included in our consolidated financial statements. Therefore, the poor financial performance of companies in the Vision Fund may negatively affect our financial condition and results of operations. Also, in the event that the Vision Fund's targets for investment do not become subsidiaries on our consolidated financial statements, as a basic rule, they are measured at fair value at the end of every quarter, and changes in the value are recognized as a net gain or loss. In the event that the fair value of these investments drop, it may negatively affect our group's performance or financial condition.

In addition, on a non-consolidated basis, any decline in the value of the Vision Fund following a decline in the value of its investment equity could cause us to recognize a valuation loss in association with the Vision Fund, which would have an attendant adverse effect on our results of operations and distributable amount in our non-consolidated financial statements.

Our holdings in Sprint, Yahoo Japan and our strategic associates such as Alibaba will not necessarily generate cash that can be used to pay principal or interest on the Notes or our other indebtedness.

Each of Sprint, Yahoo Japan and Alibaba have equity securities listed on public exchanges and as such operate with varying degrees of independence from us. To a varying extent, we are able to exercise control over these companies through our control of certain voting stock and pursuant to shareholders' agreements. But we are unable to easily access cash generated from operations by these businesses without a dividend, distribution or other payment made in accordance with the relevant corporate articles of each company. In addition, Sprint is subject to financial covenants (including restrictions on dividends and other payments) in certain of its indebtedness that restrict Sprint's ability to make payments to us.

The ability of Sprint, Yahoo Japan, ARM and our strategic associates such as Alibaba to make a dividend, distribution or other payment to us is further constrained by their business results, which are subject to substantial risks. In particular, Yahoo Japan and Alibaba are subject to risks including:

- Macroeconomic trends reducing advertising and online spending or re-orienting spending in a way that they do not anticipate;
- Technological change undermining expectations on how people will access services;
- Competition from existing companies or disruptive threats;
- Reliance on third-party providers and electrical and internet transmission infrastructure;
- Regulatory changes and interventions affecting e-commerce, social media or financial services particularly in, but not limited to, China;
- Litigation and regulatory sanctions with respect to intellectual property infringement or litigation from end-users, in particular with respect to fraud in online sales and information security; and
- Risks in collecting sums spent through their infrastructure and services.

For further discussion on the risks facing Sprint, see “—Our financial results may be significantly affected by risks relating to Sprint, its operations and financial performance.” For further discussion on the risks facing ARM, see “—Our business development may be significantly affected by risks relating to ARM Holdings plc’s operations.”

In the event we attempt to exit any of our investments, there is no assurance that we would be able to do so successfully, or at all. We have significant unrealized gains in the equity of certain affiliates, which we may be unable to recognize.

Support for subsidiaries and others may not produce the anticipated results.

We occasionally provide subsidiaries and others with financial assistance through loans, guarantees, and other means, when we deem such assistance to be necessary. For example, if Sprint or Brightstar are unable to conduct business as anticipated at the time of acquisition, or are unable to create sufficient synergies with other subsidiaries and associates, or require more funds than anticipated to develop their businesses, we may provide them with financial assistance such as loans. If the supported subsidiaries and others are unable to conduct business as we expect, it could impact our financial position and results of operations.

We depend on management resources of other companies.

We develop our business in Japan and overseas through business alliances, joint ventures and similar arrangements with other companies. If an alliance partner or joint venture partner has a significant change of business strategy or experiences a deterioration in its results of operations or financial position, it is possible that adequate results may not be obtained from the business alliances, joint ventures and similar arrangements or that

it may become difficult to continue such business alliances or joint ventures. In addition, it is also possible that execution of a business alliance or joint venture with a particular third party could preclude the execution of business alliances, joint ventures and similar arrangements with other parties. Such events could impact our business development and results of operations.

We depend on the Yahoo! brand and related trademarks, the continued use of which is important to our business.

Yahoo Japan licenses the use of the *Yahoo!* brand from a subsidiary of Verizon Communications Inc. (“Verizon”). The licensing agreement with the subsidiary of Verizon is critical to our business and is used in certain service names such as *Yahoo! JAPAN*, *Y!mobile* and *Yahoo! BB*. We have benefited from the strong brand recognition and existing user base of a wide range of internet services offered by Yahoo Japan and its portal site, *Yahoo! JAPAN*, which is the most frequently visited portal website in Japan.

Yahoo! JAPAN’s brand name, popular internet website and existing user base have contributed significantly to the expansion of our *Y!mobile* and *Yahoo! BB* subscriber base. If our current relationship with such subsidiary of Verizon were to deteriorate for any reason, we may not be able to continue using the *Yahoo!* brand, which could significantly damage the brand recognition related to Yahoo Japan’s portal site or otherwise have a material adverse effect on our business, financial condition and results of operations.

Our renewable energy business is vulnerable to reductions in power production due to climatic and other factors.

We engage in the renewable energy business, which is subject to inherent unpredictability, as it is heavily influenced by weather conditions such as sunlight and wind force. As a result, protracted unfavorable weather conditions could significantly reduce the energy generated by our production facilities. Moreover, output of renewable energy could also be reduced if production facilities are damaged or become inoperable due to natural disasters or other events. We may be adversely affected by any of the above.

Security breaches and illegal or inappropriate use of our services could adversely affect our reputation and expose us to claims from customers and penalties from authorities.

We collect, handle and maintain customer information, including personal information and other confidential information, in the course of our business operations. In some cases we also rely upon third-party subcontractors to handle customer information. Information handled by ourselves or our subcontractors may include a customer’s name and email address, as well as date of birth, address, contact information, bank account information, credit card information and other information. We are subject to various regulations regarding the storage and protection of customer information, and we are required to exercise care in protecting the confidentiality of personal information, as well as to take steps to ensure the security of our services.

Any material leak of personal information, due to hacking or other unauthorized access of one of our databases, or due to the willful misconduct or inadvertent mistake of one of our own employees or subcontractors or otherwise, could result in claims or lawsuits against us, and we could be held legally responsible for any damages sustained by the affected persons. Such events could also result in reputational damage even if we are not held legally responsible. Further, we could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives from the government, or in connection with public relations campaigns designed to prevent or mitigate damage to our corporate image or reputation. Any related reputational damage could lead to a decline in new subscribers or users or an increase in subscriber or user cancellations for any of our services. Any of the above consequences could have a material adverse effect on our business, financial condition and results of operations.

Our operations may be subject to service disruptions or decline in quality due to human error and other factors.

In our provision of various services, including telecommunications services, there is a possibility that a major problem could occur if we became unable to continuously provide the services, or suffer a decline in the quality of the services, due to human error, serious problems with equipment or systems, or other causes. If such disruptions or decline in quality were to become widespread and/or significant time was required to restore services, our credibility or corporate image could deteriorate, making it difficult to acquire and retain customers. This could impact our business, financial condition and results of operations.

Our operations may be significantly affected by natural disasters or other unexpected disruptions such as earthquakes or volcanic eruptions.

We construct and maintain telecommunications networks and information systems necessary for the provision of various services, including telecommunications and internet services. Some regions in which we conduct business operations are susceptible to natural disasters such as earthquakes, volcanic eruptions, typhoons, tsunamis and floods. Such natural disasters or other unexpected disruptions such as fires, power outages or shortages, terrorist attacks, human error, computer viruses, cyber-attacks, unauthorized access to our system or servers or system malfunctions could affect the normal operation of telecommunications networks and information systems and hinder our provision of services to consumers, and any resulting decline in the quality of service on a widespread basis or for an extended period of time could result in loss of our reputation or creditworthiness and make it difficult to retain or attract customers. Further, remedying such disruptions could require significant unanticipated capital expenditures. For example, Japan is an earthquake-prone country and has historically experienced numerous large earthquakes that have resulted in extensive infrastructural damage and destruction. Most recently, in the aftermath of the Great East Japan Earthquake, which struck Japan on March 11, 2011, we, as well as other major mobile communications companies, experienced a temporary but widespread decline in the quality of our mobile services due to the sudden influx of text messages and phone calls. We also experienced store closings, widespread damage to our facilities and other effects due to the structural damage caused by the earthquake.

Additionally, the head offices and business offices of various companies within the SoftBank Group are concentrated within the Tokyo metropolitan area. Therefore, the possibility exists that a major earthquake or other catastrophic natural disaster or attack in the Tokyo metropolitan area could significantly affect our operations or impede the continuity of our business. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

To the extent that it is reasonably available, we carry insurance for losses, with policy specifications and insured limits that we believe are adequate and appropriate for our business.

We are subject to laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business.

We are subject to various laws and regulations pertaining to general corporate business activities, as well as laws, regulations and licensing regimes governing our business operations, including laws regulating telecommunications, internet advertising, e-commerce, energy, robots, semiconductors, IoT, financial or payment business or other corporate activities. For example, the Telecommunications Business Act and Radio Act, which govern our telecommunications business in Japan, and the regimes that govern the spectrum allocated to us by the MIC, allow us to conduct our mobile communications operations. Our businesses are also subject to laws and regulations relating to the environment, product liability, unfair competition, consumer protection, privacy protection, prohibition of bribery, labor, intellectual property rights, prevention of money laundering, taxes, currency exchange, business and investment permits and the import and export of goods. See “Regulation.” Additionally, we have been subject to administrative guidance in the past and any future breaches of relevant regulations could further subject us to administrative sanctions or guidance by government agencies that may hinder our business development or create financial burdens that could negatively affect our business, financial condition and results of operations.

Many of the licenses and permits that we require to provide telecommunications services are subject to various conditions and there is no assurance that we will be able to satisfy such conditions. Additionally, in Japan we are also dependent on radio frequency spectrum allocated to us by the MIC. There can be no assurance that the MIC will grant our application with respect to an allocation of frequency spectrum or that the MIC will not reallocate frequency spectrum in a manner that could be detrimental to us. See “Business—Our Business Segments—Domestic Telecommunications Segment—Mobile Network.”

In the United States, over the past few years, the U.S. Federal Trade Commission (“FCC”) and other federal and state agencies have engaged in increased regulatory and enforcement activity as well as investigations of the U.S. telecommunications industry generally. Enforcement activities or investigations could make it more difficult and expensive to operate Sprint’s business, and could increase the costs of its wireless operations. In addition, Sprint may offer products that include highly regulated financial services, which subject it to additional state and federal regulations. The costs to comply with such regulations and failure to remain compliant with such regulations could adversely affect its results of operations.

In providing services in different countries, we are subject to various laws and regulations that govern such jurisdictions as well as various licensing regimes under such laws. The enforcement of existing regulations may greatly restrict our ability to conduct and expand our business. Additionally, revisions to or changes in the interpretation or enforcement of applicable laws and regulations and the introduction of new laws and regulations could prevent us from developing new businesses as anticipated or conducting our current businesses.

The Company, Sprint and Sprint Communications, Inc. have entered into a National Security Agreement with the United States Department of Defense, the United States Department of Homeland Security and the United States Department of Justice. Under the National Security Agreement, we have agreed to implement certain measures to protect U.S. national security. Implementing these measures could increase costs and limit control over certain U.S. facilities, contracts, personnel, vendor selection and operations, which could have a material adverse effect on our business, financial condition and results of operations.

If new laws and regulations are introduced in a form we do not expect, or if existing laws and regulations are amended or subject to changes in interpretation or application, the products and services that we are able to offer to our customers could be limited. We may not be able to accurately predict, prevent or effectively react to new laws and regulations, or new amendments to or interpretations and applications of existing laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to changes in accounting and taxation systems.

The introduction of new accounting or taxation systems, or changes to existing systems, and the occurrence of an additional tax burden due to differences of views with the tax authorities could adversely affect our financial position and results of operations.

Our business may be adversely affected by actual or perceived health risks associated with mobile communications devices and the location of base stations and antennas.

Mobile communications devices have been alleged to have adverse health effects, due to radio frequency emissions. Similarly, the location of base stations and antennas has become a health-related concern as the radio frequency emissions from these structures are continuous. The actual or perceived risk of using mobile communications devices could adversely affect us through a reduction in subscribers, network usage per subscriber or financing available to the mobile communications industry. These adverse effects are similarly possible based on the perception of the locations of our base stations and antennas (i.e., whether surrounding locations are highly populated or not) and the impact our base stations and antennas have on those locations. We cannot provide assurance that there is no relationship between radio frequency emissions and health risks.

We may suffer from unauthorized use of our intellectual property by third parties and incur costs associated with protecting our intellectual property.

We regard our proprietary products, brands, domain names, trade names, copyrights, trademarks, trade secrets and similar intellectual property as critical to our business. However, policing the unauthorized use of our intellectual property is difficult and expensive. Although we have taken steps to prevent the misappropriation of our intellectual property, such protective measures may not be adequate to prevent the unauthorized use of our intellectual property. Any misappropriation of intellectual property that is used in our business, whether licensed to us or owned by us, could have a material adverse effect on our business, financial condition and results of operations. Further, the laws and enforcement procedures in some countries do not protect intellectual property rights to the same extent as the laws and enforcement procedures of Japan or the United States. Legal protection of our rights may be ineffective in such countries, and we may be unable to protect our intellectual property rights in such countries. In the future, we may need to resort to court proceedings to enforce our intellectual property rights, which might result in substantial costs and diversion of management attention and resources away from the operation and growth of our business.

We may be subject to intellectual property claims.

We generally operate our business in a way that we believe is reasonably designed to avoid infringing the intellectual property rights of third parties. However, particularly as there are many companies that develop and provide online technologies and broadband products, the features and content of which continue to overlap, there is an increasing possibility that we may be subject to litigation involving claims of patent, copyright or

trademark infringement, or other violations of intellectual property rights of third parties. In particular, the patent field covering online and related technology is rapidly evolving and surrounded by a great deal of uncertainty, and our technologies, processes or business models and methods may infringe the intellectual property rights of third parties either now existing or to be issued in the future. Existing or future infringement claims against us, whether valid or not, may be time consuming, distracting to management and expensive to defend.

Intellectual property litigation or claims could force us to:

- cease operating or using products or services that incorporate the intellectual property subject to such claims;
- modify the products or services to avoid infringing upon the intellectual property rights of third parties;
- obtain a license from the holder of the infringed intellectual property, which may not be available on commercially favorable terms, or at all; or
- change our business practices,

any of which could result in additional costs.

Additionally, in the event that there is a determination that we have infringed the proprietary rights of any third party, we could incur substantial liabilities. Any of the above may have a material adverse effect on our business, financial condition and results of operations.

From time to time, we may become involved in legal proceedings, which could adversely affect our business.

From time to time, we may become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy or disruptive to normal business operations or affect our corporate image. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to the Notes

Risks Relating to the Notes Generally

The Notes will be perpetual securities.

The Notes will be perpetual securities in respect of which there is no fixed redemption date by which the Company would be under obligation to redeem the Notes. See “Terms and Conditions of the NC6 Notes—Redemption” and “Terms and Conditions of the NC10 Notes—Redemption.”

The Company’s obligations under the Notes are subordinated.

The Company’s obligations under the Notes will be unsecured and subordinated. Upon the occurrence of a Subordination Event (liquidation proceedings (*seisan tetsuzuki*), bankruptcy proceedings (*hasan tetsuzuki*), rehabilitation proceedings (*kaisha kousei tetsuzuki*) and reorganization proceedings (*minji saisei tetsuzuki*) under Japanese law and analogous proceedings in other jurisdictions, all as more particularly described in the Conditions), there shall be payable by the Company in respect of each Note an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest, provided that the obligation of the Company to make such payment shall (except as otherwise provided by mandatory provisions of law) be subordinated to all Senior Obligations, rank *pari passu* with all Parity Obligations and rank senior to all Junior Obligations, and so long as such Subordination Event continues, no such payment shall be made with respect to such Note unless and until the relevant Subordinate Payment Conditions have been satisfied, and to the extent any Senior Preference Shares (as defined in the Conditions) are then outstanding, the Holder of such Note shall only be entitled to the Subordination Claim Amount (which shall be the amount payable by the Company in respect of each Note (in lieu of any other payment by the Company), which shall be the amount, if any, as would have been payable to the Holder of such Note if, on the day prior to the commencement of the relevant Subordination Event, and thereafter, such Holder were the holder of a Senior

Preference Share having an equal right to a return of assets on the occurrence of the relevant Subordination Event, and so ranking *pari passu* with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Senior Preference Share on a return of assets on the occurrence of such Subordination Event, were an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest). The Subordinate Payment Conditions provide that all Senior Obligations must be paid in full, or satisfied in full through some other means, pursuant to the relevant order, plan, scheme or other structure adopted pursuant to the relevant proceedings before any payment on the Notes may be made, all as more particularly described in the Conditions. Notwithstanding the foregoing, the Conditions provide that no amount in respect of the Notes shall, merely as a result of the commencement of rehabilitation proceedings, reorganization proceedings or analogous proceedings under any non-Japanese law, be or become payable sooner than the same would otherwise have been or become payable by the Issuer had no such proceedings been commenced (see “—Japanese insolvency laws may be different from, and not as favorable to you as, insolvency laws in other jurisdictions”).

Although subordinated debt securities, such as the Notes, may pay a higher rate of interest than comparable debt securities which are not subordinated, there is a risk that an investor in subordinated securities such as the Notes will lose all or some of his investment should the Company become insolvent.

The Company has the right to defer interest payments on the Notes.

The Company may, at its discretion, elect to defer all or part of any payment of interest on the Notes. See “Terms and Conditions of the NC6 Notes—Optional Interest Deferral” and “Terms and Conditions of the NC10 Notes—Optional Interest Deferral.” While the deferral of payment of interest continues, the Company is not prohibited from making payments on any instrument ranking senior to the relevant Notes or on certain instruments ranking *pari passu* with the relevant Notes and, in such event, the holders of each Tranche of Notes (respectively, the “Holders”) are not entitled to claim immediate payment of interest so deferred. Any such deferral of interest payment shall not constitute a default for any purpose unless such payment is required in accordance with Condition 5(b) of the relevant Notes.

Any deferral of interest payments is likely to have an adverse effect on the market price of the relevant Notes. In addition, as a result of the interest deferral provision of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Company’s financial condition.

A Tranche of the Notes may not be redeemed unless and until all outstanding Arrears of Interest in respect of such Tranche are satisfied in full, on or prior to the date set for the relevant redemption.

Limited Remedies

The Conditions will provide that the Notes will be perpetual securities and there is, therefore, no obligation on the Company to repay principal on any given date. In addition, payments of interest on the Notes may be deferred in accordance with Condition 5(a) of the relevant Notes and interest will not therefore be due other than in the limited circumstances described in Condition 5(b) of the relevant Notes.

The only enforcement event in the Conditions is if a default is made by the Company for a period of 7 days or more in the payment of any principal or 14 days or more in the payment of any interest, in each case in respect of the relevant Notes and which is due.

Therefore, it will only be possible for the Holders to enforce claims for payment of principal or interest in respect of the relevant Notes when the same are due, and any such enforcement shall be subordinated in the manner described in “—The Company’s obligations under the Notes are subordinated” and as more particularly described in the Conditions.

In addition, remedies for Holders of the Notes upon the occurrence of a Subordination Event are also limited in the manner described in “—The Company’s obligations under the Notes are subordinated.”

Modification and waiver may bind all Holders.

The relevant Conditions will contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions will permit defined majorities of Holders of a Tranche of the

Notes to bind all Holders of such Tranche, including those Holders of such Tranche who did not attend and vote at the relevant meetings and Holders of such Tranche who voted in a manner contrary to the majority.

The relevant Conditions and the Trust Deeds in respect of the relevant Notes will also provide that the Trustee may, without the consent of the relevant Holders, agree to (i) any modification of the relevant Conditions or of any other provisions of the Trust Deed or the Agency Agreement in respect of the relevant Notes which is in each case, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed in respect of the relevant Notes), and any waiver or authorization of, any breach or proposed breach by the Company of, any of the relevant Conditions or of the provisions of the Trust Deed or the Agency Agreement in respect of the relevant Notes which is, in the opinion of the Trustee, not materially prejudicial to the interests of the relevant Holders (which will not include, for the avoidance of doubt, any provision entitling the relevant Holders to institute proceedings for the winding-up of the Company which is more extensive than those set out in Condition 10 of the relevant Notes).

No limitation on issuing or guaranteeing debt ranking senior or pari passu with the Notes.

There is no restriction on the amount of debt which the Company may issue or guarantee or any negative pledge provisions. The Company and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the obligations under and in connection with the Notes. If the Company's financial condition were to deteriorate, the holders of the Notes could suffer direct and materially adverse consequences, including loss of interest and, if the Company were liquidated (whether voluntarily or not), the holders of the Notes could suffer a loss of their entire investment.

Any decline in the credit ratings of the Company may affect the market value of the Notes.

The Notes are expected to be assigned a rating by each of S&P and Moody's. The rating granted by each of S&P, Moody's or any other rating assigned to the Notes may not reflect the potential impact of all risks related to the structure, the market and other factors that may affect the value of the Notes. There is no assurance that any such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors of the Notes and adversely affect the prices and liquidity of the Notes. A security rating is not a recommendation to buy, sell or hold the Notes.

In addition, S&P, Moody's or any other rating agency may change its methodologies for rating securities with features similar to the Notes in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Notes, sometimes called "notching." If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have an adverse effect on the trading price of the Notes.

The Notes will be subject to optional redemption by the Company, including upon the occurrence of certain events.

The Notes of each Tranche will be redeemable, at the option of the Company, in whole but not in part on the relevant First Reset Date and any Interest Payment Date thereafter at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

In addition, upon the occurrence of an Accounting Event, a Rating Methodology Event, a Change of Control Event, a Tax Deduction Event, a Substantial Repurchase Event or a Withholding Tax Event (each as defined in the relevant Conditions and as more fully described in Condition 6 of the relevant Notes), the Company shall have the option to redeem, in whole but not in part, the relevant Notes at the prices set out therein, in each case together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. In the case of a Change of Control Event, in the event that the Company does not elect to redeem the relevant Notes within 30 days following the occurrence of such Change of Control Event, the then applicable Interest Rate (as defined in the relevant Conditions) of the relevant Notes, and each subsequent Interest Rate otherwise determined in accordance with Condition 4 of the relevant Notes shall be increased by 3.00 percent per annum with effect from (and including) the 30th day following the occurrence of such Change of Control Event.

During any period when the Company may elect to redeem the relevant Notes, the market value of the relevant Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Company may be expected to redeem the relevant Notes when its cost of borrowing is lower than the interest payable on them. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest payable on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The interest rate on each Tranche of Notes will reset on the relevant First Reset Date and on every relevant Reset Date thereafter, which can be expected to affect the interest payment on the relevant Notes and the market value of such Notes.

Although each Tranche of Notes will earn interest at a fixed rate until (but excluding) the relevant First Reset Date, the current market interest rate on the capital markets (the “market interest rate”) typically changes on a daily basis. Since the initial fixed rate of interest for each Tranche of Notes will be reset on the relevant First Reset Date (as set out in the relevant Conditions), and on each subsequent Reset Date, the interest payment on each Tranche of Notes will also change. Holders should be aware that movements in these market interest rates can adversely affect the price of the Notes and can lead to losses for the Holders if they sell the relevant Notes.

Holders are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rates could affect the market value of an investment in the Notes.

Changes in rating criteria may lead to the early redemption of the Notes.

If as a consequence of an amendment to, clarification of or change in the assessment criteria or a change in the interpretation thereof which becomes effective on or after the Issue Date of the Notes, the Notes are no longer eligible for the same or higher category of equity credit attributed to the Notes at the date of their issue, the Company may redeem all (but not part) of the Notes as provided in Condition 6(d) in the relevant Conditions.

Changes in Japanese tax law may lead to the early redemption of the Notes.

Under Japanese tax law as currently applied, it is expected that the Company will be entitled to claim a deduction in respect of computing the Company’s tax liabilities in Japan in respect of the Company’s obligation to make interest payments on the Notes, and that such deduction may be set off against the profits of companies with which the Company is grouped for applicable Japanese tax purposes if the Company adopts a consolidated tax system. If, as a result of a change in, or amendment or proposed amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having the power to tax, in respect of the Company’s obligation to make any interest payment on the next following interest payment date on the Notes, (i) the Company would not be entitled to claim a deduction in respect of computing the Company’s taxation liabilities in Japan, or such entitlement is reduced as compared to such entitlement as of the Issue Date of the Notes or (ii) the Company would not be entitled to have such deduction set against the profits of companies with which we are grouped for applicable Japanese tax purposes, the Company may redeem all (but not part) of the Notes as provided in Condition 6(c) in the relevant Conditions. A change in Japanese tax law could also result in a Withholding Tax Event occurring, in which case the Company may redeem all (but not part) of the Notes as provided in Condition 6(c) in the relevant Conditions.

Changes in accounting principles may lead to the early redemption of the Notes.

If, as a result of a change in accounting principles which becomes effective on or after the Issue Date, but not otherwise, the obligations of the Company under the Notes must not or may no longer be recorded as “equity” in the next following audited annual consolidated financial statements of the Company prepared in accordance with IFRS or any other accounting standards that the Company may adopt in the future for the preparation of its audited annual consolidated financial statements in accordance with Japanese company law, the Company may redeem all (but not part) of the Notes as provided in Condition 6(e) in the relevant Conditions.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these

agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us. Furthermore, such acceleration with respect to other debt agreements would not automatically trigger any requirement for us to make any payments with respect to the Notes.

Our corporate structure may impact your ability to receive payment on the Notes.

The Company is a pure holding company and substantially all of its operating income and cash flow are derived from its subsidiaries. As a result, the Company will rely on its subsidiaries' operating income and cash flow to make payments due under the Notes. Also, the Notes are not guaranteed by the Company's subsidiaries and thus are structurally subordinated to the obligations of such subsidiaries.

Our principal shareholder, Mr. Masayoshi Son, maintains significant influence over us, and his interests may conflict with the interests of holders of the Notes.

Mr. Masayoshi Son, our founder, Chairman and CEO, is our single largest shareholder and owns 21% of SoftBank Group Corp.'s issued share capital as of March 31, 2017. As a result, Mr. Son has significant influence as to the composition of our board of directors and, in general, may determine the outcome of corporate decisions and other matters submitted to our shareholders for approval. Interests of Mr. Son, in certain circumstances, may conflict with the interests of holders of the Notes. For example, Mr. Son could vote to declare dividends or cause us to incur indebtedness causing capital outflows or increasing debt service obligations, which could hinder our ability to meet our obligations under the Notes.

Japanese insolvency laws may be different from, and not as favorable to you as, insolvency laws in other jurisdictions.

The Company is incorporated in Japan and, consequently, will be subject to Japanese laws and procedures affecting debtors and creditors, such as bankruptcy, corporate reorganization, civil rehabilitation or special liquidation proceedings. Under the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended), a petition for the commencement of bankruptcy proceedings may be filed with a court by us or any of our directors or creditors if we are generally and continuously unable to pay our debts as they become due because of a lack of ability to pay or if our liabilities exceed our assets. Under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), a petition for the commencement of corporate reorganization proceedings may be filed with a court by us or certain qualified shareholders or creditors if it is likely that any of the grounds for bankruptcy as described above will arise, although the rights of Holders shall be limited in the manner described under "—Limited Remedies" and as more particularly described in the Conditions. In addition, we may file a petition for the commencement of corporate reorganization proceedings if it is likely that the payment of a debt which becomes due would cause serious impediments to our continued business operations. Under the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended), a petition for the commencement of civil rehabilitation proceedings may be filed with a court by us or any of our creditors if it is likely that we face any of the grounds for bankruptcy as described above, although the rights of Holders shall be limited in the manner described under "—Limited Remedies" and as more particularly described in the Conditions. A petition for civil rehabilitation may be also filed by us if we are unable to make any payments as they become due without causing any material obstruction to the continuation of our business. Under the Companies Act of Japan (Act No. 86 of 2005, as amended), a petition for the commencement of special liquidation proceedings may be filed with a court by any of our creditors, liquidators, audit and supervisory board members or shareholders if, after liquidation proceedings have commenced, circumstances exist which would seriously impede the carrying out of our liquidation or if there exists any possibility or doubt that our liabilities exceed our assets. The court will be required to order the commencement of bankruptcy proceedings at its initiative if, after a special liquidation has been commenced, the court determines that there exists a fact which constitutes a cause of commencement of the bankruptcy proceedings while: (i) there is no prospect of entering into a settlement agreement; (ii) there is no prospect of performing a settlement agreement; or (iii) the special liquidation conflicts with the general interest of the creditors.

Under Japanese insolvency laws, no party (including, without limitation, any director of a company) is expressly obligated to file for the commencement of insolvency proceedings in any particular circumstance

(except that liquidators are required to file for the commencement of special liquidation proceedings or bankruptcy proceedings in certain circumstances). However, our directors are subject to general fiduciary duties and duties of care of a “good manager” under the Companies Act of Japan, and may file for the commencement of insolvency proceedings when a cause for insolvency arises (which involves the consideration of various factors). Creditors may also file for these proceedings in the manner described above.

If, based on a petition for the commencement of bankruptcy proceedings, a court orders the commencement of such bankruptcy proceedings, a trustee in bankruptcy (*hasan kanzainin*) would ordinarily be appointed to administer our operations, realize all assets belonging to the bankruptcy estate and make distributions to creditors. If, based on a petition for the commencement of corporate reorganization proceedings, a court orders the commencement of such reorganization proceedings, a reorganization administrator (*kousei kanzainin*) would ordinarily be appointed to take over our operations, assess all assets and liabilities, propose a reorganization plan and, if the plan is approved by our creditors and confirmed by the court, transfer management responsibilities to the new management under the plan. If, based on a petition for the commencement of civil rehabilitation proceedings, a court orders the commencement of such rehabilitation proceedings, our directors would usually remain in position (subject to supervision by a court appointed rehabilitation supervisor (*kantoku i-in*)), to propose a rehabilitation plan and, if approved by our creditors and confirmed by the court, execute the plan. If, based on a petition for the commencement of special liquidation proceedings, a court orders the commencement of such special liquidation proceedings, a liquidator (*seisan-nin*) will, under court supervision, liquidate all remaining assets and liabilities and make distributions to creditors under a settlement agreement approved by our creditors and confirmed by the court. In each such case, Holders will rank junior to all Senior Obligations in the manner set out under “—The Company’s obligations under the Notes are subordinated” and as more particularly described in the Conditions.

Payments made to the holders of the Notes may be avoided in insolvency proceedings (except for special liquidation proceedings) by the bankruptcy trustee, reorganization administrator or rehabilitation supervisor pursuant to their “right of avoidance” (*hi-nin ken*) as a fraudulent conveyance or voidable preference if any payment is made under financially distressed situations.

The Notes, upon a Subordination Event, are expressed to rank *pari passu* with all Parity Obligations of the Company (which are expressed in the Conditions to include the 2016 Notes (as defined in “Summary—The Offering”) and any other unsecured subordinated bonds with interest deferrable clause and early redeemable option (with a subordination provision) (*ribarai kurinobe jyoukou kigen zen shoukan jyoukou tsuki mu tanpo shasai (retsugo tokuyaku tsuki)*) issued from time to time (but not including the Company’s 1st Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AEC4) and 2nd Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AF23).

The Company believes it reasonable to conclude that the Notes are classified as “parity subordinated obligations” (*do jun-i retsugo saimu*), as defined in the terms and conditions of the 2016 Notes and in such a meaning the Notes would not rank senior or junior to the 2016 Notes. The 2016 Notes do not contemplate the issuance by the Company of perpetual subordinated obligations (such as the Notes) that are expressed not to be redeemable merely upon the commencement of corporate reorganization proceedings (*kaisha kousei tetsuzuki*) or civil rehabilitation proceedings (*minji saisei tetsuzuki*). Therefore, it is not clear from the terms and conditions of the 2016 Notes how the Notes rank relative to the 2016 Notes. However, the terms and conditions of the 2016 Notes classify any obligation (*saimu*) of the Company which sits senior to the Company’s shares as falling into one of two categories (i) parity subordinated obligations or (ii) senior obligations (*jo-i saimu*). They do not contemplate a class of obligations (*saimu*) that sits junior to the 2016 Notes. It is clear that:

- (i) as a matter of Japanese law, the 2016 Notes and the Notes are debt obligations of (and not shares in) the Company (*saimu*); and
- (ii) although under their respective terms and conditions, the 2016 Notes and the Notes are expressed to rank *pari passu* with a most senior class of preference share of the Company (*sai yuusen kabushiki*), they would both in practice always rank in point of priority of payment senior to any such class of preference share as a matter of Japanese law since both the 2016 Notes and the Notes would be classified as “obligations” (*saimu*) as a matter of Japanese law and therefore ranking ahead of shares.

Given that:

- (i) the terms and conditions of the 2016 Notes contemplate only two such categories of obligation in the manner set out above (and holders of the 2016 Notes would have been aware of this at the time of purchase);
- (ii) it would be unreasonable and contrary to the reasonable expectation of the holders of the 2016 Notes to treat the Notes as senior obligations; and
- (iii) the Notes and the 2016 Notes are both expressed to rank *pari passu* with the most senior class of preference share in the capital of the Company under their respective terms and conditions,

the Company believes it would be reasonable to conclude that the Notes should be classified as “parity subordinated obligations” (for the purposes of the 2016 Notes), and on that basis the Notes would not rank senior to or subordinated to the 2016 Notes or any other unsecured subordinated bonds with interest deferrable clause and early redemption option (with a subordination provision) (*ribarai kurinobe jyoukou kigen zen shoukan jyoukou tsuki mu tanpo shasai (retsugo tokuyaku tsuki)*) issued by the Company from time to time and which rank, or are expressed to rank, *pari passu* with the 2016 Notes (the 2016 Notes and such other obligations being together, “Subordinated Securities”). When comparing the provisions of the 2016 Notes and the Notes, it would be open to the Japanese courts to take into account any matter which it considers relevant at the time (including the fact that the Notes expressly state that no amount in respect of the Notes shall, merely as a result of the commencement of corporate reorganization proceedings (*kaisha kousei tetsuzuki*) and civil rehabilitation proceedings (*minji saisei tetsuzuki*), be or become payable sooner than the same would otherwise have been or become payable by the Company had no such proceedings been commenced). However, on the basis of the matters set out above, it is likely that the Japanese courts would treat the Notes as ranking *pari passu* in right of payment with any Subordinated Securities upon the occurrence of and throughout liquidation proceedings (including ordinary or special liquidation proceedings) (*seisan tetsuzuki*), bankruptcy proceedings (*hasan tetsuzuki*), corporate reorganization proceedings (*kaisha kousei tetsuzuki*) and civil rehabilitation proceedings (*minji saisei tetsuzuki*), respectively. Accordingly, while the Company believes a Japanese court would recognize the Notes as ranking *pari passu* in right of payment with the obligations listed above (and those other obligations that would fall within the definition of “Parity Obligations,” as more particularly described in the Conditions), Japanese insolvency law is uncertain and courts and trustees are permitted wide discretion in the insolvency proceedings, and thus there can be no guarantee that a Japanese court would give effect to this interpretation.

Risks Relating to the Market Generally

The secondary market generally for the Notes may not develop and is subject to risks.

Although approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST, the Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been prepared to meet the investment requirements of limited categories of investors. These types of securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes. Future trading prices of the Notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the Notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the outstanding amount of the Notes and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining the listing and quotation of the Notes on the SGX-ST become unduly burdensome, we may be entitled to, and may decide to, delist the Notes from the SGX-ST and seek an alternate listing for the Notes on another securities exchange.

The Notes are subject to exchange rate risks and exchange controls.

The Company will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency or currency unit conversions if an investor's financial activities are denominated principally in a currency or a currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency equivalent yield on the relevant Notes, (2) the Investor's Currency equivalent value of the principal payable on the relevant Notes and (3) the Investor's Currency equivalent market value of the relevant Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The Notes are subject to interest rate risks.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. Fluctuations in interest rates can affect the market values of, and corresponding levels of capital gains or losses on, fixed rate securities. During periods of rising interest rates, the prices of fixed rate securities, such as the Notes, tend to fall and gains are reduced or losses incurred upon their sale. Therefore, investment in the Notes involves the risk that changes in market interest rates may adversely affect the value of the Notes.

USE OF PROCEEDS

We expect to receive a total of approximately \$4,444 million in net proceeds from this offering, after deducting underwriting commissions and other offering expenses payable by us. We intend to use the net proceeds from the sale of the Notes for general corporate purposes.

CAPITALIZATION

The following table sets forth our (i) available cash position and capitalization on an actual historical basis as of March 31, 2017, (ii) available cash position and capitalization on an actual historical basis excluding Sprint as of March 31, 2017 and (iii) available cash position and capitalization (on both a consolidated basis and excluding Sprint) as adjusted to give effect to the offering of the Notes and the application of the proceeds thereof, as if it had occurred on March 31, 2017.

The financial data presented below have not been adjusted for investment in Xiaoju, the announced acquisition of Fortress or the first closing of the Vision Fund. See “Recent Business Review—Recent Developments” and “Presentation of Financial Information.” The financial data presented below also excludes financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract.

The historical financial information has been derived from the audited consolidated financial statements, which were prepared in accordance with IFRS, included elsewhere in this offering memorandum.

The information below is illustrative only, and our capitalization following the completion of this offering will be adjusted based on the actual proceeds from the offering and other terms of this offering determined at pricing. You should read this table in conjunction with the information provided under “Selected Historical Financial Information,” “Use of Proceeds,” “Recent Business Review,” “Description of Other Indebtedness,” “Terms and Conditions of the NC6 Notes” and “Terms and Conditions of the NC10 Notes” and with our consolidated financial statements and the notes related thereto included elsewhere in this offering memorandum.

	As of March 31, 2017			
	Actual	As adjusted	Actual excluding Sprint	As adjusted excluding Sprint
	¥ in billions	¥ in billions	¥ in billions	¥ in billions
Cash position⁽¹⁾				
Cash and cash equivalents ⁽²⁾	2,183	2,682	1,861	2,360
Short-term investment ⁽³⁾	752	752	139	139
Total cash position	2,935	3,434	2,000	2,499
Current interest-bearing debt				
Short-term borrowings	668	668	668	668
Commercial paper	80	80	80	80
Current portion of long-term borrowings	1,129	1,129	821	821
Current portion of corporate bonds	339	339	120	120
Current portion of lease obligations	438	438	432	432
Current portion of installment payable	40	40	37	37
Total current interest-bearing debt	2,694	2,694	2,157	2,157
Non-current interest-bearing debt				
Long-term borrowings	3,378	3,378	2,334	2,334
Corporate bonds	7,234	7,234	4,280	4,280
Lease obligations	808	808	787	787
Installment payables	30	30	24	24
Total non-current interest-bearing debt	11,450	11,450	7,424	7,424
Total interest-bearing debt	14,144	14,144	9,582	9,582
Equity				
Notes offered hereby	—	505	N/A	N/A
Total equity⁽⁴⁾	3,586	4,091	N/A	N/A
Total capitalization⁽⁵⁾	17,730	18,235	N/A	N/A

(1) Cash position is cash and cash equivalents plus short-term investments.

(2) Includes cash, demand deposits and investments with maturities of three months or less when purchased that are readily convertible to cash and subject to insignificant risk of change in value. As of March 31, 2017, ¥539 billion of cash and cash equivalents was attributable to Yahoo Japan on a consolidated basis and ¥322 billion of cash and cash equivalents was attributable to Sprint on a consolidated basis. Other group companies do not have ready access to the cash and cash equivalents of Yahoo Japan, Sprint and certain other subsidiaries. See “Recent Business Review—Cash and Capital Requirements—Liquidity.”

(3) Short-term investments consist of marketable securities, time deposits (maturities of over three months) and other recorded as current assets.

(4) Total equity includes common stock, capital surplus, retained earnings, treasury stock, accumulated other comprehensive income and the Notes offered hereby.

(5) Total capitalization represents total equity plus total interest-bearing debt.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables show selected information of SoftBank Group as of and for the fiscal years ended March 31, 2015, 2016 and 2017. The selected consolidated financial information as of and for the fiscal years ended March 31, 2015, 2016 and 2017 is derived from our audited consolidated financial statements included elsewhere in this offering memorandum that were prepared in accordance with IFRS.

For further information regarding the impact of certain disposals during the fiscal year ended March 31, 2017, see Note 42 to our audited financial statements for fiscal year ended March 31, 2017.

Historical Financial Information

	As of and for the fiscal year ended March 31,			
	2015 Revised ⁽¹⁾⁽²⁾	2016 Revised ⁽¹⁾	2017	2017
	(billions of yen and millions of dollars)			
Statement of Income:				
Continuing Operations				
Net sales ⁽³⁾	¥ 8,504	¥ 8,882	¥ 8,901	\$ 79,339
Cost of sales	(5,248)	(5,518)	(5,472)	(48,777)
Gross profit	3,256	3,364	3,429	30,562
Selling, general and administrative expenses	(2,310)	(2,375)	(2,277)	(20,298)
Gain from remeasurement relating to business combination	—	59	18	162
Other operating loss	(28)	(139)	(144)	(1,281)
Operating income⁽⁴⁾	919	909	1,026	9,145
Finance cost	(367)	(441)	(467)	(4,165)
Income on equity method investments ⁽⁵⁾	77	375	322	2,866
Gain on sales of shares of associates	2	12	238	2,122
Derivative gain (loss) ⁽⁶⁾	—	13	(253)	(2,253)
Gain (loss) from financial instruments at FVTPL ⁽⁷⁾	—	114	(160)	(1,430)
Other non-operating income (loss) ⁽⁸⁾	582	(64)	7	66
Income before income taxes	1,213	919	713	6,351
Income taxes	(470)	(423)	207	1,846
Net income from continuing operations	743	496	920	8,197
Discontinued Operations				
Net income from discontinued operations ⁽⁵⁾⁽⁹⁾	21	62	555	4,945
Net income	<u>¥ 764</u>	<u>¥ 558</u>	<u>¥ 1,474</u>	<u>\$ 13,142</u>
Net income attributable to				
Owners of the parent	668	474	1,426	12,713
Non-controlling interests	95	84	48	429
Balance Sheet Data:				
Total assets	¥21,034	¥20,707	¥24,634	\$219,576
Cash and cash equivalents	3,259	2,570	2,183	19,459
Total liabilities	17,181	17,202	20,164	179,735
Total interest-bearing debt ⁽¹⁰⁾	11,607	11,922	14,858	132,439
Total equity	3,853	3,505	4,470	39,841
Total liabilities and equity	<u>¥21,034</u>	<u>¥20,707</u>	<u>¥24,634</u>	<u>\$219,576</u>
Cash Flow Data:				
Net cash provided by operating activities	1,155	940	1,501	13,377
Net cash used in investing activities	(1,667)	(1,652)	(4,214)	(37,558)
Net cash provided by financing activities	1,720	43	2,381	21,221

(1) In our consolidated financial statements for the fiscal year ended March 31, 2017, we have presented prior period financial information for the fiscal year ended March 31, 2016 on the same basis of presentation adopted for fiscal year ended March 31, 2017, and have therefore reclassified certain accounting items as originally reported in the previously issued consolidated financial statements for the fiscal year ended March 31, 2016. We have not retrospectively revised and re-issued our financial statements for the fiscal year ended March 31, 2015 to reflect the same changes in accounting policies adopted for the fiscal year ended March 31, 2017, other than gain on sales of shares of associates and dilution gain from changes in equity interest. Gain on sales of shares of associates, which was included within other non-operating income (loss) for the fiscal year ended March 31, 2015, is separately presented. Also, dilution gain from changes in equity interest, which was separately presented for the fiscal year ended March 31, 2015, is included within other non-operating income (loss).

(2) In our consolidated financial statements for the fiscal year ended March 31, 2016, we have presented prior period financial information for the fiscal year ended March 31, 2015 on the same basis of presentation adopted for the fiscal year ended March 31, 2016, and have therefore reclassified certain accounting items as originally reported the same in the previously issued consolidated financial statements for the fiscal year ended March 31, 2015.

(3) The following shows our net sales by segment:

	For the fiscal year ended March 31,			
	2015	2016	2017	2017
	Revised	Revised	2017	2017
(billions of yen and millions of dollars)				
Net Sales by segment				
Domestic Telecommunications	¥3,019	¥3,145	¥3,194	\$28,468
Sprint	3,800	3,872	3,623	32,297
Yahoo Japan	427	652	853	7,607
Distribution	1,225	1,420	1,295	11,546
ARM	—	—	113	1,006
Other	356	119	128	1,144
Reconciliations ^(a)	(324)	(326)	(306)	(2,729)
Total net sales	<u>¥8,504</u>	<u>¥8,882</u>	<u>¥8,901</u>	<u>\$79,339</u>

(a) Reconciliations include an elimination of intersegment transaction and the corporate general expenses unallocated to each reportable segment. Corporate general expenses include expenses arising mainly from the Company and SB Group US, Inc., which manages and supervises investment activities in the internet, communication and media fields overseas.

(4) The following shows our segment income, defined as net sales, less cost of sales, less general and administrative expenses of that segment in the relevant period:

	For the fiscal year ended March 31,			
	2015	2016	2017	2017
	Revised	Revised	2017	2017
(billions of yen and millions of dollars)				
Segment Income				
Domestic Telecommunications	¥640	¥688	¥ 720	\$6,414
Sprint	67	61	186	1,662
Yahoo Japan	194	223	190	1,692
Distribution	5	(1)	(10)	(90)
ARM	—	—	13	115
Other	54	(17)	(17)	(148)
Reconciliations ^(a)	(41)	(45)	(56)	(500)
Consolidated segment income	<u>¥919</u>	<u>¥909</u>	<u>¥1,026</u>	<u>\$9,145</u>

(a) Reconciliations include an elimination of intersegment transactions and corporate general expenses unallocated to each reportable segment. Corporate general expenses include expenses arising mainly from the Company and SB Group US, Inc., which manages and supervises investment activities in the internet, communication and media fields overseas.

(5) In the fiscal year ended March 31, 2016, GungHo no longer qualified as a subsidiary and became an equity method associate as a result of the completion of a tender offer by GungHo for its own shares. Accordingly, GungHo's net income and loss up until June 1, 2015, when GungHo became an equity method associate, are presented as discontinued operations separately from continuing operations. The Company's equity in the net income and loss of GungHo following its transition to an equity method associate is recognized as income and loss on equity method investments as part of continuing operations. Net income and loss of GungHo for the fiscal year ended March 31, 2015 has been revised retrospectively and presented as part of discontinued operations.

(6) For the fiscal year ended March 31, 2016, derivative gain (loss) was included within other non-operating income (loss). Derivative loss in the fiscal year ended March 31, 2017 resulted from the collar transaction included in a variable prepaid forward contract. For further information, see Note 38 to our audited financial statements for the fiscal year ended March 31, 2017.

(7) For the fiscal year ended March 31, 2016, gain (loss) from financial instruments at FVTPL was included within other non-operating income (loss). Loss from financial instruments at FVTPL in the fiscal year ended March 31, 2017 resulted from changes in fair value of preferred stock investments, including embedded derivatives such as ANI Technologies Pvt. Ltd. and Jasper Infotech Private Limited in India, designated as financial assets at FVTPL. For further information, see Note 39 to our audited financial statements for the fiscal year ended March 31, 2017.

(8) Dilution gain from changes in equity interest, which was separately presented for the fiscal year ended March 31, 2016, is included within other non-operating income (loss) for the fiscal year ended March 31, 2017 due to the decrease in the significance of the amount. For further information, see Note 40 to our audited financial statements for the fiscal year ended March 31, 2017.

(9) In the fiscal year ended March 31, 2017, the Company sold all of its shares in Supercell to an affiliate of Tencent Holdings Limited. Accordingly, Supercell's net income until July 29, 2016 is presented as discontinued operations, separately from continuing operations. Net income of Supercell for the fiscal year ended March 31, 2016 has been revised retrospectively and presented under discontinued operations. Supercell ceased to qualify as the Company's subsidiary and was therefore excluded from the scope of consolidation on July 29, 2016 when the shares were transferred.

(10) Total interest-bearing debt consists of borrowings (short-term and long-term), commercial paper, corporate bonds (current and non-current) lease obligations (current and non-current), current portion of preferred securities, installment payables (current and non-current) and financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract.

RECENT BUSINESS REVIEW

Financial data presented for the fiscal years ended March 31, 2016 and 2017 are derived from our audited consolidated financial statements which, together with their notes, are included elsewhere in this offering memorandum. Prospective investors should read the following discussion of our financial condition and results of operations together with such financial statements and notes to such statements included elsewhere in this offering memorandum. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under “Risk Factors,” “Presentation of Financial Information” and elsewhere in this offering memorandum. Unless the context otherwise requires, references to the “Company” refer to SoftBank Group Corp., and references to “we,” “our,” “us,” “SoftBank” and the “SoftBank Group” refer to the Company, its consolidated subsidiaries and equity method non-consolidated subsidiaries and associates, as the context requires.

Overview

We are a leading global technology company that aspires to drive the Information Revolution. We are a holding company and its global portfolio of subsidiaries and associates, which include advanced telecommunications, internet services, robotics, IoT and clean energy technology providers. For more details regarding our business, see “Business.”

We generated net sales of ¥8,901 billion (\$79,339 million) for the fiscal year ended March 31, 2017, of which ¥3,194 billion (\$28,468 million) (35.9%) was contributed by our Domestic Telecommunications segment. We generated Adjusted EBITDA of ¥2,564 billion (\$22,858 million) for the fiscal year ended March 31, 2017, of which ¥1,209 billion (\$10,777 million) (47.1%) was contributed by our Domestic Telecommunications segment. We maintain a long-term corporate credit rating of BB+ from S&P and Ba1 from Moody’s. We are listed on the Tokyo Stock Exchange with a market capitalization of ¥8,564 billion (\$76,334 million), as of March 31, 2017.

Our business segments are:

- *Domestic Telecommunications.* SoftBank Corp. and Wireless City Planning Inc. provide mobile communications services, sell mobile devices and accessories, and provide consumer broadband services and corporate fixed-line telecom services in Japan;
- *Sprint.* Sprint operates both a wireless and wireline business, providing mobile communications services, mobile devices, mobile handsets and accessories, and fixed-line telecommunications services in the United States, where it competes as one of the “big four” established nationwide wireless carriers;
- *Yahoo Japan.* Yahoo Japan provides internet-based advertising, e-commerce services and other services;
- *Distribution.* Through Brightstar Corp., we provide services, including mobile device and accessory wholesaling, and mobile device distribution. Through SoftBank Commerce & Service Corp., we sell mobile device accessories and IT-related software and hardware in Japan;
- *ARM.* ARM is a UK-based semiconductor company that designs and licenses technologies used in microprocessors used in mobile devices, enterprise infrastructure and embedded intelligence in automobiles and home appliances; and
- *Other.* Various businesses including renewable energy- and robotics-related businesses, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team and other businesses.

We also invest in promising companies, mainly in the internet field, and continually seek new services and content to provide to our customers.

The following table shows the percentage of our net sales, Adjusted EBITDA and segment income for the fiscal year ended March 31, 2017 attributable to each of our segments:

	For the fiscal year ended March 31, 2017							
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	ARM	Other	Reconciliations ⁽²⁾	Consolidated
Net sales	35.9%	40.7%	9.6%	14.6%	1.3%	1.3%	(3.4)%	100.0%
Adjusted EBITDA ⁽¹⁾ . . .	47.1%	42.1%	9.3%	1.1%	2.1%	0.1%	(1.8)%	100.0%
Segment income	70.1%	18.2%	18.5%	(1.0)%	1.3%	(1.6)%	(5.5)%	100.0%

(1) Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, deduction of gain from remeasurement relating to business combination in our Yahoo Japan and ARM segments and other adjustments. See “Presentation of Operational Information—Key Performance Indicators—General—Adjusted EBITDA.”

(2) Reconciliations include an elimination of intersegment transaction and corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the internet, communication and media fields overseas, are included in the corporate general expenses.

Recent Developments

Since the fiscal year ended March 31, 2017, we have continued to pursue our business and investment strategies. The following are some recent developments and investments:

- *Vision Fund First Closing.* In May 2017, we completed the first closing of the Vision Fund with an initial commitment of \$93.2 billion from investors that include SoftBank Group Corp., the Public Investment Fund of the Kingdom of Saudi Arabia, the Mubadala Investment Company of the United Arab Emirates, Apple Inc., Foxconn Technology Group, Qualcomm Incorporated and Sharp Corporation, or their respective affiliates. Our commitment to invest up to \$28 billion in the Vision Fund will be partially satisfied through an in-kind contribution of a total of 24.99% of shares in ARM to satisfy approximately \$8.2 billion of our commitment. We will continue to retain control of, directly or indirectly, 100% of the voting rights in ARM. See “Business—SoftBank Vision Fund.”
- *Fortress Investment Group, Inc. Acquisition.* In February 2017, we announced that we will acquire 100% of the outstanding shares of Fortress for approximately \$3.3 billion. The expected closing of the acquisition will be in the second half of 2017 and is subject to Fortress shareholders’ approval at a special meeting of Fortress shareholders expected to be held in July 2017. We are planning to bring in partners for a portion of the investment following the closing of this acquisition.
- *Didi Chunxing Investment.* In April and May 2017, one of our overseas subsidiaries made a total investment of \$5 billion in Xiaoju, the operator of a taxi allocation service Didi Chunxing, one of the largest ride sharing app providers in China by user base. After the investment, Xiaoju has not been and is not classified as a subsidiary or an associate of the Company.

Results of Operations

Comparison of the Fiscal Year Ended March 31, 2017 with the Fiscal Year Ended March 31, 2016

The following table shows selected statement of income data for the fiscal years ended March 31, 2016 and 2017. The comparisons below are with respect to the financial information derived from our audited financial statements for the fiscal year ended March 31, 2017 and the financial information for the fiscal year ended March 31, 2016 is presented as comparative information therein.

	For the fiscal year ended March 31,	
	2016 Revised ⁽¹⁾	2017
	(billions of yen)	
Net sales	¥ 8,882	¥ 8,901
Cost of sales	(5,518)	(5,472)
Gross profit	3,364	3,429
Selling, general and administrative expenses	(2,375)	(2,277)
Gain from remeasurement relating to business combination	59	18
Other operating loss	(139)	(144)
Operating income	909	1,026
Finance cost	(441)	(467)
Income on equity method investments	375	322
Gain on sales of shares of associates	12	238
Derivative gain (loss)	13	(253)
Gain (loss) from financial instruments at FVTPL	114	(160)
Other non-operating income (loss)	(64)	7
Income before income tax	919	713
Income taxes	(423)	207
Net income from continuing operations	496	920
Net income from discontinued operations ⁽²⁾	62	555
Net income	¥ 558	¥ 1,474
Adjusted EBITDA ⁽³⁾	¥ 2,325	¥ 2,564

(1) In our consolidated financial statements for the fiscal year ended March 31, 2017, we have presented prior period financial information for the fiscal year ended March 31, 2016 on the same basis of presentation adopted for fiscal year ended March 31, 2017, and have therefore reclassified certain accounting items as originally reported in the previously issued consolidated financial statements for the fiscal year ended March 31, 2016.

(2) We sold all of our shares in Supercell to an affiliate of Tencent Holdings Limited on July 29, 2016. Accordingly, Supercell's net income until July 29, 2016 is presented as discontinued operations separately from continuing operations. Net income of Supercell for the same period of the previous fiscal year has been revised retrospectively and presented under discontinued operations. See Note 42 to our audited financial statements for fiscal year ended March 31, 2017. Supercell ceased to qualify as our subsidiary and was therefore excluded from the scope of consolidation on July 29, 2016 when the shares were transferred.

(3) Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, deduction of gain from remeasurement relating to business combination in our Yahoo Japan and ARM segments and other adjustments. See "Presentation of Operational Information—Key Performance Indicators—General—Adjusted EBITDA."

Net sales. Net sales increased by ¥19 billion (\$171 million), or 0.2%, from ¥8,882 billion (\$79,167 million) for the fiscal year ended March 31, 2016 to ¥8,901 billion (\$79,339 million) for the fiscal year ended March 31, 2017 mainly due to increases in net sales of the Domestic Telecommunications segment and the Yahoo Japan segment and the addition of the new ARM segment despite decreases in net sales of the Sprint segment and the Distribution segment.

Net sales of the Domestic Telecommunications segment increased by ¥49 billion (\$438 million), or 1.6%, from ¥3,145 billion (\$28,030 million) for the fiscal year ended March 31, 2016 to ¥ 3,194 billion (\$28,468 million) for the fiscal year ended March 31, 2017, mainly due to an increase in broadband revenue associated with a growth in fiber-optic service subscribers despite a decrease in mobile communication revenue associated with promotion of and increased number of customers subscribing to the Home Bundle Discount Hikari Set.

Net sales of the Sprint segment decreased ¥248 billion (\$2,213 million), or 6.4%, from ¥3,872 billion (\$34,510 million) for the fiscal year ended March 31, 2016 to ¥3,623 billion (\$32,297 million) for the fiscal year

ended March 31, 2017 mainly due to the negative impact of a stronger yen, which resulted in ¥388 billion less in net sales, despite an increase in segment net sales under U.S. dollar-based results. U.S. dollar-based net sales of the Sprint segment increased by \$1,167 million, or 3.6%, from \$32,180 million for the fiscal year ended March 31, 2016 to \$33,347 million for the fiscal year ended March 31, 2017 mainly due to an increase in device revenue which offset a decrease in telecom service revenue.

Net sales of the Yahoo Japan segment increased by ¥201 billion (\$1,795 million), or 30.9%, from ¥652 billion (\$5,812 million) for the fiscal year ended March 31, 2016 to ¥853 billion (\$7,607 million) for the fiscal year ended March 31, 2017 as the consolidation of ASKUL Corporation from August 2015 affected the net sales of Yahoo Japan.

Net sales of the Distribution segment decreased by ¥125 billion (\$1,115 million), or 8.8%, from ¥1,420 billion (\$12,661 million) for the fiscal year ended March 31, 2016 to ¥1,295 billion (\$11,546 million) for the fiscal year ended March 31, 2017 mainly due to the stronger yen in the fiscal year ended March 31, 2016.

The ARM segment was established after we consolidated ARM on September 5, 2016. Net sales of the ARM segment from September 6, 2016 to March 31, 2017 was ¥113 billion (\$1,006 million).

Cost of sales. Cost of sales decreased ¥46 billion (\$409 million), or 0.8%, from ¥5,518 billion (\$49,185 million) for the fiscal year ended March 31, 2016 to ¥5,472 billion (\$48,777 million) for the fiscal year ended March 31, 2017 mainly due to significant cost reductions in the Sprint segment.

Gross profit. As a result of the foregoing, gross profit increased by ¥65 billion (\$580 million), or 1.9 %, from ¥3,364 billion (\$29,982 million) for the fiscal year ended March 31, 2016 to ¥3,429 billion (\$30,562 million) for the fiscal year ended March 31, 2017.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by ¥98 billion (\$871 million), or 4.1%, from ¥2,375 billion (\$21,169 million) for the fiscal year ended March 31, 2016 to ¥2,277 billion (\$20,298 million) for the fiscal year ended March 31, 2017 mainly due to lower costs in the Sprint and the Domestic Telecommunications segments.

Gain from remeasurement relating to business combination. Gain from remeasurement relating to business combination was ¥59 billion (\$530 million) for the fiscal year ended March 31, 2016 due to the consolidation of ASKUL Corporation, compared to ¥18 billion (\$162 million) for the fiscal year ended March 31, 2017.

Other operating loss. Other operating loss increased by ¥4 billion (\$40 million), or 3.2%, from ¥139 billion (\$1,241 million) for the fiscal year ended March 31, 2016 to ¥144 billion (\$1,281 million) for the fiscal year ended March 31, 2017 mainly due to loss on disposal of property, plant and equipment in the Sprint segment, impairment loss on goodwill of the Distribution segment and acquisition-related costs of the ARM segment.

Operating income. As a result of the foregoing, operating income increased by ¥117 billion (\$1,044 million), or 12.9%, from ¥909 billion (\$8,101 million) for the fiscal year ended March 31, 2016 to ¥1,026 billion (\$9,145 million) for the fiscal year ended March 31, 2017.

Finance cost. Finance cost increased by ¥27 billion (\$237 million), or 6.0 %, from ¥441 billion (\$3,929 million) for the fiscal year ended March 31, 2016 to ¥467 billion (\$4,165 million) for the fiscal year ended March 31, 2017 mainly due to an increase in interest expense at the Company.

Income on equity method investments. Income on equity method investments decreased by ¥54 billion (\$480 million), or 14.3%, from ¥375 billion (\$3,346 million) for the fiscal year ended March 31, 2016 to ¥322 billion (\$2,866 million) for the fiscal year ended March 31, 2017. This was mainly due to a decline in income on equity method investments related to Alibaba. Our income on equity method investments in Alibaba declined by ¥50 billion (\$450 million), or 13.3%, to ¥330 billion (\$2,943 million) for the fiscal year ended March 31, 2017 due to the stronger yen and a decrease in our interest ratio in Alibaba following the sale of a portion of our Alibaba shares despite Alibaba's IFRS-based adjusted net income for the twelve months ended December 31, 2016 increasing by RMB 4.7 billion, or 7.6%, to RMB 66.0 billion.

Gain on sales of shares of associates. Gain on sales of shares of associates increased ¥226 billion (\$2,012 million) from ¥12 billion (\$111 million) for the fiscal year ended March 31, 2016 to ¥238 billion (\$2,122 million) for the fiscal year ended March 31, 2017 mainly due to the sale of a portion of Alibaba shares to Alibaba, two Singaporean sovereign wealth funds, and Alibaba Partnership (which is not an associate of Alibaba).

Derivative gain and loss. Derivative loss was ¥253 billion (\$2,253 million) for the fiscal year ended March 31, 2017 compared to a gain of ¥13 billion (\$114 million) for the fiscal year ended March 31, 2016. This was mainly attributable to loss on valuation of derivatives of ¥233 billion (\$2,074 million) that was recorded in relation to a collar transaction included in a variable prepaid forward contract for Alibaba shares. The collar transaction is measured at the end of each quarter based on fair value (primarily linked to the share price of Alibaba). The cumulative derivative gain and loss for the three years, from the conclusion of the variable prepaid forward contract on June 10, 2016 until the settlement date, will be a loss of \$900 million, equal to the amount of derivative assets initially recognized.

Gain and loss from financial instruments at FVTPL. Loss on financial instruments at FVTPL (Fair Value Through Profit or Loss) was ¥160 billion (\$1,430 million) for the fiscal year ended March 31, 2017 compared to a gain of ¥114 billion (\$1,019 million) for the fiscal year ended March 31, 2016. This was mainly due to recording a loss for the amount of changes in the fair value of the Company's financial instruments in India at FVTPL from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2017.

Other non-operating income and loss. Other non-operating income was ¥7 billion (\$66 million) for the fiscal year ended March 31, 2017 compared to a loss of ¥64 billion (\$570 million) for the fiscal year ended March 31, 2016. The primary components of this change were (i) dilution gain from changes in equity interest of ¥78 billion (\$691 million) mainly due to gain from private placement of new shares by Alibaba, (ii) foreign exchange gain of ¥53 billion (\$475 million) mainly due to settlement and translation of foreign currency-denominated borrowings from a foreign subsidiary, (iii) loss on loss of control of ¥79 billion (\$707 million) mainly due to SOFTBANK GROUP CAPITAL APAC PTE. LTD. ("APAC," currently Foxconn Ventures Pte. Ltd., a joint venture of Foxconn Technology Group of Taiwan and us) becoming an equity method associate and (iv) impairment loss on assets classified as held for sales of ¥43 billion (\$379 million) mainly due to a difference between the valuation and the carrying amount on a consolidated basis of the GungHo shares tendered by us.

Income before income tax. As a result of the foregoing, income before income tax decreased by ¥207 billion (\$1,842 million), or 22.5%, from ¥919 billion (\$8,193 million) for the fiscal year ended March 31, 2016 to ¥713 billion (\$6,351 million) for the fiscal year ended March 31, 2017.

Income taxes. Income taxes of ¥207 billion (\$1,846 million) was credited for the fiscal year ended March 31, 2017 compared to an expense of ¥423 billion (\$3,768 million) for the fiscal year ended March 31, 2016.

The credited income taxes mainly accompanied a transaction (the "Transaction") from June to August 2016 in which the Company's then wholly-owned subsidiary, APAC, sold a portion of its Alibaba shares to the Company, our wholly-owned subsidiary West Raptor Holdings, LLC ("WRH LLC"), and third parties. As a consequence of the Transaction, the tax basis of Alibaba shares exceeded its consolidated carrying amount on an accounting basis. The Company therefore reversed deferred tax liabilities of ¥383 billion (\$3,410 million) previously recorded for the temporary differences (between the consolidated carrying amount on the accounting base and the tax base) in the investment in Alibaba. Also, because the Company plans to sell these shares in 2019, the Company recognized deferred tax assets of ¥179 billion (\$1,599 million) for the temporary difference between the carrying amount on the accounting base and the tax base of the Alibaba shares sold to WRH LLC.

For the nine-month period ended December 31, 2016, the Company had recognized deferred tax liabilities of ¥913 billion (\$8,138 million) on its expected taxable income for the next fiscal year (April 1, 2017 to March 31, 2018) out of the Transaction. The Company had also recorded deferred tax assets of ¥60 billion (\$539 million), as it was deemed probable that, in conjunction with the Transaction, taxable profit would be available against which carryforwards and deductible temporary differences could be utilized. However, because ownership of APAC's outstanding shares was below 50% on March 31, 2017 and taxable profit was not expected at the Company for the next fiscal year, we did not recognize any deferred tax liabilities relating to the Transaction for the fiscal year ended March 2017. In addition, the Company did not recognize any deferred tax assets for the fiscal year ended March 2017, as it was deemed probable that taxable profit would not be available against which carryforwards and deductible temporary differences could be utilized.

Net income from continuing operations. As a result of the foregoing, net income from continuing operations increased by ¥423 billion (\$3,772 million), or 85.2%, from ¥496 billion (\$4,425 million) for the fiscal year ended March 31, 2016 to ¥920 billion (\$8,197 million) for the fiscal year ended March 31, 2017.

Net income from discontinued operations. Net income from discontinued operations increased ¥493 billion (\$4,395 million) from ¥62 billion (\$550 million) for the fiscal year ended March 31, 2016 to ¥555 billion (\$4,945 million) for the fiscal year ended March 31, 2017. This was mainly due to Supercell's income after income tax of ¥28 billion (\$252 million) recorded for the period from April 1 to July 29, 2016, as well as after-tax gain on sale of Supercell shares of ¥527 billion (\$4,693 million) recorded for the fiscal year ended March 31, 2017.

Net income. As a result of the foregoing, net income increased by ¥916 billion (\$8,166 million), or 164.1%, from ¥558 billion (\$4,976 million) for the fiscal year ended March 31, 2016 to ¥1,474 billion (\$13,142 million) for the fiscal year ended March 31, 2017.

Segment income of the Domestic Telecommunications segment increased by ¥31 billion (\$278 million), or 4.5%, from ¥688 billion (\$6,136 million) for the fiscal year ended March 31, 2016 to ¥720 billion (\$6,414 million) for the fiscal year ended March 31, 2017 due to the small increase in operating expenses of 0.7% in relation to the increase in net sales of 1.6%. Segment income of the Sprint segment increased by ¥125 billion (\$1,114 million), or 203.2%, from ¥61 billion (\$548 million) for the fiscal year ended March 31, 2016 to ¥186 billion (\$1,662 million) for the fiscal year ended March 31, 2017. U.S. dollar-based segment income increased by \$1,222 billion, or 241.5%, from \$506 million for the fiscal year ended March 31, 2016 to \$1,728 million for the fiscal year ended March 31, 2017. This was mainly due to the small increase in operating expense in relation to the increased net sales and the decrease in other operating loss. Segment income of the Yahoo Japan segment decreased by ¥33 billion (\$294 million), or 14.8%, from ¥223 billion (\$1,986 million) for the fiscal year ended March 31, 2016 to ¥190 billion (\$1,692 million) for the fiscal year ended March 31, 2017 mainly due to the inclusion of the ¥59 billion (\$530 million) of gain from remeasurement relating to business combination in the fiscal year ended March 31, 2016 for the consolidation of ASKUL Corporation. Segment loss in the Distribution segment increased by ¥9 billion (\$78 million) from ¥1 billion (\$11 million) for the fiscal year ended March 31, 2016 to ¥10 billion (\$90 million) for the fiscal year ended March 31, 2017. This was mainly due to the ¥30 billion (\$270 million) of impairment loss on goodwill of Brightstar recorded for the fiscal year ended March 31, 2017. Segment income of the ARM segment from September 6, 2016 to March 31, 2017 was ¥13 billion (\$115 million).

Adjusted EBITDA. Adjusted EBITDA increased by ¥239 billion (\$2,133 million), or 10%, from ¥2,325 billion (\$20,725 million) for the fiscal year ended March 31, 2016 to ¥2,564 billion (\$22,858 million) for the fiscal year ended March 31, 2017.

Adjusted EBITDA of the Domestic Telecommunications segment increased by ¥46 billion (\$407 million), or 3.9%, from ¥1,163 billion (\$10,369 million) for the fiscal year ended March 31, 2016 to ¥1,209 billion (\$10,777 million) for the fiscal year ended March 31, 2017.

Adjusted EBITDA of the Sprint segment increased ¥96 billion (\$859 million), or 9.8%, from ¥983 billion (\$8,764 million) in the fiscal year ended March 31, 2016 to ¥1,080 billion (\$9,623 million) for the fiscal year ended March 31, 2017. U.S. dollar-based Adjusted EBITDA increased by \$1,759 million, or 21.5% from \$8,172 million for the fiscal year ended March 31, 2016 to \$9,931 million for the fiscal year ended March 31, 2017. Japanese yen-based Adjusted EBITDA saw a smaller increase due to the negative impact of a stronger yen, which resulted in ¥114.8 billion less in Japanese yen-based Adjusted EBITDA. Adjusted EBITDA of the Yahoo Japan segment increased by ¥43 billion (\$387 million), or 22.2%, from ¥196 billion (\$1,747 million) for the fiscal year ended March 31, 2016 to ¥240 billion (\$2,135 million) for the fiscal year ended March 31, 2017. Adjusted EBITDA of the Distribution segment increased by ¥2 billion (\$18 million), or 7.9%, from ¥25 billion (\$227 million) for the fiscal year ended March 31, 2016 to ¥27 billion (\$245 million) for the fiscal year ended March 31, 2017. Adjusted EBITDA of the ARM segment from September 6, 2016 to March 31, 2017 was ¥53 billion (\$473 million).

Cash and Capital Requirements

Cash Requirements

Our cash and capital requirements are related to funding our operating cash requirements, our debt repayment and certain other contractual commitments, capital expenditures, investments and dividend payments.

Operating Cash Requirements

The primary contributors to our operating cash requirements include sales commission fees, cost of sales of mobile handsets and accessories, fees for utilization of telecommunications lines and facilities and human resource expenses and tax payment.

Debt Repayments and Certain Other Contractual Commitments

Interest-Bearing Debt

The following table summarizes our interest-bearing debt as of March 31, 2017 that will affect our liquidity position through fiscal year 2022. The following table does not include interest payments.

	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years								
	(millions of yen)															
Non-derivative financial liabilities																
Interest-bearing debt																
Short-term borrowings	¥ 667,664	¥ 668,506	¥ 668,506	—	—	—	—	—								
Commercial paper	80,000	80,000	80,000	—	—	—	—	—								
Long-term borrowings (including current portion)	4,506,135	4,558,688	1,132,653	1,955,143	584,852	373,082	79,281	433,677								
Corporate bonds (including current portion)	7,573,300	7,575,400	336,591	736,620	1,044,869	671,946	1,229,618	3,555,756								
Lease obligations	1,245,890	1,245,890	438,284	351,248	243,853	153,596	56,388	2,521								
Financial liability for variable prepaid forward contract	715,448	740,454	—	—	740,454	—	—	—								
Installment payables	69,933	71,004	40,376	17,804	9,879	1,683	1,262	—								
Trade and other payables	1,607,453	1,607,453	1,585,746	11,021	8,558	1,804	91	233								
Other financial liabilities	40,419	40,419	7,336	15,309	4,725	413	158	12,478								
Total	16,506,242	16,587,814	4,289,492	3,087,145	2,637,190	1,202,524	1,366,798	4,004,665								
Derivative financial liabilities																
Other financial liabilities																
Foreign exchange contracts ⁽¹⁾	107,697	107,697	1,898	(4,108)	(3,689)	3,064	(2,627)	113,159								
Option contracts	152,564	152,564	—	8,629	143,935	—	—	—								
Interest rate contracts	250	250	22	—	—	5	223	—								
Total	¥ 260,511	¥ 260,511	¥ 1,920	¥ 4,521	¥ 140,246	¥ 3,069	¥ (2,404)	¥ 113,159								

(1) Contractual cash flow and breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign exchange contracts.

Interest-bearing debt consisted of:

- Borrowings totaling ¥5,174 billion (\$46,116 million), comprising ¥1,470 billion (\$13,100 million) outstanding on the Sprint Acquisition Loan, ¥735 billion (\$6,553 million) of securitization of receivables and ¥2,969 billion (\$26,463 million) in other borrowings.
- Corporate bonds totaling ¥7,573 billion (\$67,504 million).
- Leases obligations totaling ¥1,246 billion (\$11,105 million), which we mainly use in sale and lease-back agreements in order to finance our network equipment purchases.
- Financial liabilities totaling ¥715 billion (\$6,377 million) relating to the sale of shares of Alibaba by variable prepaid forward contract. See “—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.”

Interest Expense

We incur interest expenses mainly due to payments on our loan and bond obligations. We also incur interest expenses in connection with the lease obligations of SoftBank Corp.

Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract

On June 10, 2016, WRH LLC, our wholly-owned subsidiary, entered into a variable prepaid forward contract to sell Alibaba shares with Mandatory Exchangeable Trust, a newly formed trust (the “Trust”), and received proceeds of ¥578 billion (\$5.4 billion) as advances received for sale.

The Trust, on the other hand, utilized Alibaba shares scheduled to be transferred from WRH LLC at the time of settlement under the contract and issued \$6.6 billion of Mandatory Exchangeable Trust Securities (“Trust Securities”) which are mandatorily exchangeable into American depository shares (“ADSs”) of Alibaba. WRH LLC received \$5.4 billion of the proceeds from the Trust, after a portion of the proceeds were used to purchase U.S. Treasury securities used to fund distributions on the Trust Securities and to pay expenses related to the issuance of the Trust Securities.

The settlement by Alibaba shares based on the variable prepaid forward contract will be conducted concurrently with the exchange of Trust Securities. At the exchange date, which is expected to be the first scheduled trading day after June 1, 2019, Trust Securities will be exchanged for a certain number of ADSs, determined by reference to the trading price of the ADSs at that time, and the number of Alibaba shares sold by the variable prepaid forward contract is determined by this number of ADSs. A cap and a floor are set for the number of shares settled and the variable prepaid forward contract is classified as a hybrid financial instrument with embedded derivatives providing a protective collar.

WRH LLC has the option to settle the variable prepaid forward contract by either delivering cash or a combination of cash and Alibaba shares. Also, WRH LLC has the option to settle the variable prepaid forward contract prior to the scheduled exchange date.

We account for the variable prepaid forward contract by bifurcating the main contracts and embedded derivatives. We received ¥578 billion (\$5,156 million) in cash and initially recognized ¥674 billion (\$6,008 million) as financial liabilities relating to the sale of shares by variable prepaid forward contract and ¥96 billion (\$852 million) as derivative assets. Subsequent to initial recognition, financial liabilities relating to the sale of shares by variable prepaid forward contract are measured at amortized cost and embedded derivatives are measured at fair value. ¥715 billion (\$6,377 million) is recognized as financial liabilities relating to the sale of shares by variable prepaid forward contract in interest-bearing debt (non-current liabilities) and ¥144 billion (\$1,283 million) is recognized as derivative liabilities in other financial liabilities (non-current liabilities) in the consolidated statement of financial position as of March 31, 2017. ¥233 billion (\$2,074 million) is recognized as a derivative loss in the consolidated statements of income for the fiscal year ended March 31, 2017.

Alibaba shares held by WRH LLC are pledged as collateral pursuant to the variable prepaid forward contract. We apply the equity method of accounting to these shares and they are included in “Investment accounted for using the equity method” in our consolidated statements of financial position as of March 31, 2017. The carrying amount of Alibaba shares pledged as collateral as of March 31, 2017 is ¥154 billion (\$1,377 million).

Capital Expenditures

We incur significant amounts of capital expenditures to expand and maintain our network. The following details our capital expenditures by business segment for the fiscal years ended March 31, 2015, 2016 and 2017.

	For the fiscal year ended March 31,		
	2015	2016	2017
	(billions of yen)		
Capital expenditures (acceptance basis) ⁽¹⁾			
Domestic Telecommunications	¥ 584	¥ 413	¥321
Sprint	700	622	478
Yahoo Japan	30	52	65
Distribution	14	9	7
ARM ⁽²⁾	—	—	5
Other	26	14	49
Consolidated total	<u>¥1,353</u>	<u>¥1,110</u>	<u>¥925</u>
Capital expenditures (cash flow basis) ⁽³⁾	<u>¥1,398</u>	<u>¥1,361</u>	<u>¥924</u>

(1) We recognize capital expenditures on an acceptance basis following our inspection and acceptance of new assets.

(2) Reflected from September 6, 2016.

(3) We define capital expenditures on a cash flow basis as purchases of property and equipment and intangibles as reflected in our cash flows from investing activities.

Capital expenditures to acquire or upgrade our physical assets, such as equipment, are recognized on an inspection and acceptance basis. This differs from capital expenditure measured on a cash flow basis, which we define as purchases of property and equipment and intangibles as reflected in our cash flows from investing activities.

We made significant investments early on for the development of our LTE network in the fiscal years ended March 31, 2013 and 2014 of ¥716 billion and ¥739 billion, respectively. Our investment in the Domestic Telecommunications segment has gradually decreased since the fiscal year ended March 31, 2015 to ¥321 billion (\$2,857 million) in capital expenditure for the fiscal year ended March 31, 2017 because of the completion of LTE roll-out. Our investments have provided us with state-of-the-art smartphone data connectivity and smartphone communication speed and our future capital expenditures in our domestic networks can in the near-to-mid-term be limited to life-cycle maintenance and discretionary incremental build-out and significantly reduced from prior periods.

We currently anticipate that capital expenditures (calculated on an acceptance basis) in our Domestic Telecommunications segment will be approximately ¥398.5 billion (\$3,552 million) for the fiscal year ending March 31, 2018 (including life-cycle expenditures), in part so that we can maintain excess network capacity despite the expected increase in mobile data usage.

In our Sprint segment, we are utilizing capital expenditure to steadily improve Sprint's telecommunications network. We expect cash capital expenditures of approximately \$3.5 billion to \$4.0 billion (¥393 billion to ¥449 billion) (excluding devices leased through indirect channels) in our Sprint business in fiscal year ended March 31, 2018 and our aim is for Sprint to remain self-funding.

The estimated capital expenditures set forth above are forward-looking statements based upon the assumptions and beliefs of our management as of the time of the announcements, and are subject to the qualifications described under "Disclosure Regarding Forward-Looking Statements."

Dividend Payment

Our basic policy is to maintain a sound financial position, while at the same time both investing prudently to ensure sustained growth and returning profits to shareholders. Returns to shareholders include cash dividends paid twice per year, in principle, as an interim dividend and a year-end dividend. Our board of directors resolved to propose a year-end dividend of ¥22.00 per share for the fiscal year ended March 2017 which was paid on June 22, 2017. Together with the interim dividend of ¥22.00 per share paid in December 2016, this brings the annual dividend for the fiscal year to ¥44.00 per share, an increase of ¥3 per share. Our total dividend payments during the fiscal year ended March 31, 2017 were ¥46 billion (\$412 million).

Liquidity and Capital Resources

Liquidity

The below table reflects the cash position of certain of our key subsidiaries, our consolidated cash position and our consolidated cash position excluding Sprint as of March 31, 2017.

Cash Position ⁽¹⁾	As of March 31,	
	2017	2017
	(billions of yen and millions of dollars)	
SoftBank Group Corp.	¥1,122	\$10,000
SoftBank Corp.	23	208
Sprint	935	8,336
Yahoo Japan	539	4,805
ARM	143	1,278
Other	173	1,537
Total cash position	¥2,935	\$26,164
Excluding Sprint	¥2,000	\$17,828

(1) Cash position is cash and cash equivalents plus short-term investments.

Our operating cash flows, including cash generated from our business segments, are used for those businesses, and cash is easily transferable between us and most of our consolidated subsidiaries, except for Sprint, Yahoo Japan and certain other subsidiaries. As of March 31, 2017, our consolidated cash position (cash and cash equivalents plus short term investments) equaled ¥2,935 billion (\$26,164 million), a plurality of which is held at the Company.

We use diversified financing methods for raising funds through bank loans, as well as the issuance of bonds (in the local and international capital markets), taking market conditions and debt ratios into consideration. Some of our other financing methods include:

- We utilize proceeds from sales of investment securities and investments in associated companies as required, including sale of shares by variable prepaid forward contract. See “—Cash and Capital Requirements—Debt Repayments and Certain Other Contractual Commitments—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.”
- We finance a portion of our network equipment through sale and lease-back transactions. We account for such financing as lease obligations on our consolidated balance sheet.
- We securitize certain accounts receivable on a non-recourse basis.

Although we consolidate Yahoo Japan’s and Sprint’s financial results with our own, Yahoo Japan and Sprint are public companies. In addition, Sprint has incurred substantial amounts of indebtedness with financial maintenance or incurrence covenants that impose significant restrictions on its ability to pay dividends, distribute cash or return capital to us. Accordingly, only limited reliance can be placed on our Sprint segment’s Adjusted EBITDA, operating income and cash flow as indicators of our ability to service our indebtedness, including the Notes. As a result, we are limited in our ability to move cash and capital resources in and out of these companies.

As of March 31, 2017, our consolidated liquidity, including cash, cash equivalents, short-term investments and available borrowing capacity under our commitment line was ¥3,114 billion (\$27,755 million). We expect our liquidity position, together with cash flows from operations, to be sufficient to cover our expected liquidity needs by the end of March 2018.

As of March 31, 2017, Sprint’s consolidated liquidity including cash, cash equivalents, short-term investments, available borrowing capacity under its secured revolving bank credit facility, and availability under its accounts receivable facility, was \$10.9 billion (¥1.2 trillion). We expect Sprint’s operations and capital requirements to continue being funded from Sprint’s stand-alone operating cash flows and financing arrangements and we currently do not intend to provide Sprint with additional financial support to meet its capital expenditure plans or other liquidity needs.

Commitment Line

We have entered into commitment lines of credit and other credit facilities with various financial institutions to reduce liquidity risk. As of March 31, 2017, we had not drawn down any commitment lines and have the capacity to draw an additional ¥178.5 billion (\$1,591 million) from these facilities. See “Description of Other Indebtedness.”

Cash Flow

The following table shows our consolidated cash flow data for the fiscal years ended March 31, 2016 and 2017.

	For the fiscal years ended March 31,	
	2016	2017
	(billions of yen)	
Cash and cash equivalents at the beginning of the period	¥ 3,259	¥ 2,570
Net cash flows from operating activities	940	1,501
Net cash flows from investing activities	(1,652)	(4,214)
Net cash flows from financing activities	43	2,381
Effect of exchange rate changes	(21)	(54)
Increase in cash and cash equivalents	(690)	(387)
Cash and cash equivalents at the end of the period	<u>¥ 2,570</u>	<u>¥ 2,183</u>

Our cash flows from operating activities increased by ¥561 billion (\$4,996 million) from ¥940 billion (\$8,380 million) for the fiscal year ended March 31, 2016 to ¥1,501 billion (\$13,377 million) for the fiscal year ended March 31, 2017 mainly due to a decrease of ¥543 billion (\$4,839 million) in income taxes paid (net of refund).

Our cash flows from investing activities for the fiscal year ended March 31, 2016 was a cash outflow of ¥1,652 billion (\$14,722 million) compared to a cash outflow of ¥4,214 billion (\$37,558 million) for the fiscal year ended March 31, 2017, representing an increase in cash outflow of ¥2,562 billion (\$22,836 million). This was mainly due to our acquisition of ARM, which accounted for ¥3,249 billion (\$28,962 million) of cash outflow and was partially offset by cash inflow from our sales/redemption of our Alibaba, GungHo and Supercell shares.

Our cash flows from financing activities increased by ¥2,337 billion (\$20,835 million) from ¥43 billion (\$386 million) for the fiscal year ended March 31, 2016 to ¥2,381 billion (\$21,221 million) for the fiscal year ended March 31, 2017. The primary components of cash flows from financing activities were proceeds from long-term interest bearing debt.

Market Risk

As we operate in a wide range of markets, we face a variety of financial risks (currency risk, price risk, interest rate risk, credit risk and liquidity risk) in its operations. We manage our risks based on established policies to prevent and reduce these financial risks.

Derivative transactions entered into by us are conducted and controlled based on our internal rules and procedures for derivative transactions and are limited to the extent of actual demands. For more information, see Note 25 to our audited consolidated financial statements for the fiscal year ended March 31, 2017 included elsewhere in this offering memorandum.

BUSINESS

The following is qualified in its entirety by, and is subject to, the more detailed information and financial statements contained elsewhere in this offering memorandum. Certain capitalized terms used but not defined in this section are used herein as defined elsewhere in this offering memorandum. Prospective investors should carefully consider the information set forth under the caption “Presentation of Financial Information,” “Risk Factors” and all other information in this offering memorandum, prior to making an investment in the Notes.

Overview

We are a leading global technology company that aspires to drive the Information Revolution. We are a holding company, SoftBank Group Corp., and its global portfolio of subsidiaries and associates, which include advanced telecommunications, internet services, robotics, IoT and clean energy technology providers.

We operate the following business segments:

- Domestic Telecommunications Segment, which includes our core operating subsidiary SoftBank Corp. and Wireless City Planning Inc.;
- Sprint Segment, which includes Sprint, one of the “big four” established nationwide wireless carriers in the United States;
- Yahoo Japan Segment, which, operating through Yahoo Japan, provides internet-based advertising, e-commerce services and other services;
- Distribution Segment, which provides services, including mobile device and accessory wholesaling, and mobile device distribution through Brightstar and SoftBank Commerce & Service Corp.;
- ARM Segment, under which ARM designs and licenses technologies used in semiconductor chips used in mobile devices, enterprise infrastructure and embedded intelligence in automobiles and home appliances; and
- Other Segment, including, among other things, the Fukuoka SoftBank HAWKS and energy- and robotics-related businesses.

Our Domestic Telecommunications business, comprising 36% of our consolidated net sales, and 47% of our consolidated Adjusted EBITDA and a primary source of our cash flow, in each case for the fiscal year ended March 31, 2017, is one of Japan’s leading mobile communications providers with approximately 42.7 million subscribers, as of March 31, 2017, and approximately 26% subscriber market share, according to Ovum.

We helped transform the Japanese smartphone market when we were the first to offer the *iPhone* in Japan in 2008 and built a brand centered on the mobile internet—data-intensive, highly-connected and reliable. Our unique brand and outperformance have also been supported by high quality LTE network infrastructure, well developed over a recently-completed cycle of significant capital expenditure, which covers nearly all of the population of Japan, with robust and reliable connectivity. We have two mobile service brands, *SoftBank* and *Y!mobile*. Our flagship *SoftBank* brand focuses on the high-end of the market, including the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users. We also offer the *Y!mobile* brand, targeting the low-cost smartphone market to capture first-time, younger or more cost-conscious customers.

We combine our stable and profitable domestic telecommunications operations with selected strategic investments in global internet, technology and communications companies, differentiating us from other mobile operators and providing opportunities for mutually-advantageous growth among our group companies. Our leadership team is led by Japan’s technology and business innovator, Masayoshi Son, our founder, Chairman and CEO.

- We control one of the four largest telecommunications operators in the United States, Sprint, which had a market capitalization of ¥3,885 billion (\$34,626 million) as of March 31, 2017.

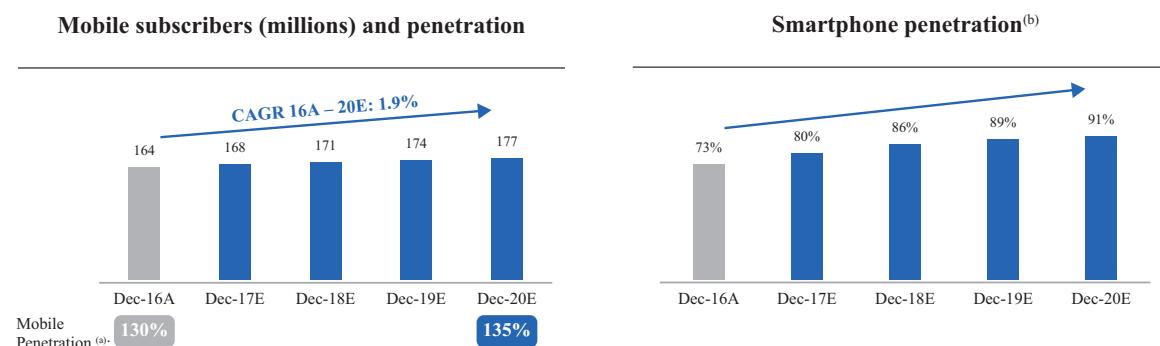
- We control Yahoo Japan, which operates Japan's most frequently visited portal site offering a wide range of internet services with a market capitalization of ¥2,926 billion (\$26,082 million) as of March 31, 2017.
- We own 100% of Brightstar, one of the world's largest specialized wireless device distributors in terms of net sales.
- We own ARM, a British company specializing in the design of microprocessor intellectual property.
- We hold a significant minority stake in one of the world's largest e-commerce companies, Alibaba, with a market value of our owned shares of ¥7,996 billion (\$71,269 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract) as of March 31, 2017.
- We invest in and one of our overseas subsidiaries manages, as its general partner, the Vision Fund, a unique investment fund intended to make investments in the technology sector globally and be one of the world's largest of its kind. In May 2017, we completed first closing of the Vision Fund with \$93.2 billion in committed capital.

Japanese Market Overview

Certain of the projections and other information set out in this section have been derived from external sources. Industry publications, surveys and forecasts generally state that the information contained therein were obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. The projections and forward looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Disclosure Regarding Forward-Looking Statements." For further discussion on the industry and market terms and the sources cited herein, see "Presentation of Financial Information."

Mobile Market

Japan's mobile telecommunications market is the world's third-largest by revenue and was worth approximately \$66 billion in 2016 according to IDC. Japan is the third largest economy in the world by GDP and its GDP per capita was \$34,500, which was greater than that of the EU of \$32,000 in 2015 according to the World Bank. The number of mobile phone subscriptions has grown over the last few years and is expected to continue to grow at 1.9% CAGR between 2016 and 2020 to reach nearly 177 million in 2020 as a result of mobile penetration increase, according to Ovum. According to BMI Research, mobile penetration in Japan reached 130% at the end of 2016, but remains below other developed markets such as Germany (144%) or Italy (141%). The number of mobile subscriptions is greater than the resident population due to certain customers owning more than one SIM card for multiple devices (e.g., mobile phones, smartphones, tablets and mobile broadband modems), non-resident customers and customers that are legal entities. Smartphone penetration is expected to rapidly grow from 73% in 2016 to 91% in 2020, which we believe will be a key growth driver of the market together with the potential growth in mobile data traffic.



Source: Ovum (mobile subscribers and smartphone penetration), BMI Research (mobile penetration)

(a) Calculated as mobile phone subscribers / population

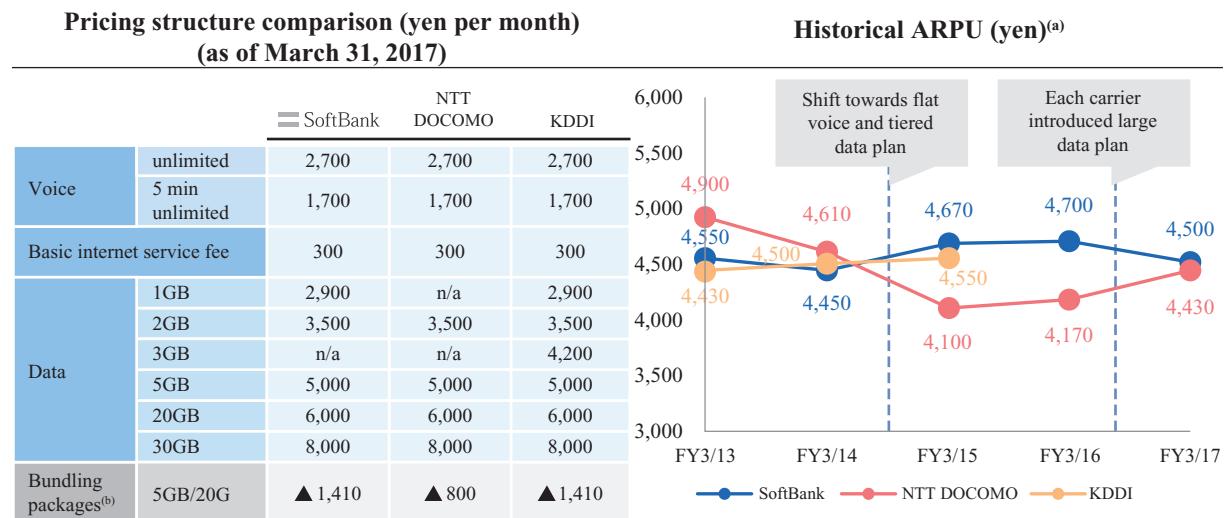
(b) Calculated as (smartphone subscribers) / (number of feature phone and smartphone subscribers)

The Japanese mobile market is one of the most attractive and technologically advanced in the world due to a number of unique characteristics which together have historically promoted strong mobile subscriber growth and healthy competition as outlined in more detail below.

Established market in a stable competitive environment dominated by three network operators

The mobile market is primarily served by three firmly established mobile network operators (“MNOs”)—NTT DOCOMO, the mobile arm of NTT, KDDI and our Group—with market shares of 45%, 29% and 26%, respectively, as of March 2017, and these shares have been stable over the last few years. The market is characterized by rational competition. Each of these three companies has its own spectrum allocation and the infrastructure necessary to operate an independent mobile network. The three MNOs provide nationwide coverage, and therefore do not incur costs in relation to internetwork termination fees. Given the current spectrum allocation and well-developed networks of the three established MNOs, combined with the capital-intensive nature of the industry and licensing requirements and administrative restrictions for obtaining permits to build mobile sites, other competitors are not expected to enter the market, aside from MVNOs, without owned network and infrastructure.

As each operator offers similar pricing plans, which combine unlimited voice calling with a variety of flat-rate data packages, similar handset access and sufficiently robust networks, competition has significantly stabilized and we believe it has set itself for more resilient subscriber bases with shifting focus on customer retention and operational efficiency. ARPU has been stable in recent years, with data ARPU growth driven by greater use of online, video and multimedia services offsetting the decline in voice ARPU through the introduction of unlimited voice plans as well as the rising threat of IP telecommunications such as *LINE* and MVNOs.



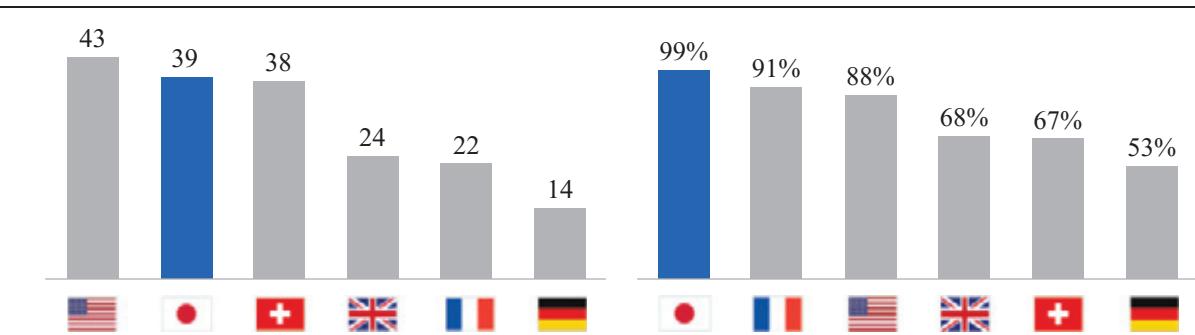
Source: Each company's information

(a) NTT DOCOMO: including smart ARPU, excluding modules, after discount for communication charge. KDDI: for Personal segment, including Value ARPU, excluding modules and tablets, in FY3/13–3/15 after discount for communication charge. From FY3/16, KDDI stopped ARPU disclosure. SoftBank: excluding modules, after discount for communication charge, including backup service package, etc.

(b) Bundling with broadband service (FTTH). Discount for the first two years.

High ARPU supported by high proportion of postpaid subscriptions and heavy mobile data usage

The Japanese mobile market is characterized by a high proportion of postpaid subscriptions, which results in one of the highest ARPU markets in the world. According to Ovum, more than 99% of mobile telecommunication service subscribers in Japan are postpaid subscribers as of December 2016, who accept two-year contract commitments and display relatively low levels of churn. This compares favorably to other attractive markets such as Germany, where only 53% of the total subscription base was postpaid. Heavy mobile data usage also contributes to maintain high ARPU. Monthly mobile data usage increased to 1.9 times in December 2016 compared from December 2014 according to MIC. The offering of technologically advanced products and services including high-quality nationwide LTE network incentivizes users to subscribe to more expensive data packages. LTE population coverage in Japan reached more than 99% as of June 2017, according to public disclosures by the three established MNOs.

ARPU (dollars) (December 2016)^(a)Postpaid subscribers
(% of total mobile subscribers) (December 2016)

Source: BMI Research (ARPU), Ovum (Postpaid subscribers)

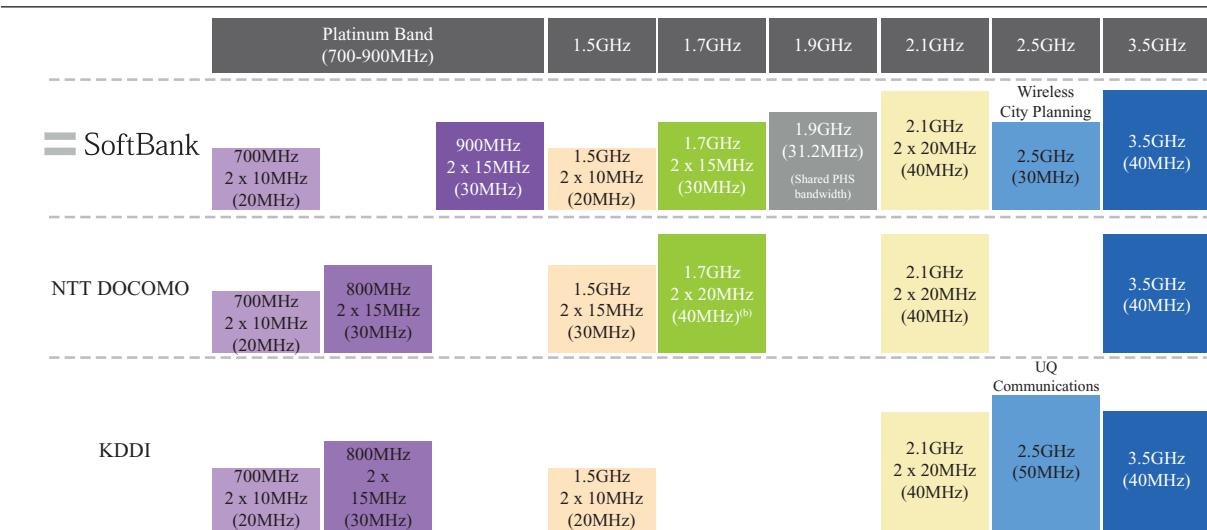
(a) Monthly blended mobile average revenue per user, including postpaid and prepaid subscribers for the relevant countries

Attractive regulatory environment

The telecommunication sector is administered centrally by the MIC which is responsible for all aspects of telecommunications regulation including licensing, frequencies, planning and policy and pricing.

Different from other established mobile markets, in Japan, mobile spectrum is not auctioned off.

Instead, the MIC allocates bandwidth after considering applications from interested parties. In this process, the MIC considers a range of factors, including which proposed use of spectrum best serves public needs and whether the parties have the necessary means to accomplish their proposals. Because the MIC might revoke allocations under certain circumstances, we are obligated to develop our spectrum in accordance with the proposals we made when applying for use of the spectrum. Spectrum users are required to pay radio utilization fees to the MIC. See “Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum.”

Current spectrum allocation^(a)

Limited Presence of Mobile Virtual Network Operators

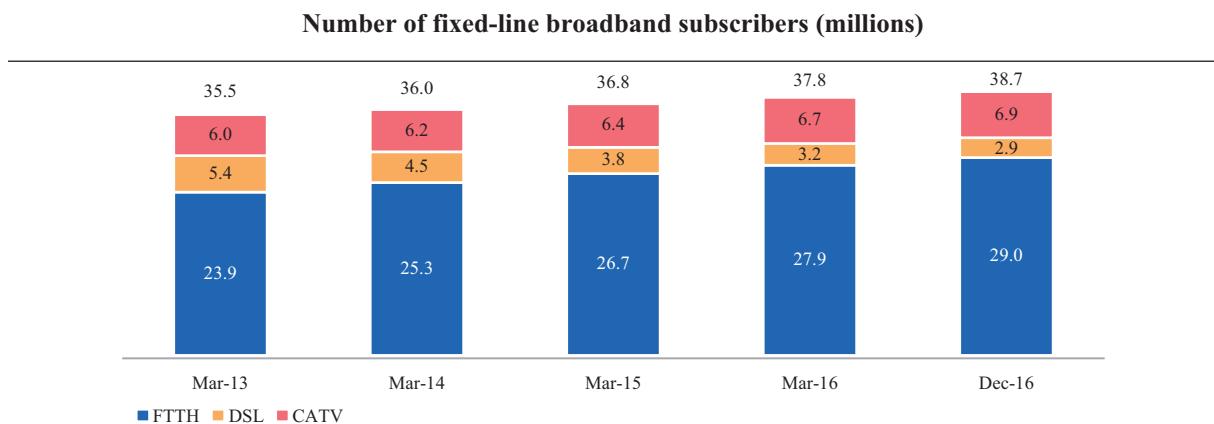
In addition to the three MNOs, there are branded wholesale resellers that deliver their services independently over the network of MNOs, referred to as MVNOs, including NTT Communications, IIJ, Rakuten, U-Next and UQ Communications. MVNOs contract directly with customers, but rely on existing MNO networks. The MVNO market has grown in Japan since 2010, mainly driven by the decrease of line rental fees and the regulatory push for removing “SIM-lock” restrictions on handsets along with smartphone penetration. According to the MM Research Institute, the independent MVNO market, excluding MVNO services supplied by MNOs, accounted for 3.4% (5.4 million subscribers) and 5.0% (8.1 million subscribers) of the total mobile subscription as of March 2016 and 2017 respectively.

While the market is growing and increasing in competition due to the participation of new entrants, given the different target markets, MVNOs are generally not considered a significant threat for more-established providers such as ourselves. Subscribers in Japan generally prefer comprehensive and value-added services, such as customer support over-the-counter and by phone and a full lineup of handsets. In addition, as MVNOs pay network access charges to MNOs, MNOs will partly benefit from the further growth of the MVNO market. MNOs also offer low-price handsets and services to compete against MVNOs in the niche segment.

Fixed-line Broadband Market

Japan's broadband market is established and growing, with approximately 38.7 million subscribers as of December 31, 2016. Growth in the market is now primarily driven by FTTH adoption and this trend is expected to continue in the near future.

In 2015, NTT started to offer fiber wholesale via NTT East and NTT West which allowed a variety of service providers including MNOs as ourselves to bundle their own services and fiber services. The introduction of NTT's fiber wholesale has contributed to the growing penetration of FTTH in the market.



Source: MIC

Strengths

Well-established position as a leading mobile communications company in Japan, one of the largest and most attractive mobile communications markets in the world, through our well-invested, high-quality network that provides clear and stable communication services

We are one of Japan's leading mobile communications companies in terms of mobile subscribers. As of March 31, 2017, we had approximately 42.7 million subscribers (including PHS), which according to Ovum, amounted to approximately 26% market share in the Japanese market. Japan is one of the most technologically advanced and attractive mobile communications markets in the world and is the third-largest globally, following the United States and China, with user-spending worth approximately \$66 billion in 2016, according to IDC. We and the other major network operators in Japan provide nationwide coverage, and therefore, we do not incur costs in relation to internetwork termination fees. As further described in “—Japanese Market Overview,” the Japanese mobile market is supported by several attractive characteristics:

- One of the wealthiest and most technologically advanced countries in the world, supporting stable and high levels of mobile spending.
- A well-established and stable competitive environment, which benefits from a regulatory stance that discourages excessive competition among major operators.
- Stable customer base backed by large postpaid subscribers with low churn rate.
- Growth opportunities from potential to increase penetration of smartphones and increasing data usage.

We believe that the quality of our mobile network is a key factor in acquiring and retaining mobile subscribers and have focused on maintaining and improving the quality and speed of our mobile network,

especially with respect to our LTE network, and increasing network capacity to respond to the rapid rise in traffic attributable to increased penetration of smartphones and resultant increased data usage.

We have invested in our domestic network, with ¥1,317 billion (\$11,738 million) invested in our Domestic Telecommunications segment over the last three fiscal years. We have overtaken our competitors in terms of connectivity and have carefully managed the explosive growth in data traffic that has accompanied the rapid popularization of smartphones. We achieved this, among other means, by using big data to make efficient, large-scale capital investments and massively increasing the number of base stations using the “platinum band” (the band of spectrum between 700 MHz and 900 MHz, which is optimal for mobile communications services). We were allocated our first access to the platinum band in 2012 and then expanded our available spectrum through our acquisitions of WILLCOM and eAccess (now merged with SoftBank Corp.). To further enhance our network connectivity, we have expanded the number of base stations for LTE services, which can make the most efficient use of spectrum and allow for rollout of more advanced technology using software rather than capital-intensive infrastructure, such as carrier aggregation.

Our investments have provided us with Japan’s foremost network in terms of smartphone data connectivity. According to Agoop Corp., our industry data aggregator subsidiary, our smartphone data connectivity as of March 26, 2017 was 98.6%, compared to 98.2% and 98.3% for our primary competitors NTT DOCOMO and KDDI, respectively. We believe that our high-quality network has bolstered our customer retention and led to reduced churn, and will strengthen our competitive position relative to the other MNOs.

Our well-invested infrastructure allows us to operate a technologically advanced network, supported by a comprehensive and all-but-completed footprint of steel towers for base stations, at controlled cost. We currently anticipate that capital expenditures in our Domestic Telecommunications segment will run at a rate of approximately ¥398.5 billion (\$3,552.0 million) going for the fiscal year ending March 31, 2018 (including life-cycle expenditures), in part with a view to maintaining the cushion of excess network capacity we currently enjoy despite the expected increase in mobile data usage.

Strong cash flow generation and prudent financial management

Our strong market position as a leading mobile carrier and as a diversified telecommunications operator in Japan, coupled with our synergistic ties with leading internet businesses and other strategic assets, has provided us with stable and strong recurring cash flows. In addition, steady growth of our mobile subscriber base coupled with agile control of operating costs, has allowed us to maintain consistent Adjusted EBITDA growth, as well as a steady Adjusted EBITDA margin, both for our consolidated group and for our Domestic Telecommunications segment. For the fiscal years ended March 31, 2016 and 2017, our Domestic Telecommunications segment generated Adjusted EBITDA of ¥1,163 billion (\$10,369 million) and ¥1,209 billion (\$10,777 million), respectively and made capital expenditures of ¥413 billion (\$3,678 million) and ¥321 billion (\$2,857 million), respectively. As a result, our Domestic Telecommunications segment also generated free cash flow of ¥402 billion (\$3,585 million) and ¥562 billion (\$5,008 million), respectively for the fiscal years ended March 31, 2016 and 2017. We expect free cash flow of our Domestic Telecommunications segment for the fiscal year ending March 31, 2018 to be around the same level, even with an increase in capital expenditure.

We believe that our high level of prior investment in our network has stabilized our capital requirements over the medium term and will allow us to absorb the expected growth in mobile data usage with reduced incremental capital expenditures. Because of these previous investments, we can now limit capital expenditures to incremental upgrades required by new customer subscriptions and increased usage. We believe that steady and sustainable growth of our domestic telecommunications businesses, coupled with operating efficiencies and reduced levels of capital investment, will bolster our free cash flow from domestic operations, allowing us to dedicate additional resources to strategic high-value areas and to gradually reduce our leverage and repay outstanding debt. In addition, further improvement of Sprint Adjusted EBITDA leads to Adjusted EBITDA growth of our consolidated group, which contributes to our deleveraging. We have a proven track record of deleveraging and improving our credit profile over time. For example, we lowered our net interest-bearing debt and achieved 1.1x net interest-bearing debt-to-EBITDA ratio in the six years following the acquisition of Vodafone Japan in fiscal year 2006. Subsequently, the net interest-bearing debt-to-EBITDA ratio of our Group increased to 3.6x as of March 31, 2014 as a result of the Sprint acquisition and 4.2x as of March 31, 2017 due to the ARM acquisition. We intend to continue deliberately managing our net leverage with an aim to improving our credit profile in the medium term.

We also have a proven track record of strategically managing and monetizing our investment portfolio. For example, between June and August 2016, we monetized a portion of our investment in Alibaba through the sale of shares to Alibaba and other investors, as well as entering into a variable prepaid forward contract to sell a variable amount of Alibaba shares. See “Recent Business Review—Cash and Capital Requirements—Debt Repayments and Certain Other Contractual Commitments—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.” Total proceeds from these transactions were approximately \$8.8 billion (¥987 billion). Also, in the summer of 2016, we successfully monetized our investments in Supercell and GungHo Online Entertainment, Inc. (“GungHo”), by selling our entire stake in Supercell and a 90% of our stake in GungHo, for total proceeds of \$7.4 billion (¥826 billion) and ¥72 billion (\$644 million), respectively. Through these transactions in 2016, we successfully monetized an aggregate \$16.8 billion (¥1,884 billion) of portfolio assets. We intend to manage our investment portfolio strategically, to maximize the return and cash flows from our investments.

We have a prudent and conservative approach to financial management as reflected by the large liquidity position available to us. As of March 31, 2017, we held a cash position of ¥2,935 billion (\$26,164 million), including ¥1,474 billion (\$13,141 million) which was collectively held by Sprint and Yahoo Japan and to which we do not have ready access. In addition, we have a commitment line with maximum drawings of ¥178.5 billion (\$1,591 million), of which all remained undrawn as of March 31, 2017. Despite the expansion of our balance sheet in connection with the ARM acquisition, we experienced no changes in our credit ratings and continue to have ample access to multiple sources of funding and stakes in listed companies such as Alibaba, including through the regular issuance of debt securities in the Japanese domestic market. For example, in the fiscal year ended March 31, 2017, we issued ¥500 billion (\$4,457 million) of yen-denominated unsecured straight corporate bonds and ¥471 billion (\$4,198 million) of yen-denominated unsecured subordinated bonds with interest deferrable clauses and early redemption options. Also, going forward, we expect that the Vision Fund will be our primary vehicle for making investments in excess of \$100 million, which allow us to explore further investment opportunities through the fund while managing our group financial leverage.

Broad range of strategic assets providing significant value, sufficient liquidity and financial flexibility to our group

We own a variety of assets that provide strategic value and financial flexibility to our Group. As of March 31, 2017, we owned 43% of the voting rights in Yahoo Japan, the operator of the most popular internet portal site in Japan with a market value of our owned shares of ¥1,257 billion (\$11,204 million), and 26% of the voting rights in Alibaba (excluding shares subject to sale pursuant to a variable prepaid forward contract), one of the largest online and mobile commerce groups in China with a market value of our owned shares of ¥7,996 billion (\$71,269 million). In addition to Yahoo Japan and Alibaba, we owned 83% of the voting rights in Sprint, a major provider of mobile communications services, mobile devices, mobile handsets and accessories and fixed-line telecommunications services in the United States with a market value of our owned shares of ¥3,225 billion (\$28,747 million) as of March, 2017.

As of March 31, 2017, we owned 99.99% of the voting rights in SoftBank Corp., a leading domestic telecommunications company and a primary source of our cash flow. We acquired ARM, a British company specializing in designing semiconductor intellectual property, in September 2016. We believe that ARM, which is a world leader in design of microprocessor intellectual property, is positioned to capture new business opportunities, particularly with the proliferation of IoT products that integrate ARM’s technology. Our investments in ARM, as well as companies such as WorldVu Satellites Limited. (“OneWeb”), a global communications company and satellite operator, Social Finance, Inc. (“Social Finance”), provider of consumer finance services, Tokopedia, one of Indonesia’s largest online marketplaces, Coupang, an e-commerce firm based in South Korea, and mobile ride-hailing application operators Kuaizhi, Ola Cabs and Grab, will position us to seize the many business opportunities that we expect to accompany the widespread integration of artificial intelligence, and related technology, into daily life.

In order to better facilitate investment in strategic assets, we established the Vision Fund, which will deploy capital from SoftBank Group Corp. and our investment partners. See “—Strategic Investments: Continue to make growth investments and manage portfolio strategically” and “—SoftBank Vision Fund.”

World-class management team led by Japan’s most successful entrepreneur, with a track record of growing businesses and risk control through disciplined portfolio management

With our strong senior management team and a group of transformational internet entrepreneurs, we believe our leadership team has the experience and vision to continue our success.

Our founder, Chairman and CEO Masayoshi Son is Japan's foremost information technology and business innovator. Under his leadership, we have grown from a new-born distributor of packaged software in 1981 to what we believe is Japan's most innovative mobile-internet company, with a market capitalization of ¥8,564 billion (\$76,334 million) as of March 31, 2017. Mr. Son's entrepreneurial vision for SoftBank has placed us at the forefront of the Information Revolution. Anticipating the future of the mobile internet, under Mr. Son's leadership, we founded the dominant portal site in Japan in 1996 through our joint venture Yahoo Japan, introduced the *iPhone* in Japan in 2008 and have become one of the leading mobile communications providers in Japan.

Our management team has proven our ability to build successful businesses, even in challenging circumstances. We acquired a controlling interest in Sprint in 2013 and our founder, Chairman and CEO Masayoshi Son, is part of the management team of Sprint. Due, in part, to management's focus on increasing the number of postpaid phone subscribers, which are its largest source of revenue and profit, and cost management, Sprint has recently seen a sharp recovery in profitability. Sprint segment's U.S. dollar-based income increased to \$1.7 billion, for the fiscal year ended March 31, 2017, compared to \$506 million the previous year. Also, its Adjusted EBITDA has steadily improved this year, nearly reaching \$10 billion for the fiscal year ended March 31, 2017. Before Sprint, we acquired Vodafone's Japanese operations in 2006 and through prudent investment transformed a below-average network into our market leading LTE offering. Before that, we acquired Japan Telecom Co., Ltd. (a fixed-line business) and built that into our profitable fixed-line segment.

Our management team also has a proven ability to execute successful investment partnerships with transformational, high growth potential businesses. We first invested in Alibaba in 2000. Alibaba went public in 2014 and as of March 31, 2017 the market value of our stake in Alibaba was ¥7,996 billion (\$71,269 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract). As of March 31, 2017, the market value of major stakes in our listed group companies totaled ¥12.5 trillion (\$111 billion). Other disruptive subsidiaries and strategic associates include British semiconductor firm ARM, Chinese mobile ride-hailing application *Didi Chunxing* and Social Finance, which provides consumer finance services such as student loan refinancing service in the United States.

Our disciplined portfolio management and prudent financial policy are demonstrated by the monetization of our investments in GungHo and Supercell and a portion of our investment in Alibaba. We will continue to balance strategic investments and prudent financial management.

Strategies

We seek to leverage our strong position in our domestic market to maximize profitability in our Japanese business and to build from our successful development in Japan to become a global company with a strong presence in the United States, where we have successfully returned Sprint to profitability, the UK, China, India and other markets where we can profitably and sustainably build a synergistic corporate group. At the same time, we recognize the need, as a technology company, to keep flexibility and to adapt to changes in the market. We therefore aggressively invest in internet and technology-related companies that have the potential to drive innovation and the Information Revolution.

Domestic Telecommunications: Leverage our leading market position in the attractive Japanese telecommunications market to enhance revenue generation

We have succeeded in achieving a robust market share and an established brand recognition as well as building effective marketing capabilities and a superior network infrastructure in the Japanese mobile telecommunications market and this gives us the opportunity to improve free cash flow in the near term.

Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers by intensifying our dual-brand strategy

Smartphone subscribers generate more revenue and lower churn rates relative to subscribers to other devices. We have focused our sales and marketing efforts on acquiring and retaining higher value smartphone subscribers, including by offering discounted rates in bundled plans of handset and fixed-line subscriptions, such as the *Home Bundle Discount Hikari Set*, which offers a discount on the communication charges of mobile communications services to customers subscribing to both mobile communications services and broadband services, such as *SoftBank Hikari*. Our *SoftBank Hikari* services have seen brisk subscriber growth in the past three years, with cumulative subscribers growing from 119 thousand, as of March 31, 2015 to 3.6 million, as of

March 31, 2017. This growth helped increase broadband revenue by ¥91,945 million, or 51.9%, year-on-year during fiscal year ended March 31, 2017, which in turn contributed to an overall increase in the revenue of our Domestic Telecommunications segment.

While we concentrate on higher margin smartphone subscribers using our *SoftBank* brand, as the low cost smartphone market continues to expand, and with the recent increased presence of MVNOs in Japan, we are aggressively pursuing market share in the low cost smartphone market by promoting expansion of our mobile communications service sub-brand *Y!mobile*. We believe that we have a competitive advantage by appealing to existing and future customers through our dual brand approach. With our dual-brand strategy we will continue targeting clearly defined market segments with relevant dedicated products and service offerings in order to optimize our market reach and achieve further growth. In particular, our *SoftBank* brand is targeted at the mass market, which comprises the highest value customers. At the same time, we will continue to capture first-time, younger or more cost-conscious customers through our distinct *Y!mobile* brand, which expands our subscriber base and creates up-selling potential for the mass market segment once customers become older or more settled and increase the usage of their devices.

Offer higher-value, data-intensive pricing plans

Because mobile phone users are consuming increasingly large amounts of data-rich content such as video content, we have introduced a high-data cap, fixed-rate “*Giga Monster*” data plan. This plan has both 20GB and 30GB options. These plans allow subscribers to consume large amounts of data-rich content without worrying about running out of data or incurring large fees. We believe that subscribers value the peace of mind that these high-data cap plans provide and that will discourage high-data usage subscribers from migrating to budget mobile phone services, such as MVNOs.

Continue to expand our discount bundle services which combine mobile services and fixed-broadband services

We greatly emphasize the acquisition of smartphone users and the improvement of the churn rate thereof by focusing on the promotion of the *Home Bundle Discount Hikari Set*, which offers a discount on the communication charges of mobile communications services to customers subscribing to both mobile communications services and broadband services such as *SoftBank Hikari*.

Continue to pursue operating efficiencies and extract synergies from our investments, especially Yahoo Japan

As we seek to improve margins, we intend to find ways of reducing our operating costs. One example of this is the cost savings we achieved in network operations, information systems, sales and marketing and personnel as part of the April 2015 merger of our domestic telecommunications companies into *SoftBank Corp.* We also aim to cooperate with and develop synergies with various group companies and associates. For example, in collaboration with *Yahoo Japan*, we launched a mobile commerce service that enables customers to easily and conveniently use internet shopping and other *Yahoo Japan* services on their smartphones. In addition to improving the experience of our subscribers, through the introduction of features like “Smart Login,” “T Point” awards and “*SoftBank Consolidated Billing*,” in June 2017, we launched a partnership with *Yahoo Japan* whereby *SoftBank* smartphone users will be able to receive all the privileges of *Yahoo! Premium* membership and obtain ten times as many T Points than users normally would while conveniently purchasing products without registration on *Yahoo Japan*’s e-commerce platform. Through these activities, we aim to encourage smartphone subscribers to make even greater use of the services of *Yahoo Japan*, and to generally promote the mobile internet usage of our subscribers, in order to increase revenues from the use of data communications services and other services and content.

Maintain our current level of capital expenditures and generate sustainable free cash flow

In recent years, we made large-scale capital investments to improve our domestic network, with ¥1,317 billion (\$11,738 million) invested during the three-year period ended March 31, 2017. However, we have mostly finished building our steel towers for base stations throughout Japan, the most-costly aspect of our network revamp program, and have entered a period of expected moderate capital expenditure and stable free cash flows. In particular, we anticipate capital investment of ¥398.5 billion (\$3,552 million) in the next fiscal year in our Domestic Telecommunications segment (including life-cycle expenditure), which, paired with our steadily growing Adjusted EBITDA levels, will remain our generation of free cash flow.

Sprint: Further enhance the operational and financial performance of Sprint through a unique and differentiated value proposition

Sprint has achieved significant operation and financial improvement in fiscal year ended March 31, 2017. Due to continuous engagement in cost management across its business, which led to a cumulative reduction of \$3.4 billion in its cost of service and SG&A (US-GAAP) over the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017, as well as management's focus on increasing the number of postpaid phone subscribers, which are Sprint's largest source of revenue and profit, Sprint has recently seen a sharp recovery in profitability. During the fiscal year ended March 31, 2017, Sprint's consolidated net operating revenue (US-GAAP) increased for the first time in three years and Sprint's adjusted free cash flow (US-GAAP) turned positive in the fiscal year ended March 31, 2017. Also, Sprint's Adjusted EBITDA (US-GAAP) has steadily improved over the last three years, from \$6.0 billion in fiscal year ended March 31, 2015, \$8.1 billion in fiscal year ended March 31, 2016 to nearly \$10 billion for the fiscal year ended March 31, 2017.

As Mr. Son has aimed to continue this momentum, by making further improvements to the Sprint brand and the experience of Sprint customers. For example, we plan to migrate Sprint to an all-LTE service and to further invest in improving network coverage. We have already achieved significant success in this regard. Independent mobile analytics firm RootMetrics awarded Sprint over 30 percent more first-place (outright or shared) Metropolitan area RootScore Awards (from 103 to 135) for reliability, speed, data, call, text, or overall network performance in the 76 markets measured in the first half of 2017 compared to the year-ago testing period. Additionally, Sprint ranked second nationally in call performance for the fourth consecutive time in the second half of 2016 report, including more metro Call RootScore awards (with 108 such awards) than Verizon, AT&T, or T-Mobile for the first time ever. Rankings are based on RootMetrics Metro RootScore Reports from the first half of 2016, the second half of 2016, and the first half of 2017 and the National RootScore Report from the second half of 2016 for mobile performance as tested on best available plans and devices on four mobile networks across all available network types. We hope to continue this success by further enhancing Sprint's network connectivity and speed, going beyond Sprint's current population coverage of over 300 million people with its LTE network area. Sprint is also densifying its network through leveraging its abundant spectrum holding and utilizing innovative tools including "Magic Box" and femtocells to improve customer experience in indoor environments and other hard-to-reach areas.

Masayoshi Son has been deeply involved in improving Sprint's network. We believe these network improvements will allow us to further improve Sprint's profitability by steadily increasing postpaid phone net additions and undertaking cost-reduction initiatives. Demonstrating our success so far in these areas, Sprint's net additions of postpaid phone subscribers, a focus of their management, increased from a net loss of 1,526,000 for the fiscal year ended March 31, 2015 to net additions of 930,000 and 438,000 for the fiscal years ended March 31, 2017 and 2016, respectively, marking a nearly twofold increase year-on-year. Sprint's postpaid phone churn rate also improved continuously, decreasing to 2.04%, 1.52% and 1.48% for the fiscal years ended March 31, 2015, 2016 and 2017, respectively.

While we will play an active role in Sprint's further improvement, we expect that Sprint will continue to act as an independent subsidiary with stand-alone funding capacity for its operations and capital requirements, including through the utilization of asset financing such as spectrum-back financing that was executed in October 2016.

ARM: Capture new business opportunities by leveraging ARM and other portfolio companies that are well positioned to drive the paradigm shift to IoT

We expect to see, in the near future, a paradigm shift to IoT and the widespread integration of artificial intelligence, and related technology, into daily life. We believe that this shift will present many business opportunities. For example, an increasing number of smart devices means demand for processors that drive these devices will increase. In September 2016, we acquired all the shares of ARM, one of the world's leading technology companies with strong capabilities in global microprocessor intellectual property design and licensing. Our investment in ARM positions us to participate in and help drive the paradigm shift to IoT and a widespread integration of artificial intelligence, and related technology, into daily life. Insight from over 100 billion ARM-based chips shipped to date and ARM partnership provides us with technology expertise to identify an industry trends. By accelerating our investment in new technologies and markets, expanding market share in markets with a growth potential such as network infrastructure, servers, automotive, IoT and AI, while also maintaining its share in smartphone microprocessor intellectual property design licensing, we aim to further grow ARM as a core business in the SoftBank Group and a leader in IoT.

Strategic Investments: Continue to make growth investments and manage portfolio strategically

The information industry is characterized by rapid changes in technology, business models and market needs. To become a provider of the most essential technologies and services to people around the world, it is imperative that we are flexible with regard to specific technologies and business models, and cultivate the flexibility to transform our business, for example by expanding and adjusting the scope of our businesses, to adapt to changes in the market. To meet this challenge, we aggressively invest in internet and technology-related companies that are expected to achieve strong growth. We then leverage our cultivated knowledge base and business networks to support the growth of our portfolio companies. At the same time, we aim to continuously expand and change our business offerings by organically combining our own strengths with those of portfolio companies to create synergies. Through this process, we aim to realize sustainable growth. Also, we have a proven track record of monetizing our portfolio companies including a partial monetization of our Alibaba shares through a variable prepaid forward contract entered into in June 2016 and through sale of shares to Alibaba and other investors for a total of ¥8.8 billion (\$987 billion) and disposition of our interest in Supercell on July 29, 2016 for \$7.4 billion (¥827 billion). See “—Strengths—World-class management team led by Japan’s most successful entrepreneur, with a track record of growing businesses and risk control through disciplined portfolio management.” We will continue to strategically manage our portfolio to monetize investments when appropriate, as part of our prudent group financial policy.

To facilitate strategic investment in technologies globally, we launched on May 20, 2017, the Vision Fund. This fund will deploy capital from SoftBank Group Corp. and our investment partners, and will allow us to step up investments in global technology. Over the next decade, we aim to make Vision Fund the biggest investor in the technology sector, driving innovation in the sector and accelerating the Information Revolution. Through the Vision Fund, we can maximize our ability to pursue investment opportunities up to an aggregate \$100 billion in scale with our committed capital of up to \$28 billion. The Vision Fund will enable a balanced new investment strategy accelerating enterprise value and balance sheet management toward credit improvement. While we consolidate the Vision Fund for accounting purposes, we do not intend to provide direct credit support for investments by the Vision Fund or for its portfolio companies.

History

We were founded on September 3, 1981 by Masayoshi Son to distribute software, with a focus on innovation, and with a corporate philosophy of bringing happiness to everyone through an information revolution. Masayoshi Son named us “SoftBank,” reflecting his vision of us as a “bank of software”—a key source of infrastructure for the information society. This philosophy has been the backbone of our steady growth, and we now engage in a broad array of communications, technology and internet-related businesses, both domestically and globally.

We believe SoftBank Group is the leading internet and communications company in Japan. We entered the internet business in 1996 when we formed Yahoo Japan through a joint venture with Yahoo! Inc. (currently Altaba Inc.). We entered the communications services business in 2001 when we began our *Yahoo! BB ADSL* service and in 2004 we acquired a fixed-line telecommunications operator, Japan Telecom Co., Ltd. We entered the mobile communications business in 2006 with our landmark acquisition of mobile communications operator Vodafone Japan for approximately ¥1.7 trillion (\$15.2 billion), or ¥1.8 trillion (\$16.4 billion) net of loans to and cash and cash equivalent held at Vodafone Japan. Since then, we have introduced innovative and top-of-market products such as the *iPhone*, which we were the first Japanese company to distribute in Japan. Despite a period during which our mobile connectivity rate lagged behind other mobile communication companies in Japan, mainly due to a lack of spectrum in the band between 700 MHz and 900 MHz, known as the “platinum band,” we have subsequently built our network into one of Japan’s largest and most reliable mobile networks for coverage and connectivity.

In 2010, in celebrating the thirtieth anniversary of our founding, we announced “SoftBank’s Next 30-Year Vision,” re-confirming our aim to contribute to people’s happiness through an information revolution, and to become “the corporate group needed most by people around the world.” We have expanded globally, and in 2013, we completed another landmark acquisition by becoming the majority owner of Sprint, a wireless communications company in the United States. Since 2014, we have accelerated strategic and synergistic investments in innovative and disruptive companies, in particular in internet technologies where we anticipate future growth. In September 2016, we acquired all of the issued and outstanding shares of ARM, for approximately £24.0 billion. We now hold shares of Alibaba with a value of ¥7,996 billion (\$71,269 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract), as of March 31, 2017, although

¥154 billion (\$1,377 million) of Alibaba shares were pledged as collateral, as of March 31, 2017, in relation to a variable prepaid forward contract entered into in June 2016. See “Recent Business Review—Cash and Capital Requirements—Debt Repayments and Certain Other Contractual Commitments—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.”

In order to seek to enable the next age of innovation, in October 2016, we announced the intention to form the Vision Fund. We announced the first major closing of this fund, with over \$93.2 billion of committed capital, on May 22, 2017. See “—SoftBank Vision Fund.”

SoftBank Vision Fund

On October 14, 2016, we announced the intention to form the Vision Fund, a unique investment fund established within the SoftBank Group in order to facilitate investment in the global technology sector and further our business strategy of investing in transformative technologies and disruptive entrepreneurs that we expect to achieve strong growth. See “—Strategies—Strategic Investments: Continue to make growth investments and manage portfolio strategically.” As it is managed and held separately, the Vision Fund maximizes investment opportunities while managing group financial leverage. On May 20, 2017, we also announced the first major closing of the Vision Fund with \$93.2 billion of committed capital. Our co-investors in the Vision Fund include the Public Investment Fund of the Kingdom of Saudi Arabia, the Mubadala Investment Company of the United Arab Emirates, Apple Inc., Foxconn Technology Group, Qualcomm Incorporated and Sharp Corporation, or their respective affiliates. The final closing of the Fund is expected to occur no later than six months following the date of this initial closing. The investment period for the Vision Fund will be five years from the final closing and the fund period will last at least 12 years from the final closing.

We believe that the next stage of the Information Revolution is underway, and building the businesses that will make this possible will require unprecedented large-scale long-term investment. The Vision Fund will make long-term investments in companies and foundational platform businesses that seek to enable the next age of innovation. We plan to achieve this by the Vision Fund acquiring minority and majority interests in both private and public companies, from emerging technology businesses to established, multi-billion dollar companies requiring substantial growth-funding. The Vision Fund and its associated vehicles are expected to be active across a wide range of technology sectors, including but not limited to: IoT, artificial intelligence, robotics, mobile applications and computing, communications infrastructure and telecoms, computational biology and other data-driven business models, cloud technologies and software, consumer internet businesses and financial technology.

The terms of the Vision Fund generally require us to make any investments and acquisitions of \$100 million or more, that fall within the Vision Fund’s investment strategy, through the Vision Fund or its associated vehicles, but we will continue to make certain other investments and acquisitions, including (but not limited to) investments not meeting the \$100 million threshold, strategic investments at the operating company level and other investments that do not fall within the Vision Fund’s investment strategy and criteria.

We have committed capital to the Vision Fund in an amount not to exceed \$28 billion, including an initial capital contribution of 24.99% of our holdings in ARM to satisfy approximately \$8.2 billion of our commitment. In addition, certain investments in line with the Vision Fund’s investment strategy, negotiated by us since the announcement of the Vision Fund in October 2016 may be assigned, transferred or allocated to the Vision Fund, in the future, subject to approval by the limited partners of the Vision Fund. Investments that we plan to offer to transfer to the Vision Fund, in whole or in part, include our investments in OneWeb, Nvidia, Social Finance and Guardant Health. When the Vision Fund makes capital calls requiring us to contribute capital in a cumulative amount exceeding the value of the ARM shares contributed to the Vision Fund, we will then contribute cash to the Vision Fund to fulfill our capital contribution obligations. We do not plan to use the remaining shares in ARM or any other securities (including those we hold in Alibaba) for in-kind contributions to the Vision Fund.

We expect that the Vision Fund will be consolidated by us for accounting purposes. Therefore, the results of operations, assets and liabilities of the Fund will be included in our consolidated financial statements. The portfolio companies of the Vision Fund that we are deemed to control from the IFRS perspective will be treated as our subsidiaries and their results of operations, assets and liabilities will be included in our consolidated financial statements. In principle, other investments held by the Vision Fund will be recognized at fair value at each quarter-end, and the change will be recognized in profit or loss. We will disclose the impact of the Vision Fund in financial statements as necessary.

Our Business Segments

We are a holding company, SoftBank Group Corp., with a global portfolio of 761 subsidiaries, 130 associates and 23 jointly controlled companies as of March 31, 2017. We operate in the following business segments: Domestic Telecommunications, Sprint, Yahoo Japan, Distribution, ARM and Other. Our Domestic Telecommunications segment includes SoftBank Corp., our core operating subsidiary since we acquired Vodafone Japan in April 2006 and our 99.99% owned subsidiary as of March 31, 2017, and Wireless City Planning Inc. Our Sprint segment includes Sprint, one of the “big four” established nationwide wireless carriers in the United States, with approximately 60 million cumulative subscribers to its mobile communications services, as of March 31, 2017. Our Yahoo Japan segment, with Yahoo Japan as its main operating company, provides internet-based advertising, e-commerce services and other services. In our Distribution segment, we provide services, including mobile device and accessory wholesaling, and mobile device distribution through Brightstar. In the ARM segment, ARM designs and licenses technologies used in semiconductor chips used in mobile devices, enterprise infrastructure and embedded intelligence in automobiles and home appliances. In the Other segment, we are involved in various businesses, including energy-and robotics-related businesses and business related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team.

Domestic Telecommunications Segment

The Domestic Telecommunications segment comprises the subsidiaries that operate domestic telecommunications businesses, such as SoftBank Corp. and Wireless City Planning. SoftBank Corp. provides (i) mobile communications services under the *SoftBank* and *Y!mobile* brands, (ii) broadband services for retail customers, such as *SoftBank Hikari* and *Yahoo! BB* and (iii) fixed-line telecommunications services for corporate customers, such as data communications and fixed-line telephone services. Wireless City Planning provides broadband wireless access services using the 2.5 GHz band. According to Ovum, total mobile subscribers attributable to our Domestic Telecommunications segment, which we count as the total number of subscribers under the *SoftBank* brand and *Y!mobile* brand, was approximately 42.7 million subscribers (including PHS), representing a subscriber market share of 26% as of March 31, 2017.

We entered the mobile communications business in April 2006 when we acquired Vodafone Japan (the predecessor to SoftBank Corp.). By recognizing the imminent arrival of the mobile internet era and executing smartphone-based strategy and network enhancement initiatives, we became the fastest growing provider of mobile communications services by subscribers in Japan. One important milestone in this process was being the first carrier to offer the *iPhone* in Japan in 2008. Since then, in an effort to ensure steady profit growth in mobile communications, we have been pursuing our key strategic initiatives aimed at expanding our smartphone subscribers and increasing telecommunications service revenue.

Through our Domestic Telecommunications segment, we offer LTE mobile services on a variety of devices over our nationwide mobile communications network. Although we have seen a general decline in ARPU—mirroring the general trend in the industry—mainly due to the dilutive impact of an increase in the ratio of *Y!mobile* smartphone subscribers, which have a relatively low service charge. Further penetration of the *Home Bundle Discount Hikari Set* to the subscriber base also lowered ARPU by increasing the discount amount on telecom ARPU. These impacts were partially offset by an increase in the ratio of smartphone subscribers. For the fiscal years ended March 31, 2015, 2016 and 2017, main mobile subscribers generated ARPU in the amount of ¥4,670, ¥4,700 and ¥4,500, respectively.

Our Products and Services

The primary business within our Domestic Telecommunications segment is the provision of mobile voice and data services, broadband services for retail customers and fixed-line telecommunications services for corporate customers. Revenues from voice and data services for SoftBank Corp., the primary operating subsidiary in our Domestic Telecommunications segment, accounted for the vast majority of net sales for the segment. We offer subscribers mobile data services on most of our handsets as well as mobile voice services.

Our mobile communications services are offered on our 3G and LTE networks on the FDD-LTE and TD-LTE standards. Our LTE service is available throughout most populated areas of Japan. Our Voice over LTE service transmits voice data over our LTE network, allowing for clear, higher quality voice calls.

We currently offer mobile communications services on a contract, or postpaid, basis and as a prepaid service. Our typical postpaid subscriber contracts are for periods of 24 months, with auto renewal for an additional term if not cancelled. As of March 31, 2017, almost all of our customers were subscribers to our postpaid service.

Data Flat-rate Plan

Given that mobile phone users are consuming increasingly large amounts of data-rich content such as videos, we introduced *Data Flat-rate* (20GB) and *Data Flat-rate* (30GB) (collectively known as “*Giga Monster*”) data plans for smartphones in September 2016. This plan offers both a 20GB and 30GB option, for ¥6,000 per month and ¥8,000 per month, respectively.

Content and Services

We are collaborating with Yahoo Japan Corporation, aiming to encourage smartphone subscribers to make even greater use of *Yahoo!* Services. For example, we have offered award points to long-term users and awarded additional points to users of Yahoo Japan Corporation e-commerce services. In addition, SoftBank smartphone users enjoy all the privileges of *Yahoo!* Premium membership for free, encouraging our subscribers to use *Yahoo!* Japan’s various internet services.

Discounts and Special Plans

Additionally, we offer various discounts and special plans, including the *Home Bundle Discount Hikari Set* and *Super Student* plans. Our discounts and special plans include the following:

- *Home Bundle Discount Hikari Set.* From March 2015, we have offered a discount bundled service, which combines mobile services and optical broadband services, by utilizing optical fiber wholesale services of NTT East and NTT West. As of March 2017, cumulative *Hikari Set* subscribers consisted of *SoftBank Hikari* subscribers corresponding to 6.0 million associated mobile subscribers taking advantage of the discount. A typical subscriber might pay approximately ¥8,000 per month for our mobile service opting for five-minute unlimited voice calling and *Data Flat-rate* (20GB) and ¥5,700 per month for our residential optical broadband services (including related mandatory service charges). When subscribers choose a data package for 20 GB of monthly usage, and also subscribe to our optical broadband services, they receive a monthly discount of ¥1,410 to their smartphone bill and, for a period of two years at most, the smartphone bill of up to ten family members. After two years, the discount is reduced to ¥1,008 and applies only to the smartphone bill of the subscriber.
- *Super Student.* This program includes both a U18 *Gakuwari* plan and U25 *Gakuwari* plan. The U18 *Gakuwari* plan provides subscribers under the age of 18 with a discounted data plan option, with monthly fees that adjust based on data usage, but are capped at less than ¥3,390 with data consumption up to a generous 20GB of data, allowing subscribers to consume large amounts of data-rich content without worrying about running out of data or incurring large fees. The U25 *Gakuwari* plan provides subscribers under the age of 25 with a ¥1,000 discount per month on our 20GB/30GB *Giga Monster* data plans.

Y!mobile Pricing Plans

Y!mobile offers fixed-rate smartphone mobile subscription plans with a one-year discounted rate and a two-year double data bonus. Subscribers may choose from three different plans with (i) data cap of 2GB (1GB without a two-year double data bonus) and unlimited voice calls up to ten minutes, (ii) data cap of 6GB (3GB without a two-year double data bonus) and unlimited voice calls up to ten minutes or (iii) data cap of 14GB (7GB without a two-year double data bonus) and unlimited voice calls up to ten minutes. The monthly fee for the 2GB plan is at a discounted rate of ¥1,980 for the first 12 months of the subscription and ¥2,980 for the remaining subscription term. The monthly fees for the 6GB and 14GB plans for the first 12 months are ¥2,980 and ¥4,980, respectively and ¥3,980 and ¥5,980, respectively, for the remaining subscription term.

Handsets

We offer a wide selection of handsets, with a particular focus on smartphones, which generally have a higher ARPU than feature phone offerings. In addition to the iPhone 7, iPhone 7 Plus and iPhone SE, we offer a range of Android smartphones including Sony Mobile’s Xperia™ XZs, Sharp’s AQUOS Xx3 and AQUOS Xx3 mini, and Kyocera’s DIGNO® F. We also offer a number of feature phones, including Sharp’s AQUOS keitai2 and Panasonic Mobile Communication’s COLOR LIFE 5 WATERPROOF and tablets such as Apple’s iPad and iPad Pro.

We source our handsets from a number of well-known suppliers, including Apple, Sharp, Sony, Kyocera, Panasonic, Samsung and ZTE, as *SoftBank* brand handsets. These products are sold both through direct and indirect channels. Our *Y!mobile* brand sources its handsets from suppliers including Apple, LG Electronics and Kyocera, as *Y!mobile* brand handsets. We are continuously striving to improve the quality and breadth of our handset offerings to take advantage of new developments and new mobile handset features. The iPhone is our best-selling handset.

The majority of the subscribers in the Japanese mobile market are postpaid subscribers. We offer a monthly discount program which is a type of sales promotion that provides customers support as they purchase new handsets, by allowing customers who purchase handsets by installment contract (typically a 24-month contract) to deduct all or a part of their installment payment from their monthly service fees. This program allows subscribers to purchase handsets practically for a significantly reduced price. In addition, we offer to a certain extent cash back, a points program and a trade-in program, in order to gain subscribers from our competitors and retain our existing subscribers. The amount of these offerings depends on the applied price plan, our marketing strategy and the guideline issued by MIC. They are standard in the Japanese mobile market, and believe that they are effective for subscriber acquisition and retention. Also, by increasing the number of subscribers with advanced smartphones that can access our LTE network, we can facilitate our subscribers' use of various mobile content, including mobile applications and internet services, which we believe will lead to an increase in mobile data usage. In effect, we expect this strategy to lead to both improved customer satisfaction as well as increased future data consumption. We believe this strategy is important, as we expect that data usage from smartphones will be one of the drivers of our ARPU, going forward. See “—Strategies—Domestic Telecommunications: Leverage our leading market position in the attractive Japanese telecommunications market to enhance revenue generation—Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers by intensifying our dual-brand strategy.”

Fixed-line Telecommunications Products and Services

Our fixed-line services to corporate customers include *Otoku Line*, a direct-connection fixed-line voice service, or landline service, data transmission services that support work style innovations and promote cross-selling with our other mobile communication services. Our broadband services to individual customers include *Yahoo! BB ADSL* broadband internet access service, *Yahoo! BB hikari* with *FLET'S* ISP services offered as a package with NTT East's and NTT West's *FLET'S Hikari Series* fiber-optic connection, IP telecommunications services and wireless LAN services. In addition, in March 2015, we began offering fiber-optic connections services, under the *SoftBank Hikari* brand, through which we resell optical broadband access obtained wholesale from NTT East and NTT West.

Sales and Marketing

Our current marketing strategy is focused on the dual brand strategy of *SoftBank* brand for premium service offering and *Y!mobile* brand for competitive pricing against MVNO. We have found that marketing communications, such as television commercials, website banners, or media and promotions, in addition to the base line power of a company, which we believe includes the quality of our sales personnel and brand recognition, are the biggest contributors to subscriber additions.

Branding

As a part of our branding strategy, we own the Fukuoka SoftBank HAWKS, a Japanese professional baseball team, which won the 2014 and 2015 Japan Series championships. Moreover, we are attempting to develop an image of being cutting-edge through promotional activities that use “Pepper,” the humanoid robot developed by our subsidiaries SoftBank Robotics and ALDEBARAN Robotics. Furthermore, our series of commercials featuring the *Shirato family* continues to have enduring popularity, even almost ten years after these commercials were first introduced.

Point Program

The T Point program is one of Japan's largest collective points programs in which users can earn T Points through spending at affiliated stores, nationwide, and internet vendors, and to use these points with these same associates. We offer a program through which users can earn T Points by incurring *SoftBank* mobile phone charges. SoftBank Corp. and Yahoo Japan have a minority investment in Tpoint Japan Co., Ltd., the operator of the T Point program.

Prepaid Cards

We offer a SoftBank Card, which is a refillable pre-paid card, with no registration or annual fee, that allows users to accumulate T Points when shopping and can be used wherever Visa is accepted. The SoftBank Card is easily refilled by transferring money to a designated bank account and can be used at the approximately 38 million vendors that accept Visa, which include department stores, convenience stores, drugstores, restaurants, clothing stores and internet shops, both in Japan and abroad. For each ¥200 charged to a SoftBank Card, the user accumulates one T Point, which can be used, for example, to offset the user's mobile phone bill or to re-fill the SoftBank Card, at a rate of ¥1 per T Point used.

Trade-in Campaign

We allow our customers to trade in their mobile devices and offer these customers a range of monthly fee discounts, based on the type of device traded in. Devices which are traded in are resold by Brightstar.

Customer Service

We realize that customer service, including the service that we provide, both when signing up a customer and when addressing the needs of existing customers is important to retaining subscribers and maintaining the reputation and recognition of our brand name. We provide extensive customer service at the point of sale through our nationwide network of shops, the employees of which we train in customer support and to whom we provide further assistance through our shop support centers. Post-sale support is handled through our toll-free support lines, which include general support services as well as technical support dedicated to the *iPhone*, email center and Twitter support. Customers also participate in surveys after receiving assistance from our support staff, which enables us to monitor performance and motivate our personnel to continue to provide excellent service. Our customer service efforts are also supported by fully integrated information systems. For example, customers can use their mobile telephones or personal computers to access our website, where they can change their services, pricing plans and email addresses 24 hours a day.

Consumer Marketing Channels

We have established an extensive nationwide distribution and after-sales service and support network comprised primarily of dealers, which, as of March 31, 2017, included dealers in approximately 2,500 *SoftBank*-branded stores and 1,000-branded *Y!mobile* stores that exclusively offer our products and services. Additionally, we market through an extensive network of mass electronics retailers and mobile retail shops, as well as mobile specialty shops, which sell multiple brands of mobile phones. We have longstanding relationships with mass electronics retailers and we believe that we can leverage these relationships to promote our mobile communications services.

We also use the SoftBank Corp. and *Y!mobile* website to market our products and services. The websites contain online shopping and detailed information on our products and services, such as product specifications, pricing plan details and service area coverage. Our websites are also increasingly focused on customer self-service in order to provide subscribers with greater convenience. Subscribers can access services related to their accounts through the websites in order to see, for example, their service plan, monthly statements and customer support information.

In addition, we use our existing customer relationships related to fixed-line and other corporate solutions to cross-sell mobile, cloud and other solutions to corporate customers.

Fixed-line Telecommunications Sales and Marketing

As a fixed-line telecommunications company, we attempt to differentiate our business through network reliability and information and communications technology solutions, building on what we believe to be a trusted reputation and strong track record in the fixed-line telecommunications market and price competitiveness. As discussed above, subscribers to our fixed-line broadband services, mainly our *SoftBank Hikari* service, can receive discounts on their mobile phone services. See “—Our Products and Services—Discounts and Special Plans.”

Subscribers

As of March 31, 2017, our Domestic Telecommunications business had 39.3 million subscribers of smartphones, feature phones, tablets and mobile communications devices representing a subscriber market share

of approximately 26%. This is up from 15.2 million when we acquired Vodafone Japan in 2006. We believe that our customer base will contribute to our ability to achieve stable cash flows from our mobile business communications business. We have identified users of smartphones, feature phones, tablets, and mobile data communication devices, which are all sources of revenue and profit, as the “main mobile subscribers” and concentrated our efforts on acquiring and maintaining such subscribers. As of March 31, 2017, the cumulative number of main mobile subscribers of mobile communications services stood at 32.4 million, 362,000 net additions from the previous fiscal year-end. In addition, churn rate in the main mobile subscribers and handsets decreased from 1.35% and 1.16% for the fiscal year ended March 31, 2016 to 1.24% and 0.89% for the fiscal year ended March 31, 2017, respectively.

As of March 31, 2017, our Domestic Telecommunications business had 6.1 million subscribers of fixed-broadband services. The number of *SoftBank Hikari* subscribers successfully increased by 1.9 million to 3.6 million due to focused efforts to expand sales of the *Home Bundle Discount Hikari Set* and an aggressive campaign to encourage users to switch over from competing telecom carriers’ fiber-optic services.

Mobile Network

We operate the foremost domestic mobile communications network, in terms of smartphone data connectivity and smartphone communication speed. We purchase and operate our network infrastructure directly. Our primary providers of network equipment include affiliates of Ericsson and Nokia.

According to Agoop Corp., an industry data aggregator, our smartphone data connectivity as of March 26, 2017, was 98.6%, compared to 98.2% and 98.3% for our primary competitors NTT DOCOMO and KDDI, respectively. See “—Japanese Market Overview.”

After acquiring Vodafone Japan in 2006, we began strengthening our network by doubling the number of our 3G base stations. Following this investment in our network, and before we were allocated spectrum of the 900 MHz band, we focused on improving our network coverage, particularly poor area coverage, by making appropriate and well-timed capital investments in our network, while minimizing capital expenditure in order to improve our financial position, such as free cash flows. In 2010, as our *iPhone* subscribers began to increase, we began to upgrade our network to better serve the needs of subscribers in the smartphone age. We doubled the number of our base stations particularly in metropolitan areas, so that our network could handle the anticipated increase in data usage. In 2012, we were allocated spectrum of the 900 MHz band and undertook efforts to further improve our network area coverage and quality, such as by building new base stations and towers in areas in which our network previously did not cover. In addition, we began to utilize the networks of Wireless City Planning and eAccess, allowing our smartphone user subscribers to access multiple spectrums and allowing us to build a network that enabled users to more seamlessly access internet media and services. Now that our network has improved significantly, as planned, required capital expenditure has declined and we expect it will decrease going forward, as the most costly aspects of our network improvement, such as setting up steel towers for base stations, are mostly complete. Going forward, as we continuously improve our network, we believe that our capital expenditures will be primarily limited to maintenance and upgrades of our existing base stations for introducing the newest network technologies.

Our LTE services include FDD-LTE and TD-LTE. We provide these services using a combination of our available spectrum, based on availability and data traffic, which helps us to achieve higher effective speed than other carriers.

Our LTE services use the 2.1 GHz band throughout most of Japan. We have enhanced our nationwide LTE coverage with the addition of our 900 MHz band LTE services. Our 2.5 GHz TD-LTE services, which are used for data offloading, are provided primarily in cities in which data traffic is high. This TD-LTE network utilizes a one-of-a-kind architecture of “cloud-type base stations” where “base band units,” each controlling 30 to 50 base stations, are installed in local telephone exchanges. This system enables us to reduce the geographic coverage area, or cell size, served by base stations through coordinated control, thereby reducing interference between base stations. We believe this system and continuous upgrade of our network with advanced technology will play an increasingly important role in offloading an increasing amount of data traffic.

We also enhance our LTE services by using carrier aggregation, which we began in September 2014. Carrier aggregation is a wireless communication technology used in concert with LTE-Advanced to aggregate multiple radio transmission signals together to achieve faster communication speeds. iPhone 7, iPhone 7 Plus, iPhone 6s, iPhone 6s Plus and certain of the latest Android smartphones and certain data cards are also

compatible with carrier aggregation technology. In addition, in September 2016, we launched an unprecedented commercial multiple-input and multiple-output (“Massive MIMO”) technology combined with beamforming technology, which is a signal processing technique that directs signals from antennas towards where our users are. Massive MIMO is one of the core technologies of 5G used to enhance network capacity in Japan.

We are currently working with Qualcomm Technologies to develop technologies for a future 5G network. We plan to provide commercial services and devices utilizing 5G networks in late 2019.

Spectrum

SoftBank Corp. has been allocated spectrum in the 700 MHz, 900 MHz, 1.5 GHz, 1.7 GHz, 2.1 GHz, 2.5 GHz and 3.5 GHz bands for operation of our mobile communications networks.

Unlike in the United States and certain European countries, radio spectrum in Japan historically has not been allocated via an auction system. Instead, the MIC allocates bandwidth after considering applications from interested parties. In this process the MIC considers a range of factors, including which proposed use for the spectrum best serves public needs and whether the parties have the necessary means to accomplish their proposals. Because the MIC can revoke allocations under certain circumstances, we are obligated to develop our spectrum in accordance with the proposals we made when applying for use of the spectrum. Spectrum users are required to pay radio utilization fees to the MIC. See “Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum.”

Sprint Segment

The Sprint segment was established as a reportable segment in conjunction with the consolidation of Sprint in 2013. Sprint is a communications company that primarily offers wireless communications products and services that are designed to meet the needs of individual consumers, businesses and resellers. Its operations are organized to meet the needs of our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless services. Sprint is one of the major mobile operators in the U.S. with approximately 60 million subscribers to its mobile communications services, as of March 31, 2017.

Products and Services

Sprint operates both a wireless and wireline business, providing fixed-line telecommunications services, mobile telecommunications services, mobile devices, mobile handsets and accessories services in the United States. Sprint offers wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler’s brand. Sprint continues to support the open development of applications, content and devices on the Sprint platform.

Sprint’s wireless data communications services include mobile productivity applications, such as internet access, messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment applications, including the ability to view live television, listen to satellite radio, download and listen to music, and play games. Sprint’s wireless voice communications services include basic local and long-distance wireless voice services throughout the United States, as well as voicemail, call waiting, three-way calling, caller identification, directory assistance and call forwarding. Sprint also provides voice and data services in numerous countries outside of the United States through roaming arrangements. Sprint offers customized design, development, implementation and support for wireless services provided to large companies and government agencies.

Sprint’s services are provided using a broad array of devices and applications and services that run on these devices to meet the growing needs of subscriber mobility. Sprint’s device portfolio includes many cutting edge handsets, from various original equipment manufacturers, as well as hotspots, which allow the connection of multiple Wi-Fi enabled devices to the Sprint platform and embedded tablets and laptop devices. In addition, Sprint sells accessories, such as carrying cases, hands-free devices and other items to subscribers, and sells devices and accessories to agents and other third-party distributors for resale.

In Sprint’s postpaid portfolio, it offers several price plans for both consumer and business subscribers. Many of its price plans include unlimited talk, text and data or allow subscribers to purchase monthly data

allowances. Sprint also offers family plans that include multiple lines of service under one account. These plans are currently offered with traditional subsidy, installment billing or leasing programs. The traditional subsidy program requires a signed service contract and allows for a subscriber to purchase a handset at a discount for a new line of service. Sprint's installment billing program does not require a signed fixed-term contract and offers service plans at lower monthly rates compared to traditional subsidy plans, but requires the subscriber to pay full or near full price for the handset over monthly installments. Sprint's leasing program also does not require a signed fixed-term service contract, provides for service plans at lower monthly rates compared to traditional subsidy plans and allows qualified subscribers to lease a handset and make payments for the handset over the life of the lease. At the end of the lease term, the subscriber can either turn in the handset, continue leasing the handset or purchase the handset. The terms of Sprint's installment billing and lease contracts require that customers maintain service otherwise the balance of the note is due or they are in default under their lease, respectively.

Sprint's prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber uses and demographics. Sprint prepaid primarily serves as a complementary offer to Sprint's postpaid offer for those subscribers who want plans that are affordable, simple and flexible without a long-term commitment. *Boost Mobile* primarily serves subscribers that are looking for value without data limits. *Virgin Mobile* primarily serves subscribers that are looking to optimize spending but need solutions that offer control, flexibility and connectivity through various plans with high-speed data options. *Virgin Mobile* is also designated as a Lifeline-only Eligible Telecommunications Carrier and provides service for the *Lifeline Program* under our *Assurance Wireless* brand. Assurance Wireless provides eligible subscribers, in certain states, who meet income requirements or are receiving government assistance, with a free wireless phone, 350 free local and long distance voice minutes each month and unlimited free texts under the *Lifeline Program*. The *Lifeline Program* is a benefit program, run by the U.S. government, which provides discounts on monthly telephone service for eligible low-income subscribers to help ensure that they can connect to the nation's communications networks, find jobs, access health care services, connect with family and their children's schools and call for help in an emergency.

Sprint has focused its wholesale business on enabling its diverse network of customers to successfully grow their business by providing them with an array of network, product and device solutions. This allows its customers to customize Sprint's full suite of value-added solutions to meet the growing demands of their businesses.

Sales and Marketing

Sprint focuses the marketing and sales of wireless services on targeted groups of retail subscribers, mainly individual consumers, business and governments, and utilizes a variety of sales channels to attract new subscribers to its wireless services. These sales include direct sales representatives, retail outlets, indirect sales agents and third-party retailers and subscriber-convenient channels, including internet sales and telesales.

Prior to commencing installment billing and leasing programs, Sprint historically sold devices below its cost in response to competition to attract new subscribers and as retention inducements for existing subscribers. Subscribers also have the option to purchase eligible devices through Sprint's installment billing program or to lease eligible devices through its leasing program.

Sprint offers lower monthly service fees without a traditional service contract as an incentive to attract subscribers to certain of our service plans. These lower rates for service are available whether subscribers bring their own handset, pay the full or near full retail price of the handset, purchase the handset under Sprint's installment billing program, or leases their handset through Sprint's leasing program. As Sprint's base of subscribers shift away from its traditional subsidy program to lower-priced service plans associated with device financing options, we expect Sprint platform postpaid ARPU to continue to decline due to lower service revenue; however, we expect higher equipment revenue associated with the installment billing and leasing programs to substantially offset these declines. Since inception, the combination of lower priced plans and installment billing and leasing programs have been accretive to wireless segment earnings. We expect that trend to continue with the magnitude of the impact being dependent on subscriber adoption rates. We also expect that installment billing and leasing will require a greater use of operating cash flows in the earlier part of the contracts as the subscriber will generally pay less upfront than traditional plans because they are financing or leasing the device.

Subscribers

The Sprint platform had approximately 60 million subscribers as of March 31, 2017. For the fiscal year ended March 31, 2017, Sprint added 896 thousand net subscribers, including 681 thousand postpaid subscribers.

Network

Sprint delivers wireless services to subscribers primarily through its Sprint platform network, which primarily uses 3G CDMA and 4G LTE wireless technologies. Sprint's 3G CDMA wireless technology uses a digital spread-spectrum technique that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over the air and reassembling the voice and data into its original format. Sprint's 4G LTE wireless data communications technology utilizes an all-internet protocol ("IP") network to deliver high-speed data communications. Sprint provides nationwide services through a combination of operating its own network in both major and smaller U.S. metropolitan areas and rural connecting routes, affiliations under commercial arrangements with third-party affiliates and roaming on other providers' networks.

Sprint has recently achieved significant improvements to its network, in part due to its nationwide deployment of voice and data services on the 800 MHz spectrum. In 2013, Sprint's network was rated the lowest among the major U.S. wireless carriers. According to a survey by Rootmetrics, during the last half of 2016, Sprint won or shared more Call RootScore Awards than any other U.S. carrier, winning No.1 in metro areas and No. 2 in national call performance. Sprint is in the process of deploying further network capacity via the addition of significant spectrum in the 2.5 GHz band. We expect that further improvements in Sprint's network will lead to continued growth of postpaid phone customers in the future.

Yahoo Japan Segment

Yahoo Japan, our primary subsidiary operating in the Yahoo Japan segment, was established in 1996 as a joint venture between Yahoo! Inc. (currently Altaba Inc.) and the Company and is the dominant search and portal site in Japan. Monthly page views, based on IP address, for its portal site for the three months ended March 31, 2017 reached over 67 billion making it the most visited internet portal site in Japan during this period. As of March 31, 2017, the SoftBank Group held 43.0% of the voting shares of Yahoo Japan, which is listed on the Tokyo Stock Exchange with a market value of ¥2,926 billion (\$26,082 million).

Products and Services

Yahoo Japan offers internet users a wide range of services, including search, information listing, community, e-commerce and games, all of which are accessible from the *Yahoo! Japan* internet portal site. We leverage the *Yahoo!* brand in our other businesses as well.

Sales and Marketing

In 2013, Yahoo Japan launched a new strategy for its advertising business, which included eliminating store tenant and other fees for shops on the *Yahoo! Shopping* and *YAHUOKU!* platforms. Although the new strategy has caused revenues to decline in the short term, the goal is to invigorate the market by expanding the numbers of sellers and products, and to set the overall business on a new growth trajectory by increasing advertisements. In *Yahoo! Shopping*, contributed by the continued increase in the number of product items, enhanced traffic referral from its own services and, in addition, the *T Point* reward measure for SoftBank smartphone users, the total merchandise volume of *Yahoo! Shopping*, *YAHUOKU!* and *LOHACO* for fiscal 2016 significantly expanded by 23.0% year-on-year to ¥1.8 trillion.

Yahoo Japan utilizes big data and advanced advertising technologies to enhance its response to diversifying advertiser needs and realize multi-device compatibility. For example, Yahoo Japan uses big data obtained from its customer base, which we believe to be the largest in Japan, to enable real-time distribution of advertisements, significantly increasing advertising efficiency. Yahoo Japan also made a full-scale expansion into the video advertisement distribution business. Yahoo Japan focuses on multi-device compatibility to strengthen its response to the ongoing evolution of content, from text to images and video.

Distribution Segment

The Distribution segment comprises subsidiaries such as Brightstar and SoftBank Commerce & Service Corp.. Brightstar's operations include a wholesaling business purchasing mobile devices from manufacturers and distributing them to telecommunications operators and retailers globally. We utilize Brightstar's world-wide distribution network to sell smartphone accessories to mobile carriers across the globe. SoftBank Commerce & Service Corp.'s operations include the sale of mobile device accessories and IT-related software and hardware in Japan.

SoftBank Commerce & Service Corp. offers accessories for *iPhone*, *iPad* and other smartphones under the *SoftBank SELECTION* brand.

ARM Segment

The ARM segment provides microprocessor intellectual property designs for use in mobile phones and other mobile devices, as well as software designs and software tools. ARM is seeing continued growth with 17.7 billion ARM-based chips shipped in the fiscal year ended March 31, 2017, compared to 15.1 billion chips the year before. That same year, ARM's technologies were used in over 95% of the primary microprocessors used in smartphones. In 2016, ARM had 34% worldwide market share, calculated by the number of ARM-based chips shipped divided by the number of semiconductors shipped (excluding memory and analog chips, which do not contain processor technology) according to WSTS. In July 2016, anticipating that ARM would be a key driver in the paradigm shift to IoT, we announced a long-term strategic agreement with ARM. Since September 2016, ARM has conducted its business as a member of the SoftBank Group. ARM technology is used in many leading-edge products, including those for mobile, enterprise infrastructure and embedded intelligence in automobiles and home appliances. These markets are expected to see expansion with the future adoption of IoT. By accelerating investment in new technologies and markets and by expanding market share in markets with growth potential and pursuing growth opportunities in network infrastructure, servers, automotive, IoT, and AI, ARM will aim for further growth as a core business in the SoftBank Group leading IoT.

Other Segment

We are also involved in various businesses, including energy- and robotics-related businesses, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team, and other businesses.

Strategically Important Companies

Alibaba

Alibaba operates Taobao Marketplace, one of China's largest mobile commerce destinations and Tmall, one of China's largest third-party platforms for brands and retailers. Alibaba also operates *Alibaba.com*, a leading platform for global wholesale trade serving millions of buyers and suppliers around the world, and *AliExpress*, a global retail marketplace enabling consumers from around the world to buy directly from wholesalers and manufacturers. As a platform, Alibaba provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the internet to establish an online presence and conduct commerce with consumers and businesses. We believe that Alibaba is one of the largest online and mobile commerce companies in the world in terms of gross merchandise volume and the largest e-commerce company by transaction volume in China. Alibaba provides a platform for third parties, and does not engage in direct sales, compete with its merchants or hold inventory.

We have built a mutually advantageous relationship with Alibaba, as seen in our joint investment with Alibaba in Travice Inc. (currently Xiaoju KuaiZhi Inc.), a provider of one of China's most popular taxi booking mobile applications. Furthermore, in May 2016, we announced the establishment of SB Cloud Corporation with Alibaba to launch cloud computing services in Japan that utilize technologies and solutions from Alibaba Cloud, the cloud computing arm of the Alibaba Group. In addition, Alibaba's executive chairman Mr. Yun Ma serves as a director of the company and Mr. Masayoshi Son (our Chairman and Chief Executive Officer), serves as a director of Alibaba, with both directors using their knowledge and rich experience to contribute to the growth of each company.

We are party to a voting agreement with Alibaba, Altaba Inc. (formerly Yahoo! Inc.), Yun Ma, Joseph Tsai and certain other shareholders of Alibaba, pursuant to which the parties agreed to certain voting arrangements with respect to Alibaba shares respectively controlled by them, including an agreement to vote for our director nominee.

Other Strategically Important Associates and Investees

The below information is based on our experience and belief, as well as other publicly available information about the below companies. We do not control these companies and, as such, rely on our status as a shareholder for our information with respect to their operations.

Coupang (Forward Ventures, LLC)

In June 2015, we invested \$1 billion in *Coupang*, which offers mobile-first e-commerce end-to-end fulfillment services in Korea and one of the most revolutionary last-mile delivery services in the world.

Social Finance, Inc.

In October 2015, we participated in a \$1 billion Series E financing of Social Finance, a U.S. fintech company that focuses on individual financial services, such as student loan refinancing.

OneWeb (WorldVu Satellites Limited)

In December 2016, we announced that we entered into an agreement with OneWeb, which is building a constellation of satellites to enable global broadband access, whereby we will make a total investment of \$1.0 billion in OneWeb. We invested \$320 million during the fiscal year ended March 31, 2017 and \$150 million in April 2017. We plan to invest the remaining \$530 million subject to the satisfaction of certain customary closing conditions.

Important Relationships

Vendors

We rely on key vendors for mobile handsets and networking equipment, including the Apple *iPhone*. As the first carrier to market the *iPhone* in Japan, we have a well-established relationship with Apple Inc. We believe that our relationship with Apple Inc., as with other major vendors, is healthy.

Nippon Telegraph and Telephone Corp.

Maintaining our relationship with NTT is important to us. NTT, which is approximately one-third owned by the Japanese government, is the incumbent telecommunications operator that owns a significant portion of the telecommunications infrastructure in Japan. As telecommunications providers, certain SoftBank Group companies in Japan are party to interconnection agreements with NTT. Furthermore, certain SoftBank Group companies have formed alliances with NTT East and NTT West whereby these entities provide fixed-line broadband services to users while SoftBank Group companies provide mobile broadband or other package services to the same users. For example, we offer fiber-optic connection services under the *SoftBank Hikari* brand, through which we re-offer optical broadband access obtained wholesale from NTT East and NTT West.

Altaba Inc. and Verizon Communications Inc.

In 1996, we entered into a joint venture agreement with Yahoo! Inc. (currently Altaba Inc.) (as amended by the Amendment Agreement dated September 17, 1997, the “Yahoo Joint Venture Agreement”) in order to create a Japanese version of Yahoo! Inc.’s online navigational services and to sell online advertisement space, among other purposes. On June 13, 2017, Yahoo! Inc. completed a transaction in which it sold its core operating business to a subsidiary of Verizon; in connection with the transaction, the *Yahoo!* brand was transferred to Verizon, while Yahoo! Inc.’s interest in the Yahoo Japan joint venture remained with the former Yahoo! Inc., which was renamed Altaba Inc.

The Yahoo Joint Venture Agreement has a perpetual term under which either party may terminate for material breaches. However, Altaba Inc. may also terminate the agreement if Yahoo Japan sustains net losses for four consecutive fiscal quarters and the parties cannot agree on a future business plan for the joint venture. Additionally, neither Altaba Inc. nor SoftBank may directly or indirectly sell, assign, transfer, dispose, pledge, or encumber any shares of Yahoo Japan common stock, or purchase shares on the open market, without the prior consent of the other.

Yahoo Japan has a license to the *Yahoo!* brand in Japan from Verizon, which succeeded Yahoo! Inc. as the licensor pursuant to the licensing agreement dated April 1, 1996 and as amended on September 17, 1997 (the

“Yahoo! Licensing Agreement”) in connection with Verizon’s acquisition of Yahoo! Inc.’s internet business and brand. The *Yahoo!* Licensing Agreement is critical to our Yahoo Japan segment, enabling us to use the *Yahoo!* brand for certain of our products and services. If Yahoo Japan is unable to use the *Yahoo!* brand for any reason, Yahoo Japan’s services, our internet service and other services with *Yahoo!* branding could be significantly damaged. As of March 31, 2017, as a group, we held 43.0% of the voting rights in Yahoo Japan, our consolidated subsidiary.

Intellectual Property

The Company is the holder of the registered trademark “SoftBank” and the related corporate logo. The Company permits certain SoftBank Group companies to use its registered trademark.

Certain of the SoftBank Group companies have registered, and have patents pending with respect to, trademarks, registered designs, patents and utility models. In addition, certain of the SoftBank Group companies license the right to use certain intellectual property from third parties, including the *Yahoo!* Licensing Agreement.

Insurance

To the extent that it is reasonably available, we maintain insurance policies, which have policy specifications and insured limits that are adequate and appropriate for our business. Like many other companies in Japan, risks are covered by our fire insurance policies.

We also maintain a range of insurance policies for our directors that are appropriate for our business.

Properties and Leases

Our major subsidiaries lease certain telecommunications equipment and service lines, buildings and structures, other property, equipment and software. Once the assembly, installation and inspection of newly acquired equipment is complete, we sell the equipment, excluding the installed software, to leasing companies and lease the equipment back from them under sale and lease-back arrangements. At the same time, we enter into loan contracts with the lessors to pay for the value of the software installed in the equipment. We include the cash inflows from the sale of the equipment to leasing companies and the proceeds from the loan arranged for the software portion as proceeds from the sale and lease-back of equipment newly acquired under cash flows from financing activities in our consolidated financial statements. As of March 31, 2017, the value of our consolidated outstanding leases was ¥1,246 billion (\$11,105 million).

We generally lease all of our offices including our head office in Tokyo. Generally, our subsidiaries also lease their properties, although each subsidiary may at its own discretion purchase office space and other properties.

Employees

As of March 31, 2017, we had 68,402 full-time employees.

The following table shows the aggregate number of our full-time employees. During the fiscal year ended March 31, 2017, we had an average of 12,924 part-time employees.

	As of March 31,		
	2015	2016	2017
Domestic Telecommunications	17,986	17,834	17,899
Sprint	29,670	26,221	24,845
Yahoo Japan	6,949	9,010	11,013
Distribution	7,928	7,433	7,019
ARM	—	—	4,748
Other	3,407	2,840	2,611
Corporate	214	253	267
Total	66,154	63,591	68,402

Group-wide, we enjoy good relations with our employees. While the Company's employees are not unionized, some of our consolidated subsidiaries have labor unions.

We believe the level of remuneration, fringe benefits, working conditions and other allowances, which include pension payments to employees upon retirement, provided to our employees is generally competitive with those offered in Japan by other companies in similar industries.

Legal Proceedings

We are routinely involved in litigation and other legal proceedings in connection with our ordinary course business activities. We are not currently involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our financial condition or results of operations.

REGULATION

General

The business activities of the SoftBank Group are subject to various governmental regulations in Japan and the other jurisdictions in which we operate, including regulations relating to business and investment approvals, consumer protection, intellectual property, taxation, foreign exchange controls and environmental requirements. Applicable regulations are frequently introduced, abolished or amended, and in any event are subject to interpretation by governmental and judicial authorities.

In particular, our mobile communications business, broadband infrastructure business and fixed-line telecommunications business are subject to general regulations applicable to the telecommunications industry in Japan, of which the following are the most significant:

- the Telecommunications Business Act of Japan (Act No. 86 of 1984, as amended) (the “TBA”);
- the Radio Act of Japan (Act No. 131 of 1950, as amended) (the “Radio Act”); and
- the Wire Telecommunications Act of Japan (Act No. 96 of 1953, as amended) (collectively together with the TBA and the Radio Act, the “Telecommunications Regulations”).

The Telecommunications Regulations are administered primarily by the Ministry of Internal Affairs and Communications of Japan (the “Ministry”) through regulatory actions of the responsible government minister (the “MIC Minister” and together with the Ministry, the “MIC”). Additionally, the Japan Fair Trade Commission has jurisdiction over telecommunications carriers by virtue of its powers under the Act Concerning Prohibition of Monopoly and Maintenance of Fair Trade (Act No. 54 of 1947, as amended) to prohibit anti-competitive practices.

As is typical for regulatory authorities in Japan, the MIC has announced various guidelines in connection with the implementation of applicable laws for the primary purpose of clarifying the meaning of such laws as well as ordinances made under them. Such guidelines are informal in nature and do not have the status of legislation passed by the National Diet of Japan, the primary legislative body in Japan (the “Diet”). Accordingly they are not legally binding on telecommunications carriers. Nevertheless, such guidelines serve as a statement of the regulatory interpretation of applicable laws and, accordingly, telecommunications carriers are, in practice, required to comply with them.

Telecommunications Business Act of Japan

General

The TBA applies to entities that conduct telecommunications activities such as mobile communications services, fixed-line telecommunications services, DSL access services, internet and FTTH access services. Pursuant to the TBA, companies that conduct such activities are subject to registration and notification requirements, interconnection requirements, as well as various other regulations.

The following summarizes certain material requirements under the TBA.

Registration of Telecommunications Business Operations

Under the TBA, registration carriers, such as SoftBank Corp. and Wireless City Planning, must file a detailed application for registration with the MIC. Such application must include information on the facilities and equipment, and the target service areas. The MIC will generally approve the applicant’s registration if the MIC finds that commencement of the applicant’s business is not likely to impede fair competition within the telecommunications market or is otherwise appropriate for the sound development of the telecommunications industry of Japan.

Once registration is granted, the MIC has the authority to rescind a registration in certain cases, including, among others, where the registered carrier has breached the TBA or any order or disposition issued under the TBA, and the MIC considers such breach damaging to the public interest. If a telecommunications carrier violates certain provisions under the TBA, such as by providing telecommunications services without

registration or by failing to comply with orders issued by the MIC, such carrier may be subject to penalty. In addition, an amendment to the TBA was promulgated on May 22, 2015 and became effective on May 21, 2016. Under the amendment, registration must be renewed when a registration carrier succeeds, in whole or in part, to a telecommunications business through a merger, a company split, or a business transfer from an entity outside of the SoftBank Group of the registered telecommunication carrier. Such renewal must be made within three months of the date of such succession, and if the registration carrier fails to renew, the registration becomes void.

The SoftBank Group is subject to regulation of interconnection fees as applicable to operators of Category II-designated telecommunications facilities (mobile communication systems).

Interconnection

Subject to certain exceptions, the TBA requires telecommunications carriers to allow other telecommunications carriers to interconnect with their telecommunications facilities. In general, the carriers enter into a mutual written agreement setting forth the terms of such interconnection, including interconnection fees. If operators of Category I-designated telecommunications facilities (local fixed-line systems) or Category II-designated telecommunications facilities are included in the parties of the agreement, such agreement must contain the terms of interconnection, including interconnection fees, which, depending on the type of operator, have been notified to or approved by the MIC.

Upon an application by a carrier or both carriers, the MIC has the power, directly or through its dispute settlement commission, to require negotiation, mediation and arbitration of disputes between telecommunications carriers, to order telecommunications carriers to modify proposed interconnection fees and to grant awards with respect to the terms of interconnection (including interconnection fees).

Interconnection fees to interconnect with Category II-designated telecommunications facilities, such as those operated by SoftBank Corp., are determined according to a calculation prescribed by the MIC. In particular, the “Ordinance Relating to Interconnection Fees of the Category II-Designated Telecommunications Facilities” was promulgated on March 29, 2016 and became effective on May 21, 2016 which generally prescribe that interconnection fees shall be calculated by dividing the sum of the maintenance costs with respect to the facilities and enterprise capital costs by the aggregate hours of communication or the volume of traffic.

Operators of Category II-designated telecommunications facilities determine their interconnection fees based upon such calculation. Further, they are required to notify the MIC of the tariff, including interconnection fees and other interconnection terms. Such notification is required prior to the implementation of the tariff or any amendment thereof, and the operator cannot enter into or amend an interconnection agreement in a manner that is inconsistent with the tariff previously notified to the MIC. Such tariffs, including interconnection fees, must be publicly disclosed (for example on the website of the operator of the Category II-designated telecommunications facilities).

The MIC may order a carrier to modify such interconnection fees in certain cases, such as where the interconnection fees exceed an amount corresponding to maintenance costs for the facilities plus enterprise capital costs, as deemed appropriate under efficient management.

Universal Services

Under the TBA, certain types of calls—calls to public facilities, calls to home telephones and emergency calls to police or fire stations—are considered “Universal Services” (i.e., telecommunications services deemed to be indispensable for daily life). As of the date hereof, the only “qualified carriers” of Universal Services are NTT East and NTT West. Therefore, other carriers, including SoftBank Corp., that benefit by interconnecting to the NTT East and NTT West facilities, must share the cost of such services pursuant to a prescribed formula for allocating costs.

Land Use Privilege

The MIC may designate certain carriers as “Approved Carriers”—carriers who enjoy certain privileges specified in the TBA, such as the ability to obtain rights-of-way to use other parties’ land under certain specified circumstances. SoftBank Corp., BB BACKBONE Corp. and Wireless City Planning are Approved Carriers.

An Approved Carrier may, provided it has justifiable reason, refuse to provide telecommunications services relating to its Approved Carrier status. If the Approved Carrier is unable to provide such services, the MIC may order the Approved Carrier to improve its business activities or take other measures to the extent deemed necessary to protect the interests of end users or the public. Further, the MIC has the authority to rescind the approval in certain cases, including, among others, where the Approved Carrier has breached the TBA or any order or disposition issued under the TBA, and the MIC considers such breach damaging to the public interest.

Radio Act of Japan

General

Certain of our businesses are subject to the provisions of the Radio Act, which regulates licenses for radio transmission stations, radio equipment, radio operators, radio operations and the transmission of radio waves. The Radio Act impacts, among other matters, our mobile communications business, due to the fact that radio waves are used by transmitters to communicate with mobile telephone handsets.

License Requirement

Any person who intends to establish radio transmission stations must first obtain a license from the MIC. In particular, mobile communications service providers must obtain a license for each base station and for handsets.

The MIC has introduced a technical standards verification system and a blanket licensing system (which can be used for handsets) in order to expedite the licensing process. With certain exceptions, a license under the Radio Act has a term of five years, and is thereafter renewable for additional five-year terms pursuant to the Radio Act. A license holder must generally obtain MIC approval in advance of any operational changes relating to the licensed activities, such as modifications to wireless facilities, changes to the location of wireless facilities or changes to the recipients of wireless communications services, and is subject to periodic inspection of its facilities.

The MIC has the authority to rescind a license under certain circumstances, and may order cessation or restriction on the operation of radio stations after a cure period of less than three months if the license holder has breached the Radio Act or the Broadcasting Act of Japan (Act No. 132 of 1950, as amended) or any order or disposition under such laws. If a license-holder violates certain provisions under the Radio Act, such as operating a radio transmission station in violation of the terms of its license, such carrier may be subject to penalties.

Allocation of Radio Frequency Spectrum

Unlike other jurisdictions which allot frequency spectrums by way of an auction system, use of radio frequency spectrum in Japan is allocated at the discretion of the MIC after consultation with the Radio Regulatory Council and consideration of plans submitted by operators.

At the end of February 2012, the MIC approved a plan submitted by SoftBank Corp. to establish radio transmission stations using the 945 MHz to 960 MHz frequency band, which is currently available for our use. In addition, in June 2012, the MIC approved plans submitted by NTT DOCOMO, Okinawa Cellular Telephone Company (a subsidiary of KDDI) and eAccess to establish radio transmission stations using the 773 MHz to 803 MHz frequency band, which is also currently available for the carriers' use.

In addition, on December 19, 2014, the MIC approved a plan submitted by SoftBank Corp. to establish radio transmission stations using 3,560 MHz to 3,600 MHz, and submitted by NTT DOCOMO and KDDI/ Okinawa Cellular Telephone Company to establish radio transmission stations using 3,480 MHz to 3,520 MHz and 3,520 MHz to 3,560 MHz (allocation for implementing the fourth generation mobile communication system). In connection with this application, the MIC has announced its new group-based spectrum allocation policy in considering the allocation for the fourth generation.

See “Business—Japanese Market Overview—High ARPU supported by high proportion of postpaid subscriptions and heavy mobile data usage” and “Business—Japanese Market Overview—Attractive regulatory environment” for a distribution of existing spectrum allocations between the SoftBank Group and our primary competitors.

Other Major Guidelines Concerning TBA and the Radio Act

Guideline Regarding MVNOs

Mobile virtual network operators or, MVNOs are companies that have not received allocations of spectrum and do not own network infrastructure, but who provide mobile telecommunications services by leasing network capacity from other network operators. MVNOs therefore increase the variety of mobile telecommunications services available to consumers and promote the active exploitation of radio spectrum.

The MIC has formulated the “Guidelines Regarding the Application of the Telecommunications Business Act and the Radio Act to Mobile Virtual Network Operators” (the “MVNO Guidelines”) to promote market entry by new MVNOs. Under the MVNO Guidelines, the telecommunications services to be provided by a mobile network operator to an MVNO, and the terms of MVNO services, are decided by consultation between the parties. However, when an MVNO requests access to a mobile network on behalf of its customers, unless the operator has grounds to refuse (such as where there is a risk that such interconnection would affect the smooth provision of telecommunications services or where there is a risk that such interconnection would unfairly impair the interests of the carrier), the TBA requires the operator to grant access to the MVNO. Upon an application by a carrier or both carriers, the MIC has the power, directly or through its dispute settlement commission, to require carriers to negotiate, to arbitrate or mediate disputes with other carriers, to order carriers to modify proposed interconnection fees and to grant awards with respect to the terms of interconnection (including interconnection fees).

Guidelines Regarding Terms of Offering of Mobile Service and Handsets

Most mobile handsets now contain a removable subscriber identity module (“SIM”) card that authenticates the device when it connects to a mobile telecommunications network. In the past, carriers generally sold handsets to customers with a software lock that prevented the device from working with SIM cards from other carriers, even if the handset was otherwise technologically capable of connecting to other carriers’ networks. The “Guidelines Regarding Terms of Offering of Mobile Service and Handsets” (the “Mobile Service and Handsets Guidelines”) issued by the MIC in January 2017 intends to increase consumer convenience and enhance the international competitiveness of Japan’s mobile communications industry. Under the Mobile Service and Handsets Guidelines, it is required that MNOs provide SIM card unlocking services for mobile handsets sold by them with some exceptions (with respect to the handsets released before May 1, 2015, provision of SIM card unlocking services is recommended). As at the date of this offering memorandum, the Diet deliberations on legislation to govern SIM locking have been postponed for an indefinite period.

Also, under the Mobile Service and Handsets Guidelines, MNOs are required to decrease the amount of discount on charges or purchase price of handsets.

Guidelines Regarding Encouragement of Competition in Telecommunication Business Area

In May 2016, the MIC and the Japan Fair Trade Commission (the “JFTC”) issued the “Guidelines Regarding Encouragement of Competition in Telecommunication Business Area,” which is composed of the following four chapters: necessity of such guidelines, problematic actions under the TBA and the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan (the “Antimonopoly Act”), desirable actions by carriers to further encourage competition, and organizational structure relating to reports, consultations and opinions. The guidelines state that, among other matters, the cancellation penalty for certain-period contracts by the carriers who have a relatively big share in the market could be problematic under the Antimonopoly Act. In August 2016, the JFTC separately announced that the cancellation penalty and automatic renewal system for two-year contracts is not desirable from the viewpoint of fair competition.

U.S. Regulatory Framework

Communications services in the U.S. are subject to regulation at the federal level by the FCC and in certain states by public utilities commissions. Since the SoftBank Merger, Sprint has been subject to regulatory conditions imposed by the Committee on Foreign Investment in the United States pursuant to a National Security Agreement among SoftBank, Sprint, the Department of Justice, the Department of Homeland Security and the Department of Defense (the latter three collectively, the “USG Parties”). Other federal agencies, such as the Federal Trade Commission and Consumer Financial Protection Bureau, have also asserted jurisdiction over Sprint’s business.

The FCC regulates the licensing, construction, operation, acquisition and sale of Sprint's wireless operations and wireless spectrum holdings. FCC requirements impose operating and other restrictions on Sprint's wireless operations that increase its costs. The FCC does not currently regulate rates for services offered by commercial mobile radio service providers, and states are legally preempted from regulating such rates and entry into any market, although states may regulate other terms and conditions. The Communications Act of 1934 and FCC rules also require the FCC's prior approval of the assignment or transfer of control of an FCC license, although the FCC's rules permit spectrum lease arrangements for a range of wireless radio service licenses, including Sprint's licenses, with FCC oversight. Approval from the Federal Trade Commission and the Department of Justice, as well as state or local regulatory authorities, also may be required if Sprint sells or acquires spectrum interests. The FCC sets rules, regulations and policies to, among other things:

- grant and renew licenses in the 800 MHz, 1.9 GHz and 2.5 GHz bands;
- rule on assignments and transfers of control of FCC licenses and leases covering Sprint's use of FCC licenses held by other persons and organizations;
- govern the interconnection of Sprint's networks with other wireless and wireline carriers;
- establish access and universal service funding provisions;
- impose rules related to unauthorized use of and access to subscriber information;
- impose fines and forfeitures for violations of FCC rules;
- regulate the technical standards governing wireless services; and
- impose other obligations that it determines to be in the public interest.

MANAGEMENT

Management

Our board of directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation provide for not more than 15 directors, and at the present, we have 11 directors including four external directors. External directors are responsible for supervising our business management.

All directors are elected at general meetings of shareholders. The normal term of office of directors is one year, although they may serve any number of consecutive terms. To elect directors, the Board of Directors selects candidates in accordance with our Articles of Incorporation and the Regulations of the Board of Directors and these candidates are proposed at the General Meeting of Shareholders. Shareholders can also propose candidates in compliance with the requirements of the Companies Act of Japan. Cumulative voting is not allowed in the election of our directors.

Our Articles of Incorporation provide for not more than five audit and supervisory board members, and at present, we have four audit and supervisory board members, including three external audit and supervisory board members, two of which are full-time audit and supervisory board members. We have one full-time, non-external audit and supervisory board member, who formerly served as Corporate Officer, Head of Legal Unit and General Manager, Legal Department and Group Compliance Officer responsible for compliance issues of the Group as a whole. All audit and supervisory board members are elected at general meetings of shareholders. The normal term of office of audit and supervisory board members is four years, although they may serve any number of consecutive or non-consecutive terms. The audit and supervisory board members are not required to be certified public accountants and may not at the same time be our directors or employees of any of our group companies. In addition, not less than half of the audit and supervisory board members must be external corporate auditors.

The audit and supervisory board members form the audit and supervisory board, which determines matters relating to the duties of audit and supervisory board members such as audit policy and methods of investigating our affairs. The audit and supervisory board also receives quarterly briefings and reports relating to financial results from the independent auditor and briefings on individual matters from directors as necessary and exchanges information and opinions with the independent auditor as necessary.

We established the assistant to audit department to support the audit and supervisory board members. This department acts under the direction of the audit and supervisory board members to gather information, investigate matters and provide other assistance.

Under the Companies Act of Japan, the audit and supervisory board members have the statutory duty of supervising the administration of our affairs by the directors and also of examining the financial statements and business reports to be submitted by a representative director to general meetings of shareholders. The audit and supervisory board members must attend meetings of the board of directors and express opinions there, if necessary, but they are not entitled to vote. Audit and supervisory board members also have a statutory duty to provide their report to the audit and supervisory board, which must submit its audit report to a representative director. If the audit report covers financial statements, the audit and supervisory board must also submit its audit report to the independent auditor.

We must appoint independent certified public accountants or audit firms in addition to audit and supervisory board members. Such independent certified public accountants or audit firms have the statutory duty of auditing the financial statements, prepared in accordance with the Companies Act of Japan, to be submitted by a representative director to general meetings of shareholders and reporting their opinion thereon to the audit and supervisory board and a representative director. Our audit firm for such purposes is Deloitte Touche Tohmatsu LLC.

Under the Companies Act of Japan and our Articles of Incorporation, we may, by resolution of our board of directors, limit the liability of our directors and audit and supervisory board members for losses sustained by us in connection with the failure of such directors and audit and supervisory board members to perform their duties, except in the case of willful misconduct or gross negligence. The applicable liability thresholds are calculated, in accordance with the Companies Act of Japan, with reference to the amounts of annual remuneration, retirement allowance and profits received upon exercise or transfer of stock options for the relevant individual. In addition, we have entered into agreements limiting the liability of our non-executive

directors and audit and supervisory board members for losses sustained by us in connection with the failure of such directors and audit and supervisory board members to perform their duties, except in the case of willful misconduct or gross negligence, to the greater of either an amount previously agreed in the liability limitation agreement that is no less than ¥10 million (\$89 thousand) or an amount calculated as described above.

Directors and Audit and Supervisory Board Members

The following table sets out certain information on our directors and audit and supervisory board members as of the date of this offering memorandum:

Name	Date	Position/Action
Masayoshi Son	September 1981	Founded SOFTBANK Corp. Japan (currently SoftBank Group Corp.), Chairman & CEO
	April 1983	Chairman, SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
	February 1986	Chairman & CEO, SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
	January 1996	President & CEO, Yahoo Japan Corporation
	July 1996	Chairman of the Board, Yahoo Japan Corporation
	October 2005	Director, Alibaba.com Corporation (currently Alibaba Group Holding Limited; to present)
	April 2006	Chairman of the Board, President & CEO, Vodafone K.K. (currently SoftBank Corp.)
	June 2007	Chairman & CEO, SoftBank Mobile Corp. (currently SoftBank Corp.)
	July 2013	Chairman of the Board, Sprint Corporation (to present)
	April 2015	Chairman, SoftBank Mobile Corp. (currently SoftBank Corp.; to present)
	June 2015	Director, Yahoo Japan Corporation (to present)
	September 2016	Chairman and Executive Director, ARM Holdings plc (to present)
	June 2017	Chairman & CEO, SoftBank Group Corp. (to present)
Ken Miyauchi	February 1977	Joined Japan Management Association
	October 1984	Joined SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
	February 1988	Director, SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
	April 2006	Executive Vice President, Director & COO, Vodafone K.K. (currently SoftBank Corp.)
	June 2007	Representative Director & COO, SoftBank Mobile Corp. (currently SoftBank Corp.)
	June 2012	Director, Yahoo Japan Corporation (to present)
	April 2013	Representative Director, Executive Vice President, SoftBank Corp. (currently SoftBank Group Corp.)
	June 2013	Representative Director, Senior Executive Vice President, SoftBank Corp. (currently SoftBank Group Corp.)
	January 2014	Director, Brightstar Global Group Inc.
	April 2015	President & CEO, SoftBank Mobile Corp. (currently SoftBank Corp.; to present)
	June 2015	Director, SoftBank Corp. (currently SoftBank Group Corp.)
	June 2016	Representative Director, President & COO, SoftBank Group Corp. (to present)

Name	Date	Position/Action
Ronald D. Fisher	July 1984	President, Interactive Systems Corp.
	January 1990	CEO, Phoenix Technologies Ltd.
	October 1995	Director and President, SoftBank Holdings Inc. (to present)
	June 1997	Director, SoftBank Corp. (currently SoftBank Group Corp.)
	July 2013	Vice Chairman of the Board, Sprint Corporation (to present)
	January 2014	Director, Brightstar Global Group Inc.
	August 2014	Chairman, Brightstar Global Group Inc. (to present)
	September 2016	Director, ARM Holdings plc (to present)
	June 2017	Director, Vice Chairman, SoftBank Group Corp. (to present)
Marcelo Claure	June 1995	Owner, USA Wireless, Inc
	October 1996	President, Small World Communications, Inc.
	September 1997	Founder, Chairman & CEO, Brightstar Corp.
	January 2005	Co-founder, One Laptop Per Child, Inc.
	September 2008	Owner, Bolivar Administracion, Inversiones Y Servicios Asociados S.R.L. (to present)
	January 2014	Member, Sprint Corporation Board of Directors
	February 2014	Founder, Miami Beckham United (to present)
	August 2014	President & CEO, Sprint Corporation (to present)
	January 2015	Member, CTIA Board of Directors
	May 2015	Member, My Brother's Keeper Alliance Board of Directors
	January 2016	Vice Chairman, CTIA Board of Directors
	January 2017	Chairman, CTIA Board of Directors (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
Rajeev Misra	December 1985	Joined Los Alamos National Laboratory
	July 1986	Joined Realty Technologies Pty Ltd
	August 1991	Joined Merrill Lynch (currently Bank of America Merrill Lynch)
	May 1997	Joined Deutsche Bank AG as the Managing Director
	May 2001	Global Head of Credit, Emerging Markets, Deutsche Bank AG
	January 2006	Member of the Engineering Board of Overseers at the University of Pennsylvania (to present)
	April 2009	Joined UBS Group AG
	January 2010	Global Co-Head of Fixed Income, Currencies and Commodities, UBS Group AG
	May 2014	Joined Fortress Investment Group LLC as the Senior Managing Director and Partner
	November 2014	Joined SoftBank as the Head of Strategic Finance for the Group (to present)
	May 2017	CEO, SoftBank Investment Advisers, which will advise SoftBank Vision Fund (to present)
	June 2017	Director, SoftBank Group Corp. (to present)

Name	Date	Position/Action
Simon Segars	March 1991	Joined ARM Holdings plc
	February 2001	Vice President Engineering, ARM Holdings plc
	January 2004	Executive Vice President World Wide Sales, ARM Holdings plc
	January 2005	Executive Director, ARM Holdings plc
	September 2007	EVP and GM, Physical IP Division, ARM Holdings plc
	January 2013	President, ARM Holdings plc
	July 2013	Appointed CEO, ARM Holdings plc (to present)
	February 2015	Non-Executive Director, Dolby Laboratories, Inc. (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
Yun Ma	February 1995	Founded China Pages, President
	January 1998	President, MOFTEC EDI Centre
	July 1999	Director, Alibaba.com Corporation (currently Alibaba Group Holding Limited)
	November 1999	Director, Chairman of the Board and CEO, Alibaba Group Holding Limited
	February 2004	Chairman and CEO, Alibaba Group Holding Limited
	June 2007	Director, SoftBank Corp. (currently SoftBank Group Corp.; to present)
	October 2007	Non-Executive Director and Chairman, Alibaba.com Limited
	May 2013	Executive Chairman, Alibaba Group Holding Limited (to present)
Tadashi Yanai	August 1972	Joined Ogori Shoji Co., Ltd. (currently FAST RETAILING CO., LTD.)
	September 1972	Director, Ogori Shoji Co., Ltd.
	August 1973	Senior Managing Director, Ogori Shoji Co., Ltd.
	September 1984	President & CEO, Ogori Shoji Co., Ltd.
	June 2001	Director, SoftBank Corp. (currently SoftBank Group Corp.; to present)
	November 2002	Chairman & CEO, FAST RETAILING CO., LTD.
	September 2005	Chairman, President & CEO, FAST RETAILING CO., LTD. (to present)
	November 2005	Chairman, President & CEO, UNIQLO Co., Ltd. (to present)
	September 2008	Chairman, GOV RETAILING CO., LTD. (currently G.U. CO., LTD.) (to present)
Shigenobu Nagamori	July 1973	Founded Nidec Corporation, Representative Director and Chairman, President, and CEO
	March 1997	Member of the Board of Directors and Chairman, Read Electronics Corporation (currently Nidec-Read Corporation; to present)
	September 2004	Member of the Board of Directors and Chairman, Nidec Copal Electronics Corporation
	June 2009	Member of the Board of Directors and Chairman, Nidec Sankyo Corporation (to present)

Name	Date	Position/Action
	June 2013	Member of the Board of Directors and Chairman, Nidec Shimpo Corporation (to present)
	June 2014	Director, SoftBank Corp. (currently SoftBank Group Corp.; to present)
	October 2014	Chairman of the Board, President & Chief Executive Officer, Nidec Corporation (to present)
	October 2015	Member of the Board of Directors and Chairman, Nidec Elesys Corporation (to present)
Mark Schwartz	July 1979	Joined the Investment Banking Division, Goldman, Sachs & Co.
	November 1988	Partner, Goldman Sachs & Co.
	November 1996	Managing Director, Goldman Sachs & Co.
	June 1997	President, Goldman Sachs Japan Co., Ltd.
	July 1999	Chairman, Goldman Sachs-Asia
	June 2001	Director, SoftBank Corp. (currently SoftBank Group Corp.)
	January 2003	President and CEO, Soros Fund Management LLC
	June 2004	Retired from the position of Director of SoftBank Corp. (currently SoftBank Group Corp.)
	January 2006	Chairman, MissionPoint Capital Partners, LLC
	June 2006	Director, SoftBank Corp. (currently SoftBank Group Corp.)
	June 2012	Vice Chairman, The Goldman Sachs Group, Inc.
	June 2012	Chairman, Goldman Sachs Asia Pacific
	June 2016	Retired from the position of Director of SoftBank Group Corp.
	January 2017	Senior Director, The Goldman Sachs Group, Inc. (to present)
	January 2017	Senior Director, Goldman, Sachs & Co. (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
Yasir O. Al-Rumayyan	December 2010	CEO and Board Member, Saudi Fransi Capital LLC
	February 2014	Board Member, Saudi Stock Exchange (Tadawul)
	September 2015	Managing Director and Board Member, Public Investment Fund (PIF) of Saudi Arabia (to present)
	June 2016	Board Member, Uber Technologies Inc. (to present)
	June 2016	Board Member, Saudi Aramco (to present)
	August 2016	Board Member, Saudi Industrial Development Fund (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
Masato Suzuki	April 1975	Joined Mitsubishi Corporation
	December 1983	Master of Business Administration (MBA), School of Global Management (U.S.)
	February 2002	Joined SoftBank Corp. (currently SoftBank Group Corp.); General Manager of Legal department of SoftBank Corp. (currently SoftBank Group Corp.)
	July 2012	Corporate Officer; General Manager of Legal department of SoftBank Corp. (currently SoftBank Group Corp.)
	October 2013	Corporate Officer; General Manager of Legal department of SoftBank Corp. (currently SoftBank Group Corp.); Group Compliance Officer

Name	Date	Position/Action
	September 2016	Corporate Officer, Head of Legal Unit; General Manager of Legal department of SoftBank Group Corp.; Group Compliance Officer
	June 2017	Full-time Audit & Supervisory Board Member, SoftBank Group Corp. (to present)
Maurice Atsushi Toyama	September 1977	Joined San Francisco Office of Price Waterhouse (currently, PricewaterhouseCoopers)
	August 1981	Certified Public Accountant, State of California, U.S.
	June 2006	Partner, PricewaterhouseCoopers Aarata LLC (currently, PwC Aarata LLC)
	June 2015	Full-time Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.; to present)
Soichiro Uno	April 1988	Joined Nagashima & Ohno Law Office (currently Nagashima Ohno & Tsunematsu), admitted to practice law in Japan
	November 1993	Passed the bar examination of the State of New York, USA
	January 2000	Partner, Nagashima Ohno & Tsunematsu (to present)
	June 2004	Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.; to present)
Hidekazu Kubokawa	November 1976	Joined Chuo Accounting Corporation
	August 1980	Registered as a certified public accountant
	July 1986	Founded Kubokawa CPA Office (currently Yotsuya Partners Accounting Firm), Representative Partner (to present)
	March 1987	Registered as certified tax accountant
	February 1989	Audit & Supervisory Board Member, SOFTBANK Corp. Japan (currently SoftBank Group Corp.; to present)
	March 2000	Audit & Supervisory Board Member, Digital Arts Inc.
	June 2005	Corporate Auditor, KYORITSU PRINTING CO., LTD. (to present)
	June 2006	Auditor, Pado Corporation (to present)
	June 2016	Director (Audit & Supervisory Committee Member), Digital Arts Inc. (to present)

Among all directors, Messrs. Tadashi Yanai, Shigenobu Nagamori, Mark Schwartz and Yasir O. Al-Rumayyan are external directors, meaning that they are not and have not been executive directors or employees of the Company or any of its subsidiaries.

Among all audit and supervisory board members, Messrs. Maurice Atsushi Toyama, Soichiro Uno and Hidekazu Kubokawa are external audit and supervisory board members, meaning that they are not and have not been directors or employees of the Company or any of its subsidiaries.

Investment Committee

The investment committee has been authorized by our board of directors to make decisions on investments, financing, and related matters. It is made up of four directors elected by the board of directors.

The agenda matters for discussion by the investment committee are set forth in the regulations of the investment committee. The committee makes decisions on the following, among other matters:

- investments and loans under a certain specified amount; and

- matters relating to subsidiaries (excluding listed subsidiaries and their subsidiaries), such as (a) investments and loans under a certain specified amount; (b) the issuance and gratis of new stock or stock acquisition rights (except issue of new stocks that will not alter the shareholding ratio); (c) the issuance of corporate bonds; (d) overseas business expansion; and (e) entry into new business fields.

The committee requires unanimous agreement from all members to make a decision. If one or more members is against a proposal, the board of directors must consider such proposal. All decisions of the investment committee are reported to the board of directors.

Executive Compensation

The aggregate compensation, including bonuses, paid by SoftBank Group Corp. to our directors and audit and supervisory board members as a group during the fiscal year ended March 31, 2017 was ¥425 million (\$3.8 million). During the fiscal year ended March 31, 2017, consolidated net compensation provided by the SoftBank consolidated group to Mr. Son, Mr. Miyauchi and Mr. Fisher was ¥139 million (\$1.2 million), ¥617 million (\$5.5 million) and ¥2,427 million (\$21.6 million) (including non-cash compensation, except for Mr. Son), respectively. In addition, Mr. Nikesh Arora received the equivalent of ¥10,346 million (\$92 million) (including non-cash compensation), during the same period.

Stock Option Plan

Pursuant to resolutions at general meeting of shareholders held on June 22, 2016 and meetings of the board of directors held on July 4, 2016 and July 26, 2016, we granted stock acquisition rights to purchase up to 4,320,000 shares of our common stock to certain of our directors, employees and advisors and those of our subsidiaries. As of March 31, 2017, such stock acquisition rights to purchase up to 4,269,000 shares will be exercisable at an exercise price of ¥6,159 during the period from August 1, 2018 to July 31, 2022. As of March 31, 2017, we did not issue any new shares based upon the exercise of these options.

Pursuant to resolutions at general meeting of shareholders held on June 22, 2016 and meetings of the board of directors held on January 25, 2017 and February 24, 2017, we granted stock acquisition rights to purchase up to 95,000 shares of our common stock to certain of our employees and those of our subsidiaries. As of March 31, 2017, such stock acquisition rights to purchase up to 95,000 shares will be exercisable at an exercise price of ¥8,891 during the period from March 1, 2019 to February 28, 2023. As of March 31, 2017, we did not issue any new shares based upon the exercise of these options.

RELATED-PARTY TRANSACTIONS

The following discussion is a summary of the significant transactions with our associates in the fiscal years ended March 31, 2015, 2016 and 2017. We believe that each of these arrangements has been entered into on arm's-length terms or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties would have been. See Note 45 to our audited consolidated financial statements for the fiscal year ended March 31, 2017, which are included elsewhere in this offering memorandum.

For the fiscal year ended March 31, 2015:

We received ¥0.3 billion (\$2.4 million) for temporary advances for expenses and ¥0.04 billion (\$0.4 million) for office facility usage by our Chairman and CEO, Mr. Masayoshi Son, and companies controlled by him ("Masayoshi Son Affiliates").

We paid dividends totaling ¥10 billion (\$90 million) and made a transfer of fixed assets of ¥5 billion (\$40 million) to Masayoshi Son Affiliates.

We paid dividends ¥0.3 billion (\$2.4 million) directly from us and ¥0.9 billion (\$8 million) through GungHo, our consolidated subsidiary, and outsourcing costs totaling ¥0.1 billion (\$0.8 million) to Mr. Taizo Son, the brother of Mr. Masayoshi Son, and companies controlled by him ("Taizo Son Affiliates").

We completed the acquisition of all of the shares of the parent company of Brightstar, held by Mr. Marcelo Claure, who at the time was President and CEO of Brightstar, representing 37.7% of the outstanding shares of Brightstar's parent company, for an acquisition price of approximately \$298 million. Upon closing of the transaction, we indirectly controlled all of the voting rights of Brightstar.

A director of the Company exercised stock options totaling ¥0.2 billion (\$1.8 million).

For the fiscal year ended March 31, 2016:

We received ¥0.3 billion (\$2.3 million) for temporary advances for expenses and ¥0.04 billion (\$0.4 million) for office facility usage by Masayoshi Son Affiliates.

We paid dividends totaling ¥10 billion (\$90 million) to Masayoshi Son Affiliates and we paid dividends totaling ¥0.2 billion (\$2.0 million) and outsourcing costs totaling ¥0.1 billion (\$0.8 million) to Taizo Son Affiliates. We also paid outsourcing costs totaling ¥0.7 billion (\$6.5 million) to Yun Ma, a director of the Company and companies controlled by him ("Yun Ma Affiliates").

A director of the Company exercised stock options totaling ¥0.1 billion (\$0.9 million).

For the fiscal year ended March 31, 2017:

We received ¥0.2 billion (\$2.1 million) for temporary advances for expenses and ¥0.04 billion (\$0.4 million) for office facility usage by Masayoshi Son Affiliates. We have also received a guaranteed deposit of ¥4 million (\$0.4 million) from such persons.

We paid dividends totaling ¥11 billion (\$98 million) to Masayoshi Son Affiliates. We paid dividends totaling ¥43 million (\$0.4 million) and outsourcing costs totaling ¥14 million (\$0.1 million) to Taizo Son Affiliates.

We paid dividends totaling ¥0.2 billion (\$1.8 million) to Mr. Nikesh Arora, who retired from the position of Representative Director, President and COO of the Company as of June 22, 2016. At the time of retirement, Mr. Arora purchased shares of associate companies which were granted to him in December 2014 for a purchase price of ¥11 billion (\$96 million).

SUBSIDIARIES AND ASSOCIATES

The following table provides information on our significant consolidated subsidiaries and associates as of March 31, 2017. Because we own a number of subsidiaries through subsidiaries that we do not wholly own, our economic interests in some of our subsidiaries listed below, mostly in our Yahoo Japan segment, may not be identical to our voting interests in such subsidiaries.

Name	Country	Issued Share Capital (millions of yen and KRW/ thousands of dollars, pounds and RMB)	Percentage of voting interest owned (indirectly) by the Company	Principal business
<i>Domestic Telecommunications segment</i>				
Subsidiaries				
SoftBank Corp.	Japan	¥ 177,251	99.99 (99.99)	Provision of mobile communications services, sale of mobile devices, provision of fixed-line telecommunications and ISP services in Japan
Wireless City Planning Inc.	Japan	¥ 18,899	32.2	Planning and provision of mobile broadband services
SoftBank Payment Service Corp.	Japan	¥ 6,075	100.0 (100.0)	Settlement services, card services and related services
43 other subsidiaries, 14 other associates and two jointly controlled companies				
<i>Sprint Segment</i>				
Subsidiaries				
Sprint Corporation	United States	\$ 39,891	83.0 (83.0)	Holding Company
Sprint Communications, Inc.	United States	\$1,180,954	100.0 (100.0)	Provision of mobile communications services, sale of mobile devices and accessories, provision of fixed-line telecommunications services in the U.S.
261 other subsidiaries and three other associates				
<i>Yahoo Japan segment</i>				
Subsidiaries				
Yahoo Japan Corporation	Japan	¥ 8,428	43.0 (6.6)	Operation of the <i>Yahoo! JAPAN</i> portal, sale of internet advertising, operation of e-commerce sites, membership services
ValueCommerce Co., Ltd.	Japan	¥ 1,728	52.3 (52.3)	Ad affiliate marketing service, <i>StoreMatch</i> online advertising distribution service
ASKUL Corporation.	Japan	¥ 21,189	45.3 (45.3)	Mail order sales of stationery, office products, services, etc.
eBOOK Initiative Japan Co., Ltd.	Japan	¥ 845	44.6 (44.6)	E-book distribution

Name	Country	Issued Share Capital (millions of yen and KRW/ thousands of dollars, euros, pounds and RMB)	Percentage of voting interest owned (indirectly) by the Company	Principal business
Associates				
The Japan Net Bank, Limited . . .	Japan	¥ 37,250	41.2 (41.2)	Banking business
BOOKOFF CORPORATION				
LIMITED	Japan	¥ 3,652	15.1 (15.1)	Reuse business
61 other subsidiaries, 30 other associates and three jointly controlled companies				
Distribution Segment				
Subsidiaries				
Brightstar Global Group Inc. . . .	United States	\$ 3	87.1	Holding company
Brightstar Corp.	United States	\$ 0	100.0 (100.0)	Mobile device distribution, supply chain solutions, handset protection and insurance, buy-back and trade-in, omnichannel solutions and financial services
SoftBank Commerce & Service Corp.	Japan	¥ 500	100.0 (100.0)	Manufacture, distribution, and sale of ICT-related products and ICT-related services
127 other subsidiaries and six other associates				
ARM Segment				
Subsidiaries				
ARM Holdings plc.	United Kingdom	£ 716	100 (1.4)	Holding company
ARM PIPD Holdings One, LLC	United States	£ 500,166	100 (100)	Holding company
ARM PIPD Holdings Two, LLC	United States	£ 343,203	100 (100)	Holding company
ARM Limited	United Kingdom	£ 1,015	100 (100)	Design of microprocessors, physical intellectual property and related technology and software, sale of development tools
44 other subsidiaries, one other associate and three jointly controlled companies				

Name	Country	Issued Share Capital (millions of yen and KRW/ thousands of dollars, euros, pounds and RMB)	Percentage of voting interest owned (indirectly) by the Company	Principal business
Corporate Segment				
Subsidiaries				
SoftBank Group International				
GK.	Japan	¥ 22	100.0	Holding company
SoftBank Group Japan GK	Japan	¥ 21	100.0	Holding company
SB Group US, Inc.	United States	\$ 0	100.0	Holding company
			(100)	
SoftBank Group Capital				
Limited.	United Kingdom	\$ 1,508	100.0	Holding company
10 other subsidiaries				
Other Segment				
Subsidiaries				
SB Energy Corp.	Japan	¥ 2,588	100.0	Generation of electricity from renewable energy sources, supply and sale of electricity
Fukuoka SoftBank HAWKS				
Corp.	Japan	¥ 100	100.0	Ownership of professional baseball team, operation of baseball games, management and maintenance of baseball stadium and other sports facilities, distribution of video, voice and data content via media
SoftBank Robotics Group				
Corp.	Japan	¥ 28,507	60.0	Holding company
SoftBank Robotics Corp.	Japan	¥ 100	100.0	Development, sales and (100.0) maintenance of humanoid robots and service robots
SBBM Corporation	Japan	¥ 10	100.0	Holding company
ITmedia Inc.	Japan	¥ 1,699	58.0 (58.0)	Operation of comprehensive IT information site <i>ITmedia</i> , etc.
SoftBank Technology Corp.	Japan	¥ 785	54.6 (54.6)	Solutions and services for online businesses
Vector Inc.	Japan	¥ 1,017	52.1 (52.1)	Operation, sales, and marketing of online games, software downloads, advertising
SoftBank Ventures Korea				
Corp.	South Korea	KRW 18,000	100.0 (100.0)	Holding company
SoftBank Korea Corp.	South Korea	KRW 2,200	100.0 (100.0)	Holding company
Starburst I Inc.	United States	\$ 216	100.0 (70.4)	Holding company
SoftBank Holdings Inc.	United States	\$ 8	100.0	Holding company
SoftBank America Inc.	United States	\$ 0	100.0 (100.0)	Holding company

Name	Country	Issued Share Capital (millions of yen and KRW/ thousands of dollars, euros, pounds and RMB)	Percentage of voting interest owned (indirectly) by the Company	Principal business
SoftBank Capital Fund '10 L.P.	United States	\$ 122,449	81.7 (81.7)	Venture capital fund
SoftBank Capital Fund '14 L.P.	United States	\$ 46,000	99.0 (99.0)	Venture capital fund
STARFISH I PTE. LTD.	Singapore	¥ 101,179	100.0	Holding company
SB Pan Pacific Corporation	Micronesia	¥ 48,248	100.0	Holding company
Hayate Corporation	Micronesia	¥ 77,842	100.0	Holding company
West Raptor Holdings, LLC	United States	\$1,251,768	100.0 (100.0)	Holding company
Associates				
Foxconn Ventures Pte. Ltd.	Singapore	\$ 46	36.4	Holding company
Scigineer Inc.	Japan	¥ 777	32.9 (32.9)	Provision of internet marketing support services using the personalized engine deqwas for e-commerce business operators and retailers
SoftBank Capital Technology Fund III L.P.	United States	\$ 232,750	56.3 (56.3)	Venture capital fund
HIKE GLOBAL PTE. LTD.	Singapore	\$ 266,433	25.8 (1.7)	Holding company
Renren Inc.	Cayman	\$ 1,025	42.9 (42.9)	Investor company of company operating Renren.com SNS site in China
Alibaba Group Holding Limited	Cayman	RMB 1,000	29.5 (4.0)	Investor company of companies operating e-commerce sites Alibaba.com, Taobao.com, and Tmall.com
InMobi Pte. Ltd.	Singapore	\$ 358	45.0 (45.0)	Mobile advertising services
178 other subsidiaries, 67 other associates and 15 jointly controlled companies				

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a description of our material indebtedness as of the date of the offering of the Notes. The description does not purport to be complete and is qualified in its entirety by reference to the agreements which set forth the principal terms and conditions of our credit facilities and other indebtedness.

The table below shows our consolidated indebtedness as of March 31, 2017:

	As of March 31, 2017	
	(billions of yen and millions of dollars)	
Short-term borrowings	¥ 668	\$ 5,951
Commercial paper	80	713
Corporate bonds	7,573	67,504
Lease obligations	1,246	11,105
Long-term borrowings	4,506	40,165
Installment payable	70	623
Total interest-bearing debt	14,143	126,062

(1) Excludes ¥715 billion (\$6,377 million) financial liabilities related to sale of shares by variable prepaid forward contract.

Consolidated Net Interest-bearing Debt as of March 31, 2017

The table below shows consolidated net interest-bearing debt at the Company and its subsidiaries as of March 31, 2017. The below information was prepared under IFRS and is net of intra-group reconciliations and eliminations.

	Total interest-bearing debt ⁽¹⁾	Cash position ⁽²⁾	Net interest-bearing debt ⁽³⁾
	(billions of yen)		
SoftBank Group Corp.	7,518	1,122	6,396
Senior debt	6,216	—	—
Subordinated debt	839	—	—
Deeply subordinated debt	463	—	—
Subsidiary debt	6,625	1,813	4,812
Consolidated	14,143	2,935	11,208

(1) Excludes ¥715 billion (\$6,377 million) financial liabilities related to sale of shares by variable prepaid forward contract.

(2) Cash position is cash and cash equivalents plus short-term investments.

(3) Net interest-bearing debt: total interest-bearing debt minus cash position.

Borrowings

The table below summarizes our loans outstanding as of March 31, 2017:

	As of March 31, 2017	
	(billions of yen and millions of dollars)	
Sprint Acquisition Loan	¥1,470	\$13,100
ARM Acquisition Loan	990	8,826
Brightstar Acquisition Loan	93	828
Commitment line ⁽¹⁾	—	—
Securitization of receivables	735	6,553
Sprint 2024 Secured Term Loan	444	3,954
Sprint Spectrum Financing	383	3,413
Securities lending	399	3,560
Other Loans	660	5,882
Total loans	5,174	46,116

(1) Outstanding undrawn commitment of ¥178.5 billion (\$1,591 million) as of March 31, 2017.

¥1,470 billion (\$13,100 million) of Indebtedness Outstanding under Sprint Acquisition Loan as of March 31, 2017

In September, 2013, we procured a syndicated loan from several Japanese and international financial institutions in the principal amount of ¥1,980 billion (\$17,649 million) (the “Sprint Acquisition Loan”), under which ¥1,470 billion (\$13,100 million) of indebtedness remains outstanding (measured at amortized costs pursuant to IFRS). We used the proceeds of this loan mainly to pay off certain debt, including but not limited to, the bridge facilities that we acquired in connection with the Sprint acquisition. The Sprint Acquisition Loan is a direct, unsecured obligation of the Company and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company. The Sprint Acquisition Loan is guaranteed by SoftBank Corp. on a senior, unsecured basis and such guarantee by SoftBank Corp. will rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp.

The following table shows the total remaining scheduled repayments for the facilities for the periods indicated:

Fiscal year ending March 31,	Total Principal Amount Due⁽¹⁾
	(billions of yen)
2018	400
2019	415
2020	430
2021	235

(1) Amounts correspond to the face amounts.

Each facility under the Sprint Acquisition Loan accrues interest at a floating rate that is calculated based on the applicable index rate plus the applicable margin for the relevant facility.

The Sprint Acquisition Loan is subject to representations and warranties customary in the Japanese syndicated loan market. It is also subject to certain financial and operational covenants that require us to maintain certain financial ratios and that restrict our business activities. The covenants include an affirmative obligation for the Company to maintain net assets on a stand-alone basis of at least 75% of the net assets at the end of the previous fiscal year, as measured at the end of each fiscal year. Other covenants set certain caps on the total amount of net interest-bearing debt the Company can incur on a consolidated basis excluding some newly consolidated subsidiaries such as Sprint and subject to certain other adjustments as of each cut-off date. We are also restricted from changing our principal business activity. Additionally, the Company is required to maintain a leverage ratio to be calculated on a semi-annual basis, which shall not exceed a certain level as of each cut-off date.

The Sprint Acquisition Loan is also subject to certain events of default, including breach of the covenants described above. Any event of default could trigger acceleration of amounts outstanding under the Sprint Acquisition Loan through the majority lenders’ decision, provided that a certain limited number of events shall automatically lead to acceleration of the loan. We may prepay certain facilities under the Sprint Acquisition Loan under certain conditions.

¥990 billion (\$8,826 million) of Indebtedness Outstanding under ARM Loan as of March 31, 2017

On July 15, 2016, we entered into a bridge loan agreement with Mizuho Bank, Ltd. (subsequently syndicated to other Japanese and international financial institutions) for a maximum amount of ¥1.0 trillion to finance a portion of the acquisition price of approximately £24.0 billion (approximately \$31 billion or ¥3.3 trillion) in connection with our acquisition of ARM. The loan will mature on July 13, 2018.

Undrawn ¥178.5 billion (\$1,591 million) Commitment Line

On August 5, 2016, we renewed a commitment line agreement with several Japanese and international financial institutions for borrowings up to ¥178.5 billion (\$1,591 million) (the “Commitment Line”). As of March 31, 2017, we have no principal amount outstanding on the Commitment Line, and the whole facility of ¥178.5 billion (\$1,591 million) remains available for drawing. The Commitment Line is a direct, unsecured obligation of the Company and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company. The Commitment Line is also guaranteed by SoftBank Corp. on a senior, unsecured basis and such guarantee by SoftBank Corp. ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp.

The Commitment Line has a one-year term, which we have historically renewed annually, and the interest rate is equal to the sum of the announced Japanese yen TIBOR, for the applicable interest period, plus a margin.

The Commitment Line is subject to representations and warranties customary in the Japanese syndicated loan market. It is also subject to certain financial and operational covenants similar to those under the Sprint Acquisition Loan.

The Commitment Line is also subject to customary events of default including breach of the covenants described above. Any event of default could trigger acceleration of the amount outstanding under the Commitment Line through the majority lenders' decision, provided that a certain limited number of events shall automatically lead to acceleration of the loan. We are obliged to report the occurrence of an event of default or a potential event of default as soon as we become aware of it. We may prepay the loan by paying breakfunding costs (if any) and without penalty.

¥735 billion (\$6,553 million) in Securitization of Receivables

We have several continuous securitization programs of receivables of SoftBank Corp., Sprint and others. As of March 31, 2017, the balances were ¥547 billion (\$4,875 million), ¥180 billion (\$1,606 million) and ¥8 billion (\$72 million) for SoftBank Corp., Sprint and others, respectively.

Under the securitization programs, SoftBank Corp. entrusts the installment receivables to trust banks as special purpose vehicle for each program on a true-sale basis and the holder of financial instruments backed by those installment receivables issued under these securitization programs, have only recourse to the trust assets and not to SoftBank Corp.

Under IFRS, however, most of these securitized receivables are still booked on our financial statements.

\$4 billion Principal Amount Outstanding under 2024 Secured Term Loan of Sprint

On February 3, 2017, Sprint entered into a new credit agreement for \$6.0 billion, consisting of a \$4.0 billion, seven-year secured term loan that matures in February 2024 and a \$2.0 billion secured revolving bank credit facility that expires in February 2021.

\$3.5 billion Principal Amount of Spectrum Financing of Sprint

In October 2016, Sprint transferred certain directly held and third-party leased spectrum licenses (collectively, the "Spectrum Portfolio") to wholly-owned bankruptcy-remote special purpose entities. The Spectrum Portfolio, which represents approximately 14% of Sprint's total spectrum holdings on a MHz-pops basis, was used as collateral to raise an initial \$3.5 billion in senior secured notes at 3.36% per annum from external investors under a \$7.0 billion program. Sprint can utilize this financing structure to potentially raise up to an additional \$3.5 billion subject to certain conditions. The notes will be repaid over a five-year term, with interest-only payments over the first four quarters and amortizing quarterly principal payments thereafter commencing in December 2017 through September 2021.

¥660 billion (\$5,882 million) of Indebtedness Outstanding under Other Loans

We have also entered into other loan agreements with a number of major financial institutions, under which the total outstanding indebtedness as of March 31, 2017 was ¥660 billion (\$5,882 million) (measured at amortized costs pursuant to IFRS). Of these, (i) ¥121 billion (\$1,082 million) was borrowed by the Company, and (ii) ¥105 billion (\$935 million), ¥430 billion (\$3,830 million) and ¥4 billion (\$35 million) were borrowed by Brightstar, Sprint and others, respectively. These loan agreements contain terms that we believe are customary for these types of loans provided by financial institutions.

Bonds

The table below summarizes all bonds, which we have issued, outstanding as of March 31, 2017.

Bond	Interest Rate (% per annum)	Balance (billions of yen)	Balance (millions of \$)
SoftBank Group Corp.			
Yen-Denominated Senior Bonds			
Institutional Bonds			
40th series Unsecured Straight Bond	0.73%	10	89
35th series Unsecured Straight Bond	1.66%	10	89
44th series Unsecured Straight Bond	1.69%	50	445
49th series Unsecured Straight Bond	1.94%	20	178
52nd series Unsecured Straight Bond	2.03%	49	443
50th series Unsecured Straight Bond	2.48%	30	266
Subtotal		169	1,510
Retail Bonds (Fukuoka SoftBank HAWKS bond)			
39th series Unsecured Straight Bond	0.74%	100	891
43rd series Unsecured Straight Bond	1.74%	399	3,555
45th series Unsecured Straight Bond	1.45%	298	2,660
46th series Unsecured Straight Bond	1.26%	398	3,543
47th series Unsecured Straight Bond	1.36%	99	884
48th series Unsecured Straight Bond	2.13%	366	3,264
51st series Unsecured Straight Bond	2.03%	395	3,521
Subtotal		2,055	18,318
Subtotal		2,224	19,828
Foreign Currency-Denominated Notes			
2020 USD-denominated Senior Notes	4.50%	277	2,467
2020 EUR-denominated Senior Notes	4.63%	74	662
2022 USD-denominated Senior Notes	5.38%	111	987
2022 EUR-denominated Senior Notes	4.00%	59	527
2025 USD-denominated Senior Notes	6.00%	111	986
2025 EUR-denominated Senior Notes	4.75%	147	1,316
2027 EUR-denominated Senior Notes	5.25%	59	526
Subtotal		838	7,471
Yen Denominated Subordinated Bonds			
1st series Unsecured Subordinated Corporate Bond	2.50%	395	3,520
2nd series Unsecured Subordinated Corporate Bond	2.50%	444	3,958
Subtotal		839	7,478
Yen Denominated Subordinated Bonds with interest deferrable clause and early redeemable option			
1st Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (Hybrid Bond)	3.00%	55	491
3rd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (Hybrid Bond)	3.00%	393	3,498
2nd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (Hybrid Bond)	3.50%	15	136
Subtotal		463	4,125
SoftBank Group Corp. Total		4,364	38,902
Yahoo Japan Bonds			
1st series Unsecured Straight Bond	0.04%	5	45
2nd series Unsecured Straight Bond	0.17%	15	134
3rd series Unsecured Straight Bond	0.37%	15	134
Yahoo Japan total		35	312
Other		1	2

Bond	Interest Rate (% per annum)	Balance (billions of yen)	Balance (millions of \$)
Excluding Sprint Total		4,400	39,216
Sprint Corporation Notes			
Sprint 2021 Notes	7.25%	250	2,230
Sprint 2023 Notes	7.88%	472	4,207
Sprint 2024 Notes	7.13%	277	2,473
Sprint 2025 Notes	7.63%	166	1,484
Subtotal		1,165	10,394
Sprint Communications Inc. Notes			
Sprint Communications 2017 Senior Notes	8.38%	148	1,316
Sprint Communications 2018 Guaranteed Notes	9.00%	355	3,168
Export Development Canada Facility (Tranche 3)	3.48% ⁽¹⁾	34	299
Sprint Communications 2020 Guaranteed Notes	7.00%	117	1,039
Sprint Communications 2020 Senior Notes	7.00%	172	1,532
Sprint Communications 2021 Senior Notes	11.50%	136	1,211
Sprint Communications 2022 Debentures	9.25%	25	226
Sprint Communications 2022 Senior Notes	6.00%	253	2,258
Subtotal		1,240	11,049
Sprint Capital Corporation Notes			
Sprint Capital 2019 Senior Notes	6.90%	197	1,752
Sprint Capital 2028 Senior Notes	6.88%	261	2,323
Sprint Capital 2032 Senior Notes	8.75%	239	2,131
Subtotal		697	6,206
Clearwire Communications LLC Notes			
Clearwire Communications Exchangeable Notes due 2017 ⁽²⁾	8.25%	71	639
Subtotal		71	639
Sprint Total		3,173	28,288
Total		7,573	67,504

(1) Floating interest rate. The interest rate stated is as of March 31, 2017.

(2) Clearwire Communications 8.25% Exchangeable Notes due 2040 have both a par call and put in December 2017.

¥2,224 billion (\$19,828 million) of Indebtedness Outstanding under Domestic Yen-Denominated Unsecured Straight Bonds

We have issued domestic unsubordinated yen-denominated unsecured bonds (the “Yen-denominated Senior Bonds”), which are senior, unsecured obligations of the Company and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company. These bonds are guaranteed by SoftBank Corp. on a senior, unsecured basis, ranking *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp.

These bonds contain terms that are customary for these types of securities issued by Japanese companies in Japan. However, we note the 39th, 43rd, 45th, 46th, 47th, 48th and 51st Yen-denominated Senior Bonds contain a financial covenant requiring that the Company’s net assets on a stand-alone basis must be at least ¥369.8 billion (\$3,296 million) at the end of each fiscal year. These bonds contain various events of default, including those relating to the non-payment of principal or interest, cross-acceleration of other indebtedness in excess of specified thresholds and insolvency events. Upon the occurrence of an event of default, holders of the bonds are immediately entitled to redeem the bonds on all amounts due. As of March 31, 2017, the aggregate outstanding indebtedness under these bonds was ¥2,224 billion (\$19,828 million) (measured at amortized costs pursuant to IFRS).

¥838 billion (\$7,471 million) of Indebtedness Outstanding under Foreign Currency Denominated Unsecured Senior Notes

We have issued foreign currency denominated senior notes (the “Foreign Currency Denominated Bonds”), which are senior, unsecured obligations of the Company and rank *pari passu* with all other outstanding

unsecured, unsubordinated obligations of the Company. These bonds are guaranteed by SoftBank Corp. on a senior, unsecured basis, ranking *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp.

The Foreign Currency Denominated Bonds contain restrictive covenants that limit our ability to, among other things: (i) incur secured indebtedness, (ii) guarantee the indebtedness of non-guarantor subsidiaries and other non-subsidiary affiliates and (iii) use proceeds from asset sales to make restricted payments in the event that aggregate restricted payments exceed \$15 billion since the original issuance date of the Foreign Currency Denominated Bonds.

Upon the occurrence of a change of control triggering event, the Company would be required to make an offer to repurchase all outstanding Foreign Currency Denominated Bonds at a purchase price equal to 100% of their principal amount plus any accrued and unpaid interest.

The Foreign Currency Denominated Bonds are redeemable by the Company at any time prior to maturity at a redemption price equal to 100% of the outstanding principal amount, with accrued and unpaid interest plus a “make-whole” premium.

¥839 billion (\$7,478 million) of Indebtedness Outstanding under Domestic Yen-Denominated Unsecured Subordinated Bonds

We have issued domestic yen-denominated unsecured subordinated bonds (the “Domestic Subordinated Bonds”) at 2.50% coupon per annum, which are direct, unsecured obligations of the Company and contractually subordinated to all existing and future debt except for debt equal or subordinated to the Domestic Subordinated Bonds. The Domestic Subordinated Bonds are not guaranteed by SoftBank Corp. The Yen-denominated Subordinated Bonds will be ranked senior to the Notes.

As of March 31, 2017, the aggregate outstanding indebtedness under these Domestic Subordinated Bonds was ¥839 billion (\$7,478 million) (measured at amortized costs pursuant to IFRS).

¥463 billion (\$4,125 million) of Indebtedness Outstanding under Domestic Yen-Denominated Unsecured Hybrid Bonds with Interest Deferral and Early Redemption Clauses

In September 2016, we issued three series of unsecured subordinated bonds with interest deferral and early redemption clauses, with two series due 2041 and one series due 2043 (the “Yen-denominated Hybrid Bonds”). The Yen-denominated Hybrid Bonds are subordinated to all existing and future debt, including the Domestic Subordinated Bonds, except for debt equal or subordinated to the Yen-denominated Hybrid Bonds.

As of March 31, 2017, the aggregate outstanding indebtedness under these Yen-denominated Hybrid Bonds was ¥463 billion (\$4,125 million) (measured at amortized costs pursuant to IFRS).

The following table shows the scheduled redemptions for the total remaining bonds issued by the Company for the periods indicated:

Fiscal year ending March 31,	Total Principal Amount Due⁽¹⁾
	(billions of yen)
2018	120.0
2019	400.0
2020	700.0
2021	474.4
2022 ⁽²⁾	1,305.6
2023	561.8
2024 ⁽²⁾	485.4
2025	0.0
2026	293.4
2027	30.0
2028	67.7

(1) Amounts correspond to the face amounts.

(2) In case of early redemption on the first call date of the Yen-denominated Hybrid Bonds.

¥35 billion (\$312 million) of Indebtedness Outstanding under Unsecured Straight Bonds Issued by Yahoo Japan

On February 28, 2017, Yahoo Japan issued three series of unsecured straight bonds due 2020, 2022 and 2024, respectively, in the form of ¥5,000 million 0.04% Unsecured Straight Bonds due 2020, ¥15,000 million 0.17% Unsecured Straight Bonds due 2022 and ¥15,000 million 0.37% Unsecured Straight Bonds due 2024.

¥3,173 billion (\$28,288 million) of Indebtedness Outstanding under Unsecured Senior Notes issued by Sprint and Its Subsidiaries

As of March 31, 2017, Sprint's outstanding notes consisted of senior notes, guaranteed notes, and exchangeable notes, all of which are unsecured, as well as secured notes of Clearwire Communications LLC, which are secured solely by assets of Clearwire Communications LLC and certain of its subsidiaries. Cash interest on all of the notes is generally payable semi-annually in arrears. As of March 31, 2017, approximately \$30.2 billion aggregate principal amount of the notes was redeemable at Sprint's discretion at the then-applicable redemption prices plus accrued interest. Indebtedness under Sprint's outstanding notes is structurally senior to the Notes.

As of March 31, 2017, approximately \$24.1 billion aggregate principal amount of Sprint's senior notes and guaranteed notes provide holders with the right to require Sprint to repurchase the notes if a change of control triggering event (as defined in the applicable indentures and supplemental indentures) occurs.

Upon Sprint's acquisition of Clearwire Corporation, the Clearwire Communications, LLC 8.25% Exchangeable Notes due 2040 became exchangeable at any time, at the holder's option, for a fixed amount of cash equal to \$706.21 for each \$1,000 principal amount of notes surrendered. As a result, \$629 million, which is the total cash consideration payable upon an exchange outstanding Notes, is now classified as a current debt obligation.

From May to June 2017, Sprint accepted tenders for approximately \$1.2 billion principal amount of 9.000% Guaranteed Notes due 2018 and approximately \$388 million principal amount of 8.375% Notes due 2017. As a result of these tenders, approximately \$1.6 billion aggregate principal amount of debt was retired.

Leases

The table below shows our finance leases and the future minimum lease payments related to non-cancelable operating leases as of March 31, 2017.

	As of March 31, 2017	
	(billions of yen and millions of dollars)	
Finance leases	¥1,246	\$11,105
Future minimum lease payments related to non-cancelable operating leases	2,646	23,581

¥1,246 billion (\$11,105 million) Outstanding on Finance Leases

Our major subsidiaries lease certain telecommunications equipment and service lines, buildings and structures, other property, equipment and software. Once the assembly, installation and inspection of newly acquired equipment are complete, we sell the equipment, excluding the installed software, to leasing companies and lease the equipment back from them under sale and lease-back arrangements. At the same time, we enter into loan contracts with the lessors to pay for the value of certain software. We include the cash inflows from the sale of the equipment to leasing companies and the proceeds from the loan arranged for the software portion as proceeds from the sale and lease-back of equipment newly acquired under cash flows from financing activities in our consolidated financial statements. SoftBank Corp. holds ¥1,082 billion (\$9,643 million), or approximately 87%, of all of our finance leases.

As of March 31, 2017, we had outstanding finance leases totaling ¥1,246 billion (\$11,105 million).

Operating Leases

The future minimum lease payments related to non-cancelable operating leases are ¥2,646 billion (\$23,581 million). We lease various equipment, office facilities, retail outlets and kiosks, switching facilities and cell sites under operating leases, mostly through Sprint. The non-cancelable portion of these leases generally ranges from monthly up to 15 years. These leases, with few exceptions, provide for automatic renewal options and escalations that are either fixed or based on the consumer price index.

TERMS AND CONDITIONS OF THE NC6 NOTES

The following, except for paragraphs in italics, are the terms and conditions of the Notes which will be endorsed on each Note in definitive form (if issued).

The issue of the U.S.\$2,750,000,000 6.000% Deeply Subordinated Fixed Rate Resettable Notes (the **Notes**, which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 17 and forming a single series with the Notes) of SoftBank Group Corp. (the **Issuer**) was authorized by the Board of Directors on 30 May 2017. The Notes are constituted by a trust deed (the **Trust Deed**) dated July 19, 2017 between the Issuer and The Bank of New York Mellon, London Branch (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the **Holders**). These terms and conditions (as amended from time to time) (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. Copies of (i) the Trust Deed; and (ii) the agency agreement (the **Agency Agreement**) dated July 19, 2017 relating to the Notes between the Issuer, The Bank of New York Mellon, London Branch as the initial principal paying agent and calculation agent (the **Principal Paying Agent** and the **Calculation Agent**, respectively, which expressions shall include any successor thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include the Paying Agents for the time being), the Trustee, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**) and the transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of each of the Paying Agents. The holders of the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

The Notes are issued in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. A security certificate (each a **Certificate**) will be issued to each holder in respect of its registered holding of Notes. Each Certificate will be serially numbered with an identifying number which will be recorded on the relevant Certificate and in the register of holders which the Issuer will procure to be kept by the Registrar (the **Register**).

(b) Title

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, **Holder** or **holder** means the person in whose name a Note is registered in the Register.

(c) Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Transfer Agents.

(d) Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the Holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the Holder of the Notes not so transferred to the address of such Holder appearing on the Register or as specified in the form of transfer.

(e) Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent upon payment (or the giving of such indemnity as the Issuer, the Registrar or any Transfer Agent may reasonably require) in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(f) Closed periods

No Holder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or premium on that Note or in the period falling 15 days prior to any Interest Payment Date.

(g) Regulations

All transfers of Notes and entries on the Register will be made subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 1 to the Agency Agreement).

2 Status

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders are subordinated as described in Condition 3.

3 Subordination

(a) General

Upon the occurrence of a Subordination Event, there shall be payable by the Issuer in respect of each Note an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest, *provided* that the obligation of the Issuer to make such payment shall (except as otherwise provided by mandatory provisions of law) be subordinated to all Senior Obligations, rank *pari passu* with all Parity Obligations and rank senior to all Junior Obligations, and so long as such Subordination Event continues, no such payment shall be made with respect to such Note unless and until the relevant Subordinate Payment Conditions have been satisfied, and to the extent any Senior Preference Shares are then outstanding, the Holder of such Note shall only be entitled to the Subordination Claim Amount, *provided* further that no amount in respect of the Notes shall, merely as a result of the commencement of proceedings set forth in (iii), (iv) and (in the case of those proceedings analogous to the proceedings specified under limbs (iii) and (iv) of the definition of "Subordination Event" only) (v) of the definition of "Subordination Event", be or become payable sooner than the same would otherwise have been or become payable by the Issuer had no such proceedings been commenced. The Issuer shall, as soon as practicable after the occurrence of any Subordination Event, cause notice of its occurrence to be given to the Trustee, the Paying Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 16, the Holders.

Nothing in this Condition 3(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

Accordingly, and without prejudice to the rights of the Trustee or the Agents, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration before the Holders may expect to obtain any recovery in respect of their Notes and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration. See "Risk Factors—Risks related to the Notes generally—Limited Remedies."

(b) Set-off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes and each Holder shall, by virtue of his holding of any Note, be deemed to have waived all such rights of set-off, compensation or retention.

4 Interest Payments

(a) Interest Rate

The Notes bear interest on their principal amount at the applicable Interest Rate from (and including) July 19, 2017 (the **Issue Date**) in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date as provided in this Condition 4.

(b) Interest Accrual

The Notes will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 unless, upon due presentation, payment of all amounts due in respect of the Notes is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 4(c), where it is necessary to calculate an amount of interest in respect of any Note for a period which is less than a complete Interest Period, such interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Where it is necessary to calculate an amount of interest in respect of any Note for a period of more than one Interest Period, such interest shall be the aggregate of the interest payable in respect of a full Interest Period plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Note shall be calculated per U.S.\$1,000 in principal amount thereof (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall, save as provided in Condition 4(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day count fraction as described in this Condition 4(b) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Note without any further rounding.

(c) Initial Interest Rate

For each Interest Period ending on or before the First Reset Date, the Notes bear interest at the rate of 6.000 percent per annum (the **Initial Interest Rate**), payable semi-annually in arrear in equal instalments of U.S.\$30.00 per Calculation Amount on the Interest Payment Dates in each year.

(d) Reset Interest Rates

For each Interest Period which commences on or after the First Reset Date, the Notes bear interest at the relevant Reset Interest Rate. Such interest shall be payable semi-annually in arrear on the Interest Payment Dates in each year and shall be calculated, subject to Condition 4(i) below, as follows:

$$\text{Reset Interest Rate} = 5 \text{ Year Swap Rate} + \text{Margin}$$

all as determined by the Calculation Agent and where:

5 Year Swap Rate means the semi-annual U.S. dollar 5 year mid-swap rate as displayed on Reuter's page "ICESWAP1" as at 11:00 a.m. (New York time) (the **Reset Screen Page**) on the day falling two Business Days prior to the first day of the relevant Reset Period (the **Reset Interest Determination Date**);

If the 5 Year Swap Rate does not appear on the Reset Screen Page on the Reset Interest Determination Date, the 5 Year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

Reset Reference Bank Rate means the percentage rate determined on the basis of the 5 Year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the **Reset Reference Banks**), selected and appointed by the Issuer, to the Calculation Agent at approximately 11:00 a.m. (London time) on such Reset Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest);

5 Year Swap Rate Quotations means, in respect of each Interest Period falling within a Reset Period, the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating U.S. dollar interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 3-month U.S. dollar LIBOR rate (calculated on an Actual/360 day count basis);

Margin means (i) in respect of each Reset Period which falls in the period beginning on the First Reset Date and ending on (but excluding) July 19, 2038, the Initial Credit Spread plus the First Step-up Margin; and (ii) each Reset Period which falls in the period commencing on (and including) July 19, 2038, the Initial Credit Spread plus the Second Step-up Margin;

Initial Credit Spread means 3.976 percent;

First Step-up Margin means 0.25 percent; and

Second Step-up Margin means 1.00 percent

If on any Reset Interest Determination Date only one or none of the Reset Reference Banks provides the Calculation Agent with 5 Year Swap Rate Quotations as provided in the foregoing provisions of this paragraph, the Reset Interest Rate shall be determined as set out in the formula above but the 5 Year Swap Rate shall be the 5 Year Swap Rate as at the last preceding Reset Date or, in the case of the first Reset Interest Determination Date, 1.939 percent, being the applicable Five Year Swap Rate as of July 12, 2017, and the Margin shall be the Margin in respect of the relevant Reset Period.

The applicable Reset Interest Rate shall be determined as provided above in respect of each Reset Period and, as so determined, such rate shall apply to each Interest Period falling within that Reset Period.

For the purposes of this Condition 4(d), the Calculation Agent shall not be responsible to the Issuer or to any third party as a result of the Calculation Agent having relied upon or acted on any quotation or information given to it for the purposes of calculating the Reset Interest Rate or the Reset Reference Bank Rate which subsequently may be found to be incorrect or inaccurate in any way or for any losses whatsoever resulting from acting in accordance therewith.

(e) Determination of Reset Interest Rate

The Calculation Agent will, as soon as practicable after 11:00 a.m. (New York time) on each Reset Interest Determination Date, determine the relevant Reset Interest Rate in respect of each Interest Period falling within the relevant Reset Period.

(f) Publication of Reset Interest Rate

The Calculation Agent shall cause notice of each Reset Interest Rate determined in accordance with this Condition 4 in respect of each relevant Interest Period to be given to the Trustee, the Paying Agents and the Issuer, and the Issuer shall cause notice to be given to any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 16, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

(g) Calculation Agent and Reset Reference Banks

With effect from the first Reset Interest Determination Date, the Issuer will maintain a Calculation Agent. The name of the initial Calculation Agent and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another leading financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails duly to determine the relevant Reset Interest Rate in respect of any Reset Period as provided in Condition 4(d), the Issuer shall forthwith appoint another leading financial institution in London approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without such successor having been appointed.

(h) Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of wilful default, manifest error or negligence) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and (in the absence of wilful default, manifest error or negligence) no liability to the Holders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) Step-up after Change of Control Event

Notwithstanding any other provision of this Condition 4, if the Issuer does not provide notice of its election to redeem the Notes in accordance with Condition 6(g) within 30 days following the occurrence of a Change of Control Event, the then applicable Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 4, on the Notes shall be increased by 3.00 percent per annum with effect from (and including) the 30th day following the occurrence of such Change of Control Event.

(j) Change to the definition of "Margin"

If, at any time prior to the First Reset Date, the Issuer is assigned an ICR of Investment Grade from S&P, then the Issuer may elect, by giving notice in accordance with Condition 16 to the Holders (with notice to the Paying Agents), that the definition of "Margin" in Condition 4(d) shall be deemed to be immediately, and irrevocably, replaced with the following:

"Margin means (i) in respect of each Reset Period which falls in the period beginning on the First Reset Date and ending on (but excluding) July 19, 2043, the Initial Credit Spread plus the First Step-up Margin; and (ii) each Reset Period which falls in the period commencing on (and including) July 19, 2043, the Initial Credit Spread plus the Second Step-up Margin"

Prior to the giving of any notice under this Condition 4(j) the Issuer shall deliver a certificate in form and substance satisfactory to the Trustee signed by two directors of the Issuer stating that it has been assigned an ICR of Investment Grade from S&P and that the right to make such an election has therefore arisen.

The Trustee shall be entitled (but shall not be obligated) to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Neither the Trustee nor any of the Agents shall be obliged to take any steps to ascertain whether a Change of Control Event has occurred or the Issuer has been assigned an ICR of Investment Grade from S&P (other than to receive the above certificate from the Issuer) or to monitor the occurrence of any Change of Control Event or the assignment of an ICR of Investment Grade from S&P to the Issuer, and shall not be liable to the Noteholders or any other person for not doing so.

5 Optional Interest Deferral

(a) Deferral of Payments

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a **Deferred Interest Payment**) which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a **Deferral Notice**) of such election to the Holders in accordance with Condition 16, the Trustee and the Principal Paying Agent not more than 14 nor fewer than seven Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(b), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date,

then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Enforcement Event or breach of any other of its obligations under the Notes or for any other purpose.

Arrears of Interest (as defined below) may be satisfied at the option of the Issuer in whole or in part at any time (the *Optional Deferred Interest Settlement Date*) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 16, the Trustee and the Principal Paying Agent not more than 14 nor fewer than seven Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being *Arrears of Interest*), at the applicable Interest Rate as if it constituted the principal of the Notes, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such payment is required in accordance with Condition 5(b).

(b) *Mandatory Settlement*

Notwithstanding the provisions of Condition 5(a) relating to the ability of the Issuer to defer Interest Payments, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 16 (*Notices*), the Trustee, the Registrar and the Paying Agents not more than 14 nor fewer than seven Business Days prior to the relevant Mandatory Settlement Date.

6 *Redemption*

(a) *Final Redemption*

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3(a)) only have the right to repay them in accordance with the following provisions of this Condition 6.

(b) *Issuer's Call Option*

The Issuer may, by giving not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Notes on any Call Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(c) *Redemption for Certain Taxation Reasons*

If, immediately prior to the giving of the notice referred to below, a Tax Deduction Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions at any time all, but not some only, of the Notes at (i) 101 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs on or after the First Reset Date or in the case of a Withholding Tax Event where such redemption occurs at any time), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes, provided

that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date prior to the date on which the relevant Tax Law Change giving rise to the Withholding Tax Event or Tax Deduction Event comes into effect.

(d) *Redemption for Rating Reasons*

If, immediately prior to the giving of the notice referred to below, a Rating Methodology Event has occurred and is continuing, then the Issuer may, subject to having given not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at (i) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last day before the date on which the Notes will no longer be eligible for the same, or a higher amount of, "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share).

(e) *Redemption for Accounting Reasons*

If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at (i) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last day before the date on which the obligations of the Issuer under the Notes must not or may no longer be recorded as "equity" in the audited annual consolidated financial statements of the Issuer prepared in accordance with IFRS or any other accounting standards that the Issuer may adopt in the future for the preparation of its audited annual consolidated financial statements in accordance with Japanese company law.

(f) *Redemption for Substantial Repurchase*

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then the Issuer may, subject to having given not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(g) *Redemption for Change of Control Event*

If, immediately prior to the giving of the notice referred to below, a Change of Control Event has occurred and is continuing, then the Issuer may, subject to having given not fewer than 95 nor more than 120 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

7 Preconditions to Special Event Redemption and Change of Control Event Redemption

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)), the Issuer shall deliver to the Trustee a certificate in form and substance satisfactory to the Trustee signed by two directors of the Issuer stating that the relevant requirement or circumstance giving

rise to the right to redeem is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer taking such measures. Prior to the publication of any notice of redemption pursuant to Condition 6(c) or 6(e), the Issuer shall also deliver to the Trustee:

- (a) in the case of a Withholding Tax Event, an opinion of independent legal advisors of recognized standing to the effect that the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 11) on the Notes as a result of the relevant Tax Law Change;
- (b) in the case of a Tax Deduction Event, an opinion of independent legal advisors of recognized standing to the effect that, as a result of the relevant Tax Law Change, (i) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in Japan, or such entitlement is reduced compared to such entitlement as at the Issue Date or (ii) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to have such deduction set against the profits of companies with which it is grouped for applicable Japanese tax purposes; and
- (c) in the case of an Accounting Event, an opinion of the then statutory independent auditors of the Issuer, or of other independent accountants of recognized standing, to the effect that the obligations of the Issuer under the Notes must not or may no longer, as a result of a change in accounting principles which becomes effective on or after the Issue Date, be recorded as "equity" in the next following audited annual consolidated financial statements of the Issuer prepared in accordance with IFRS or, as the case may be, any other accounting standards that the Issuer may then be using for the preparation of its audited annual consolidated financial statements in accordance with Japanese company law.

The Trustee may rely absolutely upon and shall be entitled to accept such directors' certificate and, where relevant, opinion without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it shall be conclusive and binding on the Holders.

Any redemption of the Notes in accordance with Condition 6(b), 6(c), 6(d), 6(e), 6(f) or 6(g) shall be conditional on all outstanding Arrears of Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption.

The Trustee is under no obligation to ascertain whether any Special Event or Change of Control Event or Change of Control or any event which could lead to the occurrence of, or could constitute, any such Special Event, Change of Control Event or Change of Control, has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event, Change of Control Event or Change of Control or such other event has occurred.

8 Purchases and Cancellation

(a) Purchases

Each of the Issuer and any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder to vote at any meeting of the Holders or otherwise exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for voting on any Extraordinary Resolution or for the purposes of Condition 13.

(b) Cancellation

All Notes redeemed by the Issuer pursuant to Condition 6 will forthwith be cancelled. All Notes purchased by the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Principal Paying Agent. Notes so surrendered shall be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

9 Payments

(a) Method of Payment

Payments of principal, premium and interest in respect of each Note will be made by transfer to the registered account of the Holder. Interest on the Notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the *record date*) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 9(a), a Holder's *registered account* means the U.S. Dollar account maintained by or on behalf of it with a bank that processes payments in U.S. Dollars, details of which appear on the Register at the close of business on the relevant record date, and a Holder's registered address means its address appearing on the Register at that time.

Notwithstanding the foregoing, so long as the global certificate in respect of the Notes is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, payments shall be made in the manner described under "Summary of Provisions Relating to the Notes in Global Form".

(b) Payments Subject to Fiscal Laws

Without prejudice to the terms of Condition 11, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) Payments on Business Days

If any date for payment in respect of any Note is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 9, *business day* means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in New York, Tokyo and the place in which the specified office of the Principal Paying Agent is located.

(d) Partial Payments

If the amount of principal, premium (if any) or interest (including, for the avoidance of doubt, Arrears of Interest) which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium (if any) or interest (including, for the avoidance of doubt, Arrears of Interest) in fact paid.

10 Enforcement Event

(a) Proceedings

If a default is made by the Issuer for a period of 7 days or more in the payment of any principal or 14 days or more in the payment of any interest, in each case in respect of the Notes and which is due (an *Enforcement Event*), then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed and the Notes and the Trustee at its sole discretion may, notwithstanding the provisions of Condition 10(b) but subject to Condition 10(c), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, for such payment, with any rights and claims of Holders subordinated as provided in Condition 3(a).

(b) Enforcement

The Trustee may at its discretion (subject to Condition 10(c)) and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes but in no event shall the Issuer, by virtue of the institution of any such proceedings, steps or actions, be obliged to pay any amount sooner than the same would otherwise have been payable by it.

(c) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or 10(b) above against the Issuer to enforce the terms of the Trust Deed or the Notes or take any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) *Right of Holders*

No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed, institute, prove or claim, fails to do so within a reasonable period and such failure shall be continuing or a Japanese court or any other court of competent jurisdiction determines that only Holders are entitled to bring such claim, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

(e) *Extent of Holders' remedy*

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

11 Taxation

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or within Japan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (**Additional Amounts**) as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Note by reason of his having some connection with Japan other than a mere holding of such Note, or by being a Specially-Related Person (which means a person who has a special relationship with the Issuer as described in Article 6, paragraph (4) of the Special Taxation Measures Act, as amended);
- (b) in relation to any Taxes imposed or withheld as a result of the failure of a Holder or beneficial owner of the Notes (i) to comply with any written request, made to the relevant holder at least 90 days before any such withholding or deduction would be payable, by the Issuer to provide, on a timely basis, accurate information or certification concerning the nationality, residence or identity of such Holder or beneficial owner, or (ii) to satisfy any other reporting requirement applicable to such Holder or beneficial owner notified to the Holder or beneficial owner in writing by the Issuer in a timely manner, in either case, where such information, certification or satisfaction would have permitted the payment to be made without withholding or deduction (or with a reduced rate of withholding or deduction) had it been done on a timely basis;
- (c) presented (in respect of Notes in definitive form where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such Additional Amounts on presenting it for payment on any day of such period of 30 days;
- (d) in relation to any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;
- (e) any Note presented for payment by or on behalf of a Holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable

requirement to provide certain information prescribed by the Special Taxation Measures Act to enable a participant of a depositary or financial intermediary through which the Notes are held to establish that such beneficial owner is exempted from the requirement for Japanese taxes to be withheld or deducted (the *Interest Recipient Information*);

- (f) to, or to a third party on behalf of, a Holder who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution that complies with the requirement to provide the Interest Recipient Information or to submit a Written Application for Tax Exemption (*hikazei tekiyo shinkokusho*) prescribed by the Special Taxation Measures Act and (B) an individual resident of Japan or a Japanese corporation that duly notifies the relevant Paying Agent of its status as not being subject to taxes to be withheld or deducted by the Issuer by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the Notes through a payment handling agent in Japan); or
- (g) any combination of items (a) through (f) above.

References in these Conditions to principal, premium, Interest Payments, Deferred Interest Payments, Arrears of Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

12 Prescription

Claims against the Issuer in respect of Notes will become void unless made within a period of 10 years (in respect of claims relating to principal and premium) and five years (in respect of claims relating to interest) from the Relevant Date relating thereto.

13 Meetings of Holders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 percent in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the Notes and reducing or cancelling the principal amount of any Notes, any applicable premium or the Interest Rate) and certain other provisions of the Trust Deed as set out in the Trust Deed, the quorum shall be two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 percent in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee may agree, without the consent of the Holders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which is in each case, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Agency

Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for the winding-up of the Issuer which is more extensive than those set out in Condition 10). Any such modification, authorization or waiver shall be binding on the Holders and such modification shall be notified to the Holders in accordance with Condition 16 as soon as practicable thereafter.

In connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to the consequences of such exercise for individual Holders.

14 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificate) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before any replacement Certificates will be issued.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of, and/or provision of security and/or prefunding for, the Trustee and for its relief from responsibility, including provisions relieving it from taking any actions or steps or instituting any proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisors, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

16 Notices

Notices to Holders will be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in another leading daily English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

Notwithstanding the foregoing, so long as the global certificate in respect of the Notes is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, notices shall be given in the manner described under "Summary of Provisions Relating to the Notes in Global Form".

17 Further Issues

The Issuer may from time to time without the consent of the Holders create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Notes) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. Any such Notes shall be constituted by a deed supplemental to the Trust Deed.

18 Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will:

- (a) at all times maintain a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and/or Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) whenever a function expressed in these Conditions to be performed by the Calculation Agent or by the Reset Reference Banks falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Calculation Agent and/or, as appropriate, Reset Reference Banks.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents, the Transfer Agents of the Registrar will be given to the Holders in accordance with Condition 16. If any of the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents and the Holders.

19 Governing Law

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

20 Submission to Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes (*Proceedings*) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition is for the benefit of each of the Trustee and the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21 Appointment of Process Agent

The Issuer has appointed the Cogency Global (UK) Limited at its registered office for the time being, currently at 6 Bevis Marks, 1st floor, London EC3A 7BA, United Kingdom as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

22 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes by virtue of the Contracts (Rights of Third Parties) Act 1999.

23 Definitions

In these Conditions:

5 Year Swap Rate has the meaning given to it in Condition 4(d);

5 Year Swap Rate Quotations has the meaning given to it in Condition 4(d);

an **Accounting Event** shall be deemed to occur if, as a result of a change in accounting principles which becomes effective on or after the Issue Date, but not otherwise, the obligations of the Issuer under the Notes must not or may no longer be recorded as “equity” in the next following audited annual consolidated financial statements of the Issuer prepared in accordance with IFRS or any other accounting standards that the Issuer may adopt in the future for the preparation of its audited annual consolidated financial statements in accordance with Japanese company law.

Additional Amounts has the meaning given to it in Condition 11;

Calculation Agent has the meaning given to it in the preamble to these Conditions;

Agents means the Principal Paying Agent, the Calculation Agent, the Registrar, the Paying Agents and the Transfer Agents or any of them;

Arrears of Interest has the meaning given to it in Condition 5(a);

Bankruptcy Act means the Bankruptcy Act (*hasan hou*) (Act No. 75 of 2004, as amended);

Business Day means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Tokyo, London and New York;

Calculation Amount has the meaning given to it in Condition 4(b);

Call Date means the First Reset Date or any Interest Payment Date thereafter;

Capital Stock means:

- (i) in the case of a corporation, corporate stock;
- (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (iii) in the case of a partnership or limited-liability company, partnership interests (whether general or limited) or membership interests; and
- (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into any of (i) to (iv) above, whether or not such debt securities include any right of participation with any of (i) to (iv) above.

a **Change of Control Event** shall be deemed to occur if a Change of Control and a Change of Control Rating Event both occur;

For the purposes of the definition of a Change of Control Event:

Alibaba Group means Alibaba Group Holding Limited and any of its Subsidiaries from time to time;

Beneficial Owner has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning;

Change of Control means the occurrence of any of the following:

- (i) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its

Subsidiaries taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)), *provided* that if a Person to which such sale, lease, transfer, conveyance or other disposition has been made shall have assumed the obligations of the Issuer under the Notes in satisfaction of the conditions set out in the Trust Deed such occurrence shall not, even if the other conditions to a “Change of Control Event” are satisfied, cause a Change of Control Event to occur and *provided* further that, for the avoidance of doubt, the sale, lease, conveyance, assignment, transfer, or other disposition by the Issuer or any of its Subsidiaries, in any single transaction or series of related transactions, whether direct or indirect, of (x) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group, (y) interests in the SoftBank Vision Fund or any portfolio assets thereof or (z) any investment assets controlled by the Issuer or its Subsidiary in its capacity as general partner of any fund or interests in any such fund will not be deemed to be a Change of Control;

- (ii) the adoption of a plan relating to the liquidation or dissolution of the Issuer (other than in connection with a solvent reorganization); or
- (iii) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any “person” as defined above) other than the Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50.0 percent of the Voting Stock of the Issuer, measured by voting power rather than number of shares, *provided* that a transaction in which the Issuer becomes a Subsidiary of another Person shall not, subject to the Issuer surviving, constitute a Change of Control where (x) the shares of Voting Stock of the Issuer outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of such other Person of whom the Issuer is a Subsidiary immediately following such transaction and (y) immediately following such transaction no Person other than the Permitted Holder or such other Person Beneficially Owns, directly or indirectly, more than 50.0 percent of the Voting Stock of the Issuer and no Person other than the Permitted Holders Beneficially Owns, directly or indirectly, more than 50.0 percent of the Voting Stock of such other Person;

The Trust Deed sets out the following preconditions (to be satisfied during the Change of Control period) to such an assumption anticipated under sub-paragraph (i) of the definition of Change of Control:

- (a) *all of the assets or properties which are the subject of such sale, lease, transfer, conveyance or other disposition are sold, leased, conveyed or otherwise disposed of to a Person (a **Substituted Obligor**) and, where applicable, its Subsidiaries, and a deed is executed or undertaking given by such Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the Trust Deed and the Notes (with consequential amendments as the Trustee may deem appropriate) as if the Substituted Obligor had been named in the Trust Deed and the Notes as the principal debtor in place of the Issuer;*
- (b) *such Substituted Obligor is a corporation organized and existing under the laws of Japan, any jurisdiction which is at the Issue Date or at any time thereafter a member state of the European Union, Switzerland, the United States, any state of the United States or the District of Columbia, Singapore, the Cayman Islands, Jersey, Guernsey, Hong Kong or the British Virgin Islands;*
- (c) *the delivery to the Trustee of a certificate of two directors of such Substituted Obligor certifying that it will be solvent immediately after such substitution, and if any two directors of such Substituted Obligor certify that it will be solvent immediately after such substitution, the Trustee need not have regard to such Substituted Obligor's financial condition, profits or prospects or compare them with those of the Issuer;*
- (d) *the Issuer and the Substituted Obligor shall have each delivered to the Trustee a certificate of two directors and an opinion of counsel, each to the effect that such sale, lease, transfer, conveyance or other disposition complies with the Trust Deed and an opinion of counsel to the effect that such Substituted Obligor has capacity to assume all rights and obligations under the Notes and has obtained all necessary corporate or governmental authorization to assume all such rights and obligations (in each case, in form and substance reasonably satisfactory to the Trustee), provided that in giving an opinion of counsel, counsel may rely on an officers' certificate as to any matters of fact;*

- (e) no Potential Enforcement Event or Enforcement Event (as defined in the Trust Deed) has occurred and is continuing; and
- (f) there will be no Special Event as a result of such Substituted Obligor becoming principal debtor under the Notes.

a **Change of Control Negative Rating Event** shall be deemed to have occurred if at such time as there is no long term debt rating assigned to the Issuer by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, such a long term debt rating or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being or better) by the end of the Change of Control Period, provided that in either case, there is at least one Rating Agency in operation at such time from whom to obtain such a rating. If there is no Rating Agency so in operation no Change of Control Negative Rating Event shall be deemed to occur;

a **Change of Control Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if the then current long term debt rating assigned to the Issuer by any Rating Agency at the invitation of the Issuer (or where there is no such rating from any Rating Agency assigned at the invitation of the Issuer, the then current (if any) long term debt rating assigned to the Issuer by any Rating Agency of its own volition) is, during the Change of Control Period, withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall then have already assigned a long term debt rating of below investment grade (as described above), the rating is lowered one full rating category (from BB+/Ba1 to BB/Ba2 or such similar lowering) or more;

Change of Control Period means the period commencing on the date of the first public announcement of the Change of Control or the intention to effect a Change of Control and ending 90 days after the occurrence of the Change of Control;

a **Change of Control Rating Event** shall be deemed to have occurred if:

- (i) a Change of Control Rating Downgrade occurs within the Change of Control Period; or
- (ii) a Change of Control Negative Rating Event occurs within the Change of Control Period;

Equity Interests means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock);

Permitted Holders means (i) Mr. Masayoshi Son, (ii) any of his immediate family members and (iii) any trust, corporation, partnership, limited-liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of Mr. Masayoshi Son and /or any of his immediate family members;

SoftBank Vision Fund means SoftBank Vision Fund L.P.; and

Voting Stock means of the Issuer, as of any date, its Capital Stock that is at the time entitled to vote in the election of the board of directors of the Issuer;

Civil Rehabilitation Act means the Civil Rehabilitation Act (*minji saisei hou*) (Act No. 225 of 1999, as amended);

a **Compulsory Arrears of Interest Settlement Event** shall have occurred if:

- (i) the Issuer has resolved to carry out, or has paid, a dividend of surplus (*jyouyo kin no haitou*) in respect of any Junior Obligations;

- (ii) the Issuer, or any Subsidiary of the Issuer, purchases or acquires any Junior Obligations, save in any of the following cases:
 - (I) pursuant to Article 155(viii) to (xiii) (inclusive) of the Companies Act;
 - (II) the exercise of appraisal rights from a dissenting shareholder pursuant to Article 469(1), Article 785(1), Article 797(1), or Article 806(1) of the Companies Act;
 - (III) the exercise of appraisal rights from a dissenting shareholder pursuant to Article 116(1) of the Companies Act;
 - (IV) an acquisition from a Subsidiary pursuant to Article 163 of the Companies Act in order to comply with Article 135(3) of the Companies Act; or
 - (V) other purchases of Junior Obligations by the Issuer when it is legally obliged to do so;
- (iii) a distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Obligations (excluding a distribution or payment resolved on, declared, paid or made in respect of any Parity Obligations concurrently with the redemption, repurchase or acquisition of such Parity Obligations on or after their legal or effective maturity date); or
- (iv) the Issuer, or any Subsidiary of the Issuer, has redeemed, repurchased or otherwise acquired any Parity Obligations (excluding redemption, repurchase or acquisition of such Parity Obligations on or after their legal or effective maturity date);

Conditions means these terms and conditions of the Notes, as amended from time to time;

Corporate Reorganization Act means the Corporate Reorganization Act (*kaisha kousei hou*) (Act No. 154 of 2002, as amended);

Deferred Interest Payment has the meaning given to it in Condition 5(a);

Designated Financial Institution means a Japanese financial institution or financial instruments business operator falling under certain categories prescribed by the cabinet order under Article 6, Paragraph 9 of the Special Taxation Measures Act;

First Reset Date means July 19, 2023;

Holder has the meaning given to it in the preamble to these Conditions;

ICR means “Issuer credit rating” as used in the ratings methodology of S&P (or such other nomenclature that S&P may then use to describe such rating);

IFRS means International Financial Reporting Standards;

Initial Interest Rate has the meaning given to it in Condition 4(c);

Interest Payment means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Condition 4;

Interest Payment Date means January 19 and July 19 in each year, commencing on (and including) January 19, 2018;

Interest Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

Interest Rate means the Initial Interest Rate and/or each Reset Interest Rate, as the case may be;

Issue Date has the meaning given to it in Condition 4(a);

Issuer means SoftBank Group Corp.;

Investment Grade means a rating equal to or greater than BBB- by S&P or the equivalent thereof under any new ratings system if the ratings systems of S&P shall be modified after the Issue Date;

Junior Obligations means (i) any class of share capital of the Issuer (including the common shares of the Issuer (*futsuu kabushiki*)) which ranks junior to the Parity Obligations; (ii) all obligations of the Issuer issued or incurred directly or indirectly by it, which rank or are expressed to rank *pari passu* with any class of share capital of the Issuer which ranks junior to the Parity Obligations; or (iii) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the securities referred to in (i) or (ii);

Mandatory Settlement Date means the earlier of:

- (i) as soon as reasonably practicable (but not later than the 14th Business Day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs; or
- (ii) the date on which the Notes are redeemed or repaid in accordance with Condition 3 or Condition 6;

Moody's means Moody's Investors Service or any of its subsidiaries and their successors;

Parity Obligations means (if any) (i) the Senior Preference Shares and (ii) any other obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Notes, which are those: (a) having substantially the same conditions and particulars as the Subordinate Payment Conditions of the Notes with respect to liquidation, bankruptcy, corporate reorganization or civil rehabilitation in Japan or under any insolvency, bankruptcy or similar law outside of Japan which is applicable to the Issuer; and (b) which are either (i) obligations having rights with respect to interest of which are effectively same as the Notes (and the inclusion of provisions which allow for the optional deferral of interest at the election of the Issuer shall satisfy this condition); or (ii) any obligations of the Issuer (other than Junior Obligations), the payment of interest and principal on which is subject to the satisfaction of financial conditions and/or the financial performance of the Issuer.

Parity Obligations shall include, but shall not be limited to:

- (i) the Issuer's 1st Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610AG97);
- (ii) the Issuer's 2nd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610BG96);
- (iii) the Issuer's 3rd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610CG95); and
- (iv) any other unsecured subordinated bonds with interest deferrable clause and early redeemable option (with a subordination provision) (*ribarai kurinobe jyoukou kigen zen shoukan jyoukou tsuki mu tanpo shasai (retsugo tokuyaku tsuki)*) issued from time to time,

but shall not include the Issuer's 1st Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AEC4) and 2nd Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AF23).

Agency Agreement has the meaning given to it in the preamble to these Conditions;

Paying Agents has the meaning given to it in the preamble to these Conditions;

Person means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited-liability company or government or other entity;

Principal Paying Agent has the meaning given to it in the preamble to these Conditions;

Rating Agency means S&P or any rating agency substituted for them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee, and for the purposes of the definition of “Change of Control Event” only shall include S&P and Moody’s;

a **Rating Methodology Event** shall be deemed to occur if the Issuer has received, and notified the holders of the Notes that it has so received, confirmation from any Rating Agency of an amendment to, clarification of or change in its assessment criteria or a change in the interpretation thereof which becomes effective on or after the Issue Date (or, if later, effective after the date on which the Notes are assigned “equity credit” by a Rating Agency for the first time) and as a result of which, but not otherwise, the Notes will no longer be eligible for the same, or a higher amount of, “equity credit” (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Notes at the Issue Date (or if “equity credit” is not assigned to the Notes by the relevant Rating Agency on the Issue Date, at the date on which “equity credit” is assigned by such Rating Agency for the first time);

Relevant Date means (i) in respect of any payment other than a sum to be paid by the Issuer on a Subordination Event, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 16, and (ii) in respect of a sum to be paid by the Issuer on a Subordination Event, the date which is one day prior to the date on which the relevant Subordination Event occurs;

Reset Date means the First Reset Date and each date falling on the fifth anniversary of the First Reset Date;

Reset Interest Rate has the meaning given to it in Condition 4(d);

Reset Period means the period from one Reset Date to (but excluding) the next following Reset Date;

Reset Reference Banks means five major banks in the interbank market in London as selected and appointed by the Issuer and notify to the Calculation Agent;

Notes has the meaning given to it in the preamble to these Conditions;

Senior Obligations means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Obligations and Junior Obligations;

Senior Preference Share(s) means the most senior class of preference shares in the capital of the Issuer (*sai yuusen kabushiki*), to the extent such preference shares are in issue;

S&P means S&P Global or any of its subsidiaries and their successors;

Special Event means any of an Accounting Event, a Rating Methodology Event, a Substantial Repurchase Event, a Tax Deduction Event or a Withholding Tax Event or any combination of the foregoing;

Special Taxation Measures Act means the Special Taxation Measures Act of Japan (Act No.26 of 1957);

Subordination Claim Amount means, after satisfaction of the relevant Subordinate Payment Conditions, the amount payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), which shall be the amount, if any, as would have been payable to the Holder of such Note if, on the day prior to the commencement of the relevant Subordination Event, and thereafter, such Holder were the holder of a Senior Preference Share having an equal right to a return of assets on the occurrence of the relevant Subordination Event, and so ranking pari passu with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Senior Preference Share on a return of assets on the occurrence of such Subordination Event, were an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest. The claim of any Holder of a Note with respect to such Subordination Claim Amount shall rank senior to the claims of holders of all Junior Obligations.

Subordination Event means any one of the following events:

- (i) liquidation proceedings (including ordinary or special liquidation proceedings under the Companies Act) (*seisan tetsuzuki*) have been commenced in respect of the Issuer, or any other order or resolution for the liquidation, dissolution or winding up of the Issuer has been made (except, in any such case, a solvent winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of the Issuer, the terms of which reorganization, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Notes shall thereby become redeemable or repayable in accordance with these Conditions);
- (ii) a Japanese court with jurisdiction decides to commence bankruptcy proceedings (*hasan tetsuzuki*) against the Issuer pursuant to the provisions of the Bankruptcy Act;
- (iii) a Japanese court with jurisdiction decides to commence corporate reorganization proceedings (*kaisha kousei tetsuzuki*) against the Issuer pursuant to the provisions of the Corporate Reorganization Act;
- (iv) a Japanese court with jurisdiction decides to commence rehabilitation proceedings (*minji saisei tetsuzuki*) against the Issuer pursuant to the provisions of the Civil Rehabilitation Act; or
- (v) any analogous event relating to the Issuer to those described in (i) to (iv) above under any insolvency, bankruptcy or similar law outside of Japan which is applicable to the Issuer (including any other order being made, or an effective resolution being passed, for the winding-up and/or liquidation of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of the Issuer, the terms of which reorganization, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Notes shall thereby become redeemable or repayable in accordance with these Conditions)).

Subordinate Payment Conditions means:

- (i) in a liquidation, winding up or dissolution of the Issuer in the manner contemplated under paragraph (i) of the definition of “Subordination Event”, all of the Senior Obligations then outstanding (and required to be repaid in connection with such Subordination Event) having been paid in full pursuant to the provisions of the Companies Act, or satisfaction thereof has been received in full through another means;
- (ii) in bankruptcy proceedings of the Issuer in the manner contemplated under paragraph (ii) of the definition of “Subordination Event”, all the Senior Obligations stated in the dividend table (*haitou hyou*) prepared by the bankruptcy administrator (*hasan kanzainin*) for making a final distribution have been paid in full pursuant to the provisions of the Bankruptcy Act, or satisfaction thereof has been received in full through another means (including by deposit (*yokin*));
- (iii) in reorganization proceedings of the Issuer in the manner contemplated under paragraph (iii) of the definition of “Subordination Event”, all the Senior Obligations stated in a final and definitive reorganization plan (*kousei keikaku*) drafted pursuant to the Corporate Reorganization Act (if the Senior Obligations have been revised or reduced under the plan, then “Senior Obligations” means such amounts as so revised or reduced) have been paid in full in accordance with the conditions of the plan or satisfaction thereof has been received in full through another means;
- (iv) in rehabilitation proceedings of the Issuer in the manner contemplated under paragraph (iv) of the definition of “Subordination Event”, all the Senior Obligations stated in a final and definitive rehabilitation plan (*saisei keikaku*) drafted pursuant to the Civil Rehabilitation Law (if the Senior Obligations have been revised or reduced under the plan, then “Senior Obligations” means such amounts as so revised or reduced) have been paid in full in accordance with the conditions of the plan or satisfaction thereof has been received in full through another means; or

- (v) in the circumstances contemplated under paragraph (v) of the definition of “Subordination Event”, all Senior Obligations have first been paid in full in a manner analogous to those described under (i) to (iv) above (in accordance, where applicable, with an order, plan, scheme or other structure under the relevant insolvency, bankruptcy or similar law) or satisfaction thereof has been received in full through another means.

Subsidiary means, with respect to any specified Person:

- (i) any corporation, association or other business entity of which more than 50 percent of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);
- (ii) any partnership or limited-liability company of which (a) more than 50 percent of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; and
- (iii) any entity otherwise treated as a consolidated entity of that Person in accordance with IFRS.

Substantial Repurchase Event shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer repurchases (and effects corresponding cancellations) or redeems Notes in respect of 75 percent or more in the aggregate principal amount of the Notes initially issued and any further Notes issued pursuant to Condition 17);

a **Tax Deduction Event** shall be deemed to have occurred if as a result of a Tax Law Change:

- (i) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in Japan, or such entitlement is reduced compared to such entitlement as at the Issue Date; or
- (ii) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to have such deduction set against the profits of companies with which it is grouped for applicable Japanese tax purposes,

and, in each case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

Tax Law Change means a change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which Japan is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any official interpretation or published pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted official position in relation to similar transactions, which change, official interpretation, published pronouncement, or amendment has not been publicly announced as formally proposed before, and becomes, or would become, effective on or after the Issue Date;

Trust Deed has the meaning given to it in the preamble to these Conditions;

Trustee has the meaning given to it in the preamble to these Conditions;

U.S. Dollar, U.S.\$ or cent means the lawful currency of the United States of America; and

a **Withholding Tax Event** shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Notes, the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

The Issuer intends (without thereby assuming a legal obligation) at any time that it will redeem or repurchase the Notes only to the extent that the aggregate principal amount of the Notes to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P and Japan Credit Rating Agency, Ltd. (JCR), at the time of sale or issuance, an aggregate “equity credit” (or such similar nomenclature used by S&P and JCR from time to time) that is equal to or greater than the “equity credit” assigned to the Notes to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Notes), unless:

- i. such redemption or repurchase will not render the Issuer’s creditworthiness weaker than it was as of the end of the fiscal year which ended 31 March 2016, or*
- ii. such repurchase is of less than (a) 10 percent of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (b) 25 percent of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years, or*
- iii. the Notes are redeemed pursuant to any Special Event Redemption other than a Substantial Repurchase Event, or*
- iv. the Notes are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase, or*
- v. in the case of any repurchase, up to the maximum amount of Notes repurchased that would allow the Issuer’s aggregate principal amount of securities/hybrid capital remaining outstanding after such repurchase to be equal to or greater than the maximum aggregate principal amount of securities/hybrid capital to which S&P would assign “equity credit” (or such similar nomenclature then used by S&P at the time of such repurchase); or*
- vi. such redemption or repurchase occurs on or after the Reset Date falling on July 19, 2038 (or, to the extent the definition of “Margin” is replaced, July 19, 2043).*

TERMS AND CONDITIONS OF THE NC10 NOTES

The following, except for paragraphs in italics, are the terms and conditions of the Notes which will be endorsed on each Note in definitive form (if issued).

The issue of the U.S.\$1,750,000,000 6.875% Deeply Subordinated Resettable Fixed Rate Notes (the **Notes**, which expression shall, unless the context otherwise requires, include any further securities issued pursuant to Condition 17 and forming a single series with the Notes) of SoftBank Group Corp. (the **Issuer**) was authorized by the Board of Directors on 30 May 2017. The Notes are constituted by a trust deed (the **Trust Deed**) dated July 19, 2017 between the Issuer and The Bank of New York Mellon, London Branch (the **Trustee**, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the **Holders**). These terms and conditions (as amended from time to time) (the **Conditions**) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes. Copies of (i) the Trust Deed; and (ii) the agency agreement (the **Agency Agreement**) dated July 19, 2017 relating to the Notes between the Issuer, The Bank of New York Mellon, London Branch as the initial principal paying agent and calculation agent (the **Principal Paying Agent** and the **Calculation Agent**, respectively, which expressions shall include any successor thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include the Paying Agents for the time being), the Trustee, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**) and the transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices of each of the Paying Agents. The holders of the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1 Form, Denomination and Title

(a) Form and Denomination

The Notes are issued in registered form in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. A security certificate (each a **Certificate**) will be issued to each holder in respect of its registered holding of Notes. Each Certificate will be serially numbered with an identifying number which will be recorded on the relevant Certificate and in the register of holders which the Issuer will procure to be kept by the Registrar (the **Register**).

(b) Title

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, **Holder** or **holder** means the person in whose name a Note is registered in the Register.

(c) Transfers

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Transfer Agents.

(d) Delivery of new Certificates

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the Holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the Holder of the Notes not so transferred to the address of such Holder appearing on the Register or as specified in the form of transfer.

(e) Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent upon payment (or the giving of such indemnity as the Issuer, the Registrar or any Transfer Agent may reasonably require) in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(f) Closed periods

No Holder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or premium on that Note or in the period falling 15 days prior to any Interest Payment Date.

(g) Regulations

All transfers of Notes and entries on the Register will be made subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 1 to the Agency Agreement).

2 Status

The Notes constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Holders are subordinated as described in Condition 3.

3 Subordination

(a) General

Upon the occurrence of a Subordination Event, there shall be payable by the Issuer in respect of each Note an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest, *provided* that the obligation of the Issuer to make such payment shall (except as otherwise provided by mandatory provisions of law) be subordinated to all Senior Obligations, rank *pari passu* with all Parity Obligations and rank senior to all Junior Obligations, and so long as such Subordination Event continues, no such payment shall be made with respect to such Note unless and until the relevant Subordinate Payment Conditions have been satisfied, and to the extent any Senior Preference Shares are then outstanding, the Holder of such Note shall only be entitled to the Subordination Claim Amount, *provided* further that no amount in respect of the Notes shall, merely as a result of the commencement of proceedings set forth in (iii), (iv) and (in the case of those proceedings analogous to the proceedings specified under limbs (iii) and (iv) of the definition of "Subordination Event" only) (v) of the definition of "Subordination Event", be or become payable sooner than the same would otherwise have been or become payable by the Issuer had no such proceedings been commenced. The Issuer shall, as soon as practicable after the occurrence of any Subordination Event, cause notice of its occurrence to be given to the Trustee, the Paying Agents, any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 16, the Holders.

Nothing in this Condition 3(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

Accordingly, and without prejudice to the rights of the Trustee or the Agents, the claims of holders of all Senior Obligations will first have to be satisfied in any winding-up or administration before the Holders may expect to obtain any recovery in respect of their Notes and prior thereto Holders will have only limited ability to influence the conduct of such winding-up or administration. See "Risk Factors—Risks related to the Notes generally—Limited Remedies."

(b) Set-off

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Notes and each Holder shall, by virtue of his holding of any Note, be deemed to have waived all such rights of set-off, compensation or retention.

4 Interest Payments

(a) Interest Rate

The Notes bear interest on their principal amount at the applicable Interest Rate from (and including) July 19, 2017 (the **Issue Date**) in accordance with the provisions of this Condition 4.

Subject to Condition 5, interest shall be payable on the Notes semi-annually in arrear on each Interest Payment Date as provided in this Condition 4.

(b) Interest Accrual

The Notes will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 unless, upon due presentation, payment of all amounts due in respect of the Notes is not made, in which event interest shall continue to accrue in respect of unpaid amounts on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

Save as provided in Condition 4(c), where it is necessary to calculate an amount of interest in respect of any Note for a period which is less than a complete Interest Period, such interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Where it is necessary to calculate an amount of interest in respect of any Note for a period of more than one Interest Period, such interest shall be the aggregate of the interest payable in respect of a full Interest Period plus the interest payable in respect of the remaining period calculated in the manner as aforesaid.

Interest in respect of any Note shall be calculated per U.S.\$1,000 in principal amount thereof (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall, save as provided in Condition 4(c), be equal to the product of the relevant Interest Rate, the Calculation Amount and the day count fraction as described in this Condition 4(b) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of each Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Note without any further rounding.

(c) Initial Interest Rate

For each Interest Period ending on or before the First Reset Date, the Notes bear interest at the rate of 6.875 percent per annum (the **Initial Interest Rate**), payable semi-annually in arrear in equal instalments of U.S.\$34.38 per Calculation Amount on the Interest Payment Dates in each year.

(d) Reset Interest Rates

For each Interest Period which commences on or after the First Reset Date, the Notes bear interest at the relevant Reset Interest Rate. Such interest shall be payable semi-annually in arrear on the Interest Payment Dates in each year and shall be calculated, subject to Condition 4(i) below, as follows:

$$\text{Reset Interest Rate} = 5 \text{ Year Swap Rate} + \text{Margin}$$

all as determined by the Calculation Agent and where:

5 Year Swap Rate means the semi-annual U.S. dollar 5 year mid-swap rate as displayed on Reuter's page "ICESWAP1" as at 11:00 a.m. (New York time) (the **Reset Screen Page**) on the day falling two Business Days prior to the first day of the relevant Reset Period (the **Reset Interest Determination Date**);

If the 5 Year Swap Rate does not appear on the Reset Screen Page on the Reset Interest Determination Date, the 5 Year Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date;

Reset Reference Bank Rate means the percentage rate determined on the basis of the 5 Year Swap Rate Quotations provided by five leading swap dealers in the interbank market (the **Reset Reference Banks**), selected and appointed by the Issuer, to the Calculation Agent at approximately 11:00 a.m. (London time) on such Reset Interest Determination Date. If at least three quotations are provided, the 5 year Swap Rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest);

5 Year Swap Rate Quotations means, in respect of each Interest Period falling within a Reset Period, the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating U.S. dollar interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Interest Determination Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 3-month U.S. dollar LIBOR rate (calculated on an Actual/360 day count basis);

Margin means (i) in respect of each Reset Period which falls in the period beginning on the First Reset Date and ending on (but excluding) July 19, 2042, the Initial Credit Spread plus the First Step-up Margin; and (ii) each Reset Period which falls in the period commencing on (and including) July 19, 2042, the Initial Credit Spread plus the Second Step-up Margin;

Initial Credit Spread means 4.604 percent;

First Step-up Margin means 0.25 percent; and

Second Step-up Margin means 1.00 percent

If on any Reset Interest Determination Date only one or none of the Reset Reference Banks provides the Calculation Agent with 5 Year Swap Rate Quotations as provided in the foregoing provisions of this paragraph, the Reset Interest Rate shall be determined as set out in the formula above but the 5 Year Swap Rate shall be the 5 Year Swap Rate as at the last preceding Reset Date or, in the case of the first Reset Interest Determination Date, 1.939 percent, being the applicable Five Year Swap Rate as of July 12, 2017, and the Margin shall be the Margin in respect of the relevant Reset Period.

The applicable Reset Interest Rate shall be determined as provided above in respect of each Reset Period and, as so determined, such rate shall apply to each Interest Period falling within that Reset Period.

For the purposes of this Condition 4(d), the Calculation Agent shall not be responsible to the Issuer or to any third party as a result of the Calculation Agent having relied upon or acted on any quotation or information given to it for the purposes of calculating the Reset Interest Rate or the Reset Reference Bank Rate which subsequently may be found to be incorrect or inaccurate in any way or for any losses whatsoever resulting from acting in accordance therewith.

(e) Determination of Reset Interest Rate

The Calculation Agent will, as soon as practicable after 11:00 a.m. (New York time) on each Reset Interest Determination Date, determine the relevant Reset Interest Rate in respect of each Interest Period falling within the relevant Reset Period.

(f) Publication of Reset Interest Rate

The Calculation Agent shall cause notice of each Reset Interest Rate determined in accordance with this Condition 4 in respect of each relevant Interest Period to be given to the Trustee, the Paying Agents and the Issuer, and the Issuer shall cause notice to be given to any stock exchange on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 16, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

(g) Calculation Agent and Reset Reference Banks

With effect from the first Reset Interest Determination Date, the Issuer will maintain a Calculation Agent. The name of the initial Calculation Agent and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another leading financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails duly to determine the relevant Reset Interest Rate in respect of any Reset Period as provided in Condition 4(d), the Issuer shall forthwith appoint another leading financial institution in London approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without such successor having been appointed.

(h) Determinations of Calculation Agent Binding

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Calculation Agent shall (in the absence of wilful default, manifest error or negligence) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and (in the absence of wilful default, manifest error or negligence) no liability to the Holders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) Step-up after Change of Control Event

Notwithstanding any other provision of this Condition 4, if the Issuer does not provide notice of its election to redeem the Notes in accordance with Condition 6(g) within 30 days following the occurrence of a Change of Control Event, the then applicable Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 4, on the Notes shall be increased by 3.00 percent per annum with effect from (and including) the 30th day following the occurrence of such Change of Control Event.

(j) Change to the definition of “Margin”

If, at any time prior to the First Reset Date, the Issuer is assigned an ICR of Investment Grade from S&P, then the Issuer may elect, by giving notice in accordance with Condition 16 to the Holders (with notice to the Paying Agents), that the definition of “Margin” in Condition 4(d) shall be deemed to be immediately, and irrevocably, replaced with the following:

“Margin” means (i) in respect of each Reset Period which falls in the period beginning on the First Reset Date and ending on (but excluding) July 19, 2047, the Initial Credit Spread plus the First Step-up Margin; and (ii) each Reset Period which falls in the period commencing on (and including) July 19, 2047, the Initial Credit Spread plus the Second Step-up Margin”

Prior to the giving of any notice under this Condition 4(j) the Issuer shall deliver a certificate in form and substance satisfactory to the Trustee signed by two directors of the Issuer stating that it has been assigned an ICR of Investment Grade from S&P and that the right to make such an election has therefore arisen.

The Trustee shall be entitled (but shall not be obligated) to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Neither the Trustee nor any of the Agents shall be obliged to take any steps to ascertain whether a Change of Control Event has occurred or the Issuer has been assigned an ICR of Investment Grade from S&P (other than to receive the above certificate from the Issuer) or to monitor the occurrence of any Change of Control Event or the assignment of an ICR of Investment Grade from S&P to the Issuer, and shall not be liable to the Noteholders or any other person for not doing so.

5 Optional Interest Deferral

(a) *Deferral of Payments*

The Issuer may, at its discretion, elect to defer all or part of any Interest Payment (a **Deferred Interest Payment**) which is otherwise scheduled to be paid on an Interest Payment Date by giving notice (a **Deferral Notice**) of such election to the Holders in accordance with Condition 16, the Trustee and the Principal Paying Agent not more than 14 nor fewer than seven Business Days prior to the relevant Interest Payment Date. Subject to Condition 5(b), if the Issuer elects not to make all or part of any Interest Payment on an Interest Payment Date, then it will not have any obligation to pay such interest on the relevant Interest Payment Date and any such non-payment of interest will not constitute an Enforcement Event or breach of any other of its obligations under the Notes or for any other purpose.

Arrears of Interest (as defined below) may be satisfied at the option of the Issuer in whole or in part at any time (the **Optional Deferred Interest Settlement Date**) following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 16, the Trustee and the Principal Paying Agent not more than 14 nor fewer than seven Business Days prior to the relevant Optional Deferred Interest Settlement Date informing them of its election to so satisfy such Arrears of Interest (or part thereof) and specifying the relevant Optional Deferred Interest Settlement Date.

Any Deferred Interest Payment shall itself bear interest (such further interest together with the Deferred Interest Payment, being **Arrears of Interest**), at the applicable Interest Rate as if it constituted the principal of the Notes, from (and including) the date on which (but for such deferral) the Deferred Interest Payment would otherwise have been due to be made to (but excluding) the relevant Optional Deferred Interest Settlement Date or, as appropriate, such other date on which such Deferred Interest Payment is paid in accordance with Condition 5(b), in each case such further interest being compounded on each Interest Payment Date.

Non-payment of Arrears of Interest shall not constitute a default by the Issuer under the Notes or for any other purpose, unless such payment is required in accordance with Condition 5(b).

(b) *Mandatory Settlement*

Notwithstanding the provisions of Condition 5(a) relating to the ability of the Issuer to defer Interest Payments, the Issuer shall pay any outstanding Arrears of Interest, in whole but not in part, on the first occurring Mandatory Settlement Date following the Interest Payment Date on which a Deferred Interest Payment first arose.

Notice of the occurrence of any Mandatory Settlement Date shall be given to the Holders in accordance with Condition 16 (*Notices*), the Trustee, the Registrar and the Paying Agents not more than 14 and no fewer than seven Business Days prior to the relevant Mandatory Settlement Date.

6 Redemption

(a) *Final Redemption*

The Notes are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3(a)) only have the right to repay them in accordance with the following provisions of this Condition 6.

(b) *Issuer's Call Option*

The Issuer may, by giving not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable), redeem all, but not some only, of the Notes on any Call Date at their principal amount together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(c) *Redemption for Certain Taxation Reasons*

If, immediately prior to the giving of the notice referred to below, a Tax Deduction Event or a Withholding Tax Event has occurred and is continuing, then the Issuer may, subject to having given not fewer

than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions at any time all, but not some only, of the Notes at (i) 101 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (in the case of a Tax Deduction Event where such redemption occurs on or after the First Reset Date or in the case of a Withholding Tax Event where such redemption occurs at any time), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date prior to the date on which the relevant Tax Law Change giving rise to the Withholding Tax Event or Tax Deduction Event comes into effect.

(d) *Redemption for Rating Reasons*

If, immediately prior to the giving of the notice referred to below, a Rating Methodology Event has occurred and is continuing, then the Issuer may, subject to having given not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at (i) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last day before the date on which the Notes will no longer be eligible for the same, or a higher amount of, "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share).

(e) *Redemption for Accounting Reasons*

If, immediately prior to the giving of the notice referred to below, an Accounting Event has occurred and is continuing, then the Issuer may, subject to having given not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at (i) 101 percent of their principal amount (where such redemption occurs prior to the First Reset Date) or (ii) 100 percent of their principal amount (where such redemption occurs on or after the First Reset Date), together, in each case, with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes, provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the last day before the date on which the obligations of the Issuer under the Notes must not or may no longer be recorded as "equity" in the audited annual consolidated financial statements of the Issuer prepared in accordance with IFRS or any other accounting standards that the Issuer may adopt in the future for the preparation of its audited annual consolidated financial statements in accordance with Japanese company law.

(f) *Redemption for Substantial Repurchase*

If, immediately prior to the giving of the notice referred to below, a Substantial Repurchase Event has occurred, then the Issuer may, subject to having given not fewer than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

(g) *Redemption for Change of Control Event*

If, immediately prior to the giving of the notice referred to below, a Change of Control Event has occurred and is continuing, then the Issuer may, subject to having given not fewer than 95 nor more than 120 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) and subject to Condition 7, redeem in accordance with these Conditions all, but not some only, of the Notes at any time at their principal amount, together with any accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest. Upon the expiry of such notice, the Issuer shall redeem the Notes.

Preconditions to Special Event Redemption and Change of Control Event Redemption

Prior to the publication of any notice of redemption pursuant to Condition 6 (other than redemption pursuant to Condition 6(b)), the Issuer shall deliver to the Trustee a certificate in form and substance satisfactory to the Trustee signed by two directors of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied, and where the relevant Special Event requires measures reasonably available to the Issuer to be taken, the relevant Special Event cannot be avoided by the Issuer taking such measures. Prior to the publication of any notice of redemption pursuant to Condition 6(c) or 6(e), the Issuer shall also deliver to the Trustee:

- (a) in the case of a Withholding Tax Event, an opinion of independent legal advisors of recognized standing to the effect that the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 11) on the Notes as a result of the relevant Tax Law Change;
- (b) in the case of a Tax Deduction Event, an opinion of independent legal advisors of recognized standing to the effect that, as a result of the relevant Tax Law Change, (i) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in Japan, or such entitlement is reduced compared to such entitlement as at the Issue Date or (ii) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to have such deduction set against the profits of companies with which it is grouped for applicable Japanese tax purposes; and
- (c) in the case of an Accounting Event, an opinion of the then statutory independent auditors of the Issuer, or of other independent accountants of recognized standing, to the effect that the obligations of the Issuer under the Notes must not or may no longer, as a result of a change in accounting principles which becomes effective on or after the Issue Date, be recorded as "equity" in the next following audited annual consolidated financial statements of the Issuer prepared in accordance with IFRS or, as the case may be, any other accounting standards that the Issuer may then be using for the preparation of its audited annual consolidated financial statements in accordance with Japanese company law.

The Trustee may rely absolutely upon and shall be entitled to accept such directors' certificate and, where relevant, opinion without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the conditions precedent set out in such paragraphs in which event it shall be conclusive and binding on the Holders.

Any redemption of the Notes in accordance with Condition 6(b), 6(c), 6(d), 6(e), 6(f) or 6(g) shall be conditional on all outstanding Arrears of Interest being paid in full in accordance with the provisions of Condition 5 on or prior to the date thereof, together with any accrued and unpaid interest up to (but excluding) such redemption.

The Trustee is under no obligation to ascertain whether any Special Event or Change of Control Event or Change of Control or any event which could lead to the occurrence of, or could constitute, any such Special Event, Change of Control Event or Change of Control, has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event, Change of Control Event or Change of Control or such other event has occurred.

8 Purchases and Cancellation

(a) Purchases

Each of the Issuer and any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account Notes in any manner and at any price. The Notes so purchased, while held by or on behalf of the Issuer or any of its Subsidiaries, shall not entitle the Holder to vote at any meeting of the Holders or otherwise exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders or for voting on any Extraordinary Resolution or for the purposes of Condition 13.

(b) Cancellation

All Notes redeemed by the Issuer pursuant to Condition 6 will forthwith be cancelled. All Notes purchased by the Issuer or any of its Subsidiaries may be held, reissued, resold or, at the option of the Issuer, surrendered for cancellation to the Principal Paying Agent. Notes so surrendered shall be cancelled forthwith. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

9 Payments

(a) Method of Payment

Payments of principal, premium and interest in respect of each Note will be made by transfer to the registered account of the Holder. Interest on the Notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the *record date*) being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition 9(a), a Holder's *registered account* means the U.S. Dollar account maintained by or on behalf of it with a bank that processes payments in U.S. Dollars, details of which appear on the Register at the close of business on the relevant record date, and a Holder's registered address means its address appearing on the Register at that time.

Notwithstanding the foregoing, so long as the global certificate in respect of the Notes is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, payments shall be made in the manner described under "Summary of Provisions Relating to the Notes in Global Form".

(b) Payments Subject to Fiscal Laws

Without prejudice to the terms of Condition 11, all payments made in accordance with these Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) Payments on Business Days

If any date for payment in respect of any Note is not a business day, the Holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 9, *business day* means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in New York, Tokyo and the place in which the specified office of the Principal Paying Agent is located.

(d) Partial Payments

If the amount of principal, premium (if any) or interest (including, for the avoidance of doubt, Arrears of Interest) which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium (if any) or interest (including, for the avoidance of doubt, Arrears of Interest) in fact paid.

10 Enforcement Event

(a) Proceedings

If a default is made by the Issuer for a period of 7 days or more in the payment of any principal or 14 days or more in the payment of any interest, in each case in respect of the Notes and which is due (an *Enforcement Event*), then the Issuer shall without notice from the Trustee be deemed to be in default under the Trust Deed and the Notes and the Trustee at its sole discretion may, notwithstanding the provisions of Condition 10(b) but subject to Condition 10(c), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, for such payment, with any rights and claims of Holders subordinated as provided in Condition 3(a).

(b) Enforcement

The Trustee may at its discretion (subject to Condition 10(c)) and without further notice institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Notes but in no event shall the Issuer, by virtue of the institution of any such proceedings, steps or actions, be obliged to pay any amount sooner than the same would otherwise have been payable by it.

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 10(a) or 10(b) above against the Issuer to enforce the terms of the Trust Deed or the Notes or take any other action or step unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Holders

No Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed, institute, prove or claim, fails to do so within a reasonable period and such failure shall be continuing or a Japanese court or any other court of competent jurisdiction determines that only Holders are entitled to bring such claim, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

(e) Extent of Holders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

11 Taxation

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by or within Japan or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (**Additional Amounts**) as shall result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable with respect to any Note:

- (a) to, or to a third party on behalf of, a Holder who is liable to such Taxes in respect of such Note by reason of his having some connection with Japan other than a mere holding of such Note, or by being a Specially-Related Person (which means a person who has a special relationship with the Issuer as described in Article 6, paragraph (4) of the Special Taxation Measures Act, as amended);
- (b) in relation to any Taxes imposed or withheld as a result of the failure of a Holder or beneficial owner of the Notes (i) to comply with any written request, made to the relevant holder at least 90 days before any such withholding or deduction would be payable, by the Issuer to provide, on a timely basis, accurate information or certification concerning the nationality, residence or identity of such Holder or beneficial owner, or (ii) to satisfy any other reporting requirement applicable to such Holder or beneficial owner notified to the Holder or beneficial owner in writing by the Issuer in a timely manner, in either case, where such information, certification or satisfaction would have permitted the payment to be made without withholding or deduction (or with a reduced rate of withholding or deduction) had it been done on a timely basis;

- (c) presented (in respect of Notes in definitive form where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such Additional Amounts on presenting it for payment on any day of such period of 30 days;
- (d) in relation to any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;
- (e) any Note presented for payment by or on behalf of a Holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide certain information prescribed by the Special Taxation Measures Act to enable a participant of a depositary or financial intermediary through which the Notes are held to establish that such beneficial owner is exempted from the requirement for Japanese taxes to be withheld or deducted (the *Interest Recipient Information*);
- (f) to, or to a third party on behalf of, a Holder who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution that complies with the requirement to provide the Interest Recipient Information or to submit a Written Application for Tax Exemption (*hikazei tekiyo shinkokusho*) prescribed by the Special Taxation Measures Act and (B) an individual resident of Japan or a Japanese corporation that duly notifies the relevant Paying Agent of its status as not being subject to taxes to be withheld or deducted by the Issuer by reason of receipt by such individual resident of Japan or Japanese corporation of interest on the Notes through a payment handling agent in Japan); or
- (g) any combination of items (a) through (f) above.

References in these Conditions to principal, premium, Interest Payments, Deferred Interest Payments, Arrears of Interest and/or any other amount in respect of interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

12 Prescription

Claims against the Issuer in respect of Notes will become void unless made within a period of 10 years (in respect of claims relating to principal and premium) and five years (in respect of claims relating to interest) from the Relevant Date relating thereto.

13 Meetings of Holders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Holders holding not less than 10 percent in principal amount of the Notes for the time being outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Condition 3, the terms concerning currency and due dates for payment of principal, any applicable premium or Interest Payments in respect of the Notes and reducing or cancelling the principal amount of any Notes, any applicable premium or the Interest Rate) and certain other provisions of the Trust Deed as set out in the Trust Deed, the quorum shall be two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 percent in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

The Trustee may agree, without the consent of the Holders, to (i) any modification of these Conditions or of any other provisions of the Trust Deed or the Agency Agreement which is in each case, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorization of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for the winding-up of the Issuer which is more extensive than those set out in Condition 10). Any such modification, authorization or waiver shall be binding on the Holders and such modification shall be notified to the Holders in accordance with Condition 16 as soon as practicable thereafter.

In connection with the exercise of its trusts, powers, authorities and discretions (including but not limited to those referred to in this Condition 13), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to the consequences of such exercise for individual Holders.

14 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Holders, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificate) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before any replacement Certificates will be issued.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of, and/or provision of security and/or prefunding for, the Trustee and for its relief from responsibility, including provisions relieving it from taking any actions or steps or instituting any proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Holders on a report, confirmation or certificate or any advice of any accountants, financial advisors, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

16 Notices

Notices to Holders will be valid if published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in another leading daily English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

Notwithstanding the foregoing, so long as the global certificate in respect of the Notes is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, notices shall be given in the manner described under "Summary of Provisions Relating to the Notes in Global Form".

17 Further Issues

The Issuer may from time to time without the consent of the Holders create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Notes) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. Any such Notes shall be constituted by a deed supplemental to the Trust Deed.

18 Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will:

- (a) at all times maintain a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent and/or Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) whenever a function expressed in these Conditions to be performed by the Calculation Agent or by the Reset Reference Banks falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Calculation Agent and/or, as appropriate, Reset Reference Banks.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents, the Transfer Agents of the Registrar will be given to the Holders in accordance with Condition 16. If any of the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place. All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the Notes shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents and the Holders.

19 Governing Law

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

20 Submission to Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes (*Proceedings*) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition is for the benefit of each of the Trustee and the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21 Appointment of Process Agent

The Issuer has appointed the Cogency Global (UK) Limited at its registered office for the time being, currently at 6 Bevis Marks, 1st floor, London EC3A 7BA, United Kingdom as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

22 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes by virtue of the Contracts (Rights of Third Parties) Act 1999.

In these Conditions:

5 Year Swap Rate has the meaning given to it in Condition 4(d);

5 Year Swap Rate Quotations has the meaning given to it in Condition 4(d);

an **Accounting Event** shall be deemed to occur if, as a result of a change in accounting principles which becomes effective on or after the Issue Date, but not otherwise, the obligations of the Issuer under the Notes must not or may no longer be recorded as “equity” in the next following audited annual consolidated financial statements of the Issuer prepared in accordance with IFRS or any other accounting standards that the Issuer may adopt in the future for the preparation of its audited annual consolidated financial statements in accordance with Japanese company law.

Additional Amounts has the meaning given to it in Condition 11;

Calculation Agent has the meaning given to it in the preamble to these Conditions;

Agents means the Principal Paying Agent, the Calculation Agent, the Registrar, the Paying Agents and the Transfer Agents or any of them;

Arrears of Interest has the meaning given to it in Condition 5(a);

Bankruptcy Act means the Bankruptcy Act (*hasan hou*) (Act No. 75 of 2004, as amended);

Business Day means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Tokyo, London and New York;

Calculation Amount has the meaning given to it in Condition 4(b);

Call Date means the First Reset Date or any Interest Payment Date thereafter;

Capital Stock means:

- (i) in the case of a corporation, corporate stock;
- (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (iii) in the case of a partnership or limited-liability company, partnership interests (whether general or limited) or membership interests; and
- (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person,

but excluding from all of the foregoing any debt securities convertible into any of (i) to (iv) above, whether or not such debt securities include any right of participation with any of (i) to (iv) above.

a **Change of Control Event** shall be deemed to occur if a Change of Control and a Change of Control Rating Event both occur;

For the purposes of the definition of a Change of Control Event:

Alibaba Group means Alibaba Group Holding Limited and any of its Subsidiaries from time to time;

Beneficial Owner has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning;

Change of Control means the occurrence of any of the following:

- (i) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Subsidiaries taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)), *provided* that if a Person to which such sale, lease, transfer, conveyance or other disposition has been made shall have assumed the obligations of the Issuer under the Notes in satisfaction of the conditions set out in the Trust Deed such occurrence shall not, even if the other conditions to a “Change of Control Event” are satisfied, cause a Change of Control Event to occur and *provided* further that, for the avoidance of doubt, the sale, lease, conveyance, assignment, transfer, or other disposition by the Issuer or any of its Subsidiaries, in any single transaction or series of related transactions, whether direct or indirect, of (x) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group, (y) interests in the SoftBank Vision Fund or any portfolio assets thereof or (z) any investment assets controlled by the Issuer or its Subsidiary in its capacity as general partner of any fund or interests in any such fund will not be deemed to be a Change of Control;
- (ii) the adoption of a plan relating to the liquidation or dissolution of the Issuer (other than in connection with a solvent reorganization); or
- (iii) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any “person” as defined above) other than the Permitted Holders becomes the Beneficial Owner, directly or indirectly, of more than 50.0 percent of the Voting Stock of the Issuer, measured by voting power rather than number of shares, *provided* that a transaction in which the Issuer becomes a Subsidiary of another Person shall not, subject to the Issuer surviving, constitute a Change of Control where (x) the shares of Voting Stock of the Issuer outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of such other Person of whom the Issuer is a Subsidiary immediately following such transaction and (y) immediately following such transaction no Person other than the Permitted Holder or such other Person Beneficially Owns, directly or indirectly, more than 50.0 percent of the Voting Stock of the Issuer and no Person other than the Permitted Holders Beneficially Owns, directly or indirectly, more than 50.0 percent of the Voting Stock of such other Person;

The Trust Deed sets out the following preconditions (to be satisfied during the Change of Control period) to such an assumption anticipated under sub-paragraph (i) of the definition of Change of Control:

- (a) *all of the assets or properties which are the subject of such sale, lease, transfer, conveyance or other disposition are sold, leased, conveyed or otherwise disposed of to a Person (a **Substituted Obligor**) and, where applicable, its Subsidiaries, and a deed is executed or undertaking given by such Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the Trust Deed and the Notes (with consequential amendments as the Trustee may deem appropriate) as if the Substituted Obligor had been named in the Trust Deed and the Notes as the principal debtor in place of the Issuer;*
- (b) *such Substituted Obligor is a corporation organized and existing under the laws of Japan, any jurisdiction which is at the Issue Date or at any time thereafter a member state of the European Union, Switzerland, the United States, any state of the United States or the District of Columbia, Singapore, the Cayman Islands, Jersey, Guernsey, Hong Kong or the British Virgin Islands;*
- (c) *the delivery to the Trustee of a certificate of two directors of such Substituted Obligor certifying that it will be solvent immediately after such substitution, and if any two directors of such Substituted Obligor certify that it will be solvent immediately after such substitution, the Trustee need not have regard to such Substituted Obligor’s financial condition, profits or prospects or compare them with those of the Issuer;*
- (d) *the Issuer and the Substituted Obligor shall have each delivered to the Trustee a certificate of two directors and an opinion of counsel, each to the effect that such sale, lease, transfer, conveyance or other disposition complies with the Trust Deed and an opinion of counsel to the*

effect that such Substituted Obligor has capacity to assume all rights and obligations under the Notes and has obtained all necessary corporate or governmental authorization to assume all such rights and obligations (in each case, in form and substance reasonably satisfactory to the Trustee), provided that in giving an opinion of counsel, counsel may rely on an officers' certificate as to any matters of fact;

- (e) no Potential Enforcement Event or Enforcement Event (as defined in the Trust Deed) has occurred and is continuing; and
- (f) there will be no Special Event as a result of such Substituted Obligor becoming principal debtor under the Notes.

a **Change of Control Negative Rating Event** shall be deemed to have occurred if at such time as there is no long term debt rating assigned to the Issuer by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, such a long term debt rating or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being or better) by the end of the Change of Control Period, provided that in either case, there is at least one Rating Agency in operation at such time from whom to obtain such a rating. If there is no Rating Agency so in operation no Change of Control Negative Rating Event shall be deemed to occur;

a **Change of Control Rating Downgrade** shall be deemed to have occurred in respect of a Change of Control if the then current long term debt rating assigned to the Issuer by any Rating Agency at the invitation of the Issuer (or where there is no such rating from any Rating Agency assigned at the invitation of the Issuer, the then current (if any) long term debt rating assigned to the Issuer by any Rating Agency of its own volition) is, during the Change of Control Period, withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall then have already assigned a long term debt rating of below investment grade (as described above), the rating is lowered one full rating category (from BB+/Ba1 to BB/Ba2 or such similar lowering) or more;

Change of Control Period means the period commencing on the date of the first public announcement of the Change of Control or the intention to effect a Change of Control and ending 90 days after the occurrence of the Change of Control;

a **Change of Control Rating Event** shall be deemed to have occurred if:

- (i) a Change of Control Rating Downgrade occurs within the Change of Control Period; or
- (ii) a Change of Control Negative Rating Event occurs within the Change of Control Period;

Equity Interests means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock);

Permitted Holders means (i) Mr. Masayoshi Son, (ii) any of his immediate family members and (iii) any trust, corporation, partnership, limited-liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of Mr. Masayoshi Son and /or any of his immediate family members;

SoftBank Vision Fund means SoftBank Vision Fund L.P.; and

Voting Stock means of the Issuer, as of any date, its Capital Stock that is at the time entitled to vote in the election of the board of directors of the Issuer;

Civil Rehabilitation Act means the Civil Rehabilitation Act (*minji saisei hou*) (Act No. 225 of 1999, as amended);

a **Compulsory Arrears of Interest Settlement Event** shall have occurred if:

- (i) the Issuer has resolved to carry out, or has paid, a dividend of surplus (*jyouyo kin no haitou*) in respect of any Junior Obligations;

- (ii) the Issuer, or any Subsidiary of the Issuer, purchases or acquires any Junior Obligations, save in any of the following cases:
 - (I) pursuant to Article 155(viii) to (xiii) (inclusive) of the Companies Act;
 - (II) the exercise of appraisal rights from a dissenting shareholder pursuant to Article 469(1), Article 785(1), Article 797(1), or Article 806(1) of the Companies Act;
 - (III) the exercise of appraisal rights from a dissenting shareholder pursuant to Article 116(1) of the Companies Act;
 - (IV) an acquisition from a Subsidiary pursuant to Article 163 of the Companies Act in order to comply with Article 135(3) of the Companies Act; or
 - (V) other purchases of Junior Obligations by the Issuer when it is legally obliged to do so;
- (iii) a distribution or payment was validly resolved on, declared, paid or made in respect of any Parity Obligations (excluding a distribution or payment resolved on, declared, paid or made in respect of any Parity Obligations concurrently with the redemption, repurchase or acquisition of such Parity Obligations on or after their legal or effective maturity date); or
- (iv) the Issuer, or any Subsidiary of the Issuer, has redeemed, repurchased or otherwise acquired any Parity Obligations (excluding redemption, repurchase or acquisition of such Parity Obligations on or after their legal or effective maturity date);

Conditions means these terms and conditions of the Notes, as amended from time to time;

Corporate Reorganization Act means the Corporate Reorganization Act (*kaisha kousei hou*) (Act No. 154 of 2002, as amended);

Deferred Interest Payment has the meaning given to it in Condition 5(a);

Designated Financial Institution means a Japanese financial institution or financial instruments business operator falling under certain categories prescribed by the cabinet order under Article 6, Paragraph 9 of the Special Taxation Measures Act;

First Reset Date means July 19, 2027;

Holder has the meaning given to it in the preamble to these Conditions;

ICR means “Issuer credit rating” as used in the ratings methodology of S&P (or such other nomenclature that S&P may then use to describe such rating);

IFRS means International Financial Reporting Standards;

Initial Interest Rate has the meaning given to it in Condition 4(c);

Interest Payment means, in respect of an interest payment on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Condition 4;

Interest Payment Date means January 19 and July 19 in each year, commencing on (and including) January 19, 2018;

Interest Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

Interest Rate means the Initial Interest Rate and/or each Reset Interest Rate, as the case may be;

Issue Date has the meaning given to it in Condition 4(a);

Issuer means SoftBank Group Corp.;

Investment Grade means a rating equal to or greater than BBB- by S&P or the equivalent thereof under any new ratings system if the ratings systems of S&P shall be modified after the Issue Date;

Junior Obligations means (i) any class of share capital of the Issuer (including the common shares of the Issuer (*futsuu kabushiki*)) which ranks junior to the Parity Obligations; (ii) all obligations of the Issuer issued or incurred directly or indirectly by it, which rank or are expressed to rank *pari passu* with any class of share capital of the Issuer which ranks junior to the Parity Obligations; or (iii) any obligations of any Subsidiaries of the Issuer benefiting from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, *pari passu* with the securities referred to in (i) or (ii);

Mandatory Settlement Date means the earlier of:

- (i) as soon as reasonably practicable (but not later than the 14th Business Day) following the date on which a Compulsory Arrears of Interest Settlement Event occurs; or
- (ii) the date on which the Notes are redeemed or repaid in accordance with Condition 3 or Condition 6;

Moody's means Moody's Investors Service or any of its subsidiaries and their successors;

Parity Obligations means (if any) (i) the Senior Preference Shares and (ii) any other obligations of the Issuer, issued or incurred directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Notes, which are those: (a) having substantially the same conditions and particulars as the Subordinate Payment Conditions of the Notes with respect to liquidation, bankruptcy, corporate reorganization or civil rehabilitation in Japan or under any insolvency, bankruptcy or similar law outside of Japan which is applicable to the Issuer; and (b) which are either (i) obligations having rights with respect to interest of which are effectively same as the Notes (and the inclusion of provisions which allow for the optional deferral of interest at the election of the Issuer shall satisfy this condition); or (ii) any obligations of the Issuer (other than Junior Obligations), the payment of interest and principal on which is subject to the satisfaction of financial conditions and/or the financial performance of the Issuer.

Parity Obligations shall include, but shall not be limited to:

- (i) the Issuer's 1st Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610AG97);
- (ii) the Issuer's 2nd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610BG96);
- (iii) the Issuer's 3rd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (ISIN: JP343610CG95); and
- (iv) any other unsecured subordinated bonds with interest deferrable clause and early redeemable option (with a subordination provision) (*ribarai kurinobe jyoukou kigen zen shoukan jyoukou tsuki mu tanpo shasai (retsugo tokuyaku tsuki)*) issued from time to time,

but shall not include the Issuer's 1st Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AEC4) and 2nd Unsecured Subordinated Bonds (with a subordination provision) (ISIN: JP343610AF23).

Agency Agreement has the meaning given to it in the preamble to these Conditions;

Paying Agents has the meaning given to it in the preamble to these Conditions;

Person means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited-liability company or government or other entity;

Principal Paying Agent has the meaning given to it in the preamble to these Conditions;

Rating Agency means S&P or any rating agency substituted for them (or any permitted substitute of them) by the Issuer from time to time with the prior written approval of the Trustee, and for the purposes of the definition of “Change of Control Event” only shall include S&P and Moody’s;

a **Rating Methodology Event** shall be deemed to occur if the Issuer has received, and notified the holders of the Notes that it has so received, confirmation from any Rating Agency of an amendment to, clarification of or change in its assessment criteria or a change in the interpretation thereof which becomes effective on or after the Issue Date (or, if later, effective after the date on which the Notes are assigned “equity credit” by a Rating Agency for the first time) and as a result of which, but not otherwise, the Notes will no longer be eligible for the same, or a higher amount of, “equity credit” (or such other nomenclature that the Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) as was attributed to the Notes at the Issue Date (or if “equity credit” is not assigned to the Notes by the relevant Rating Agency on the Issue Date, at the date on which “equity credit” is assigned by such Rating Agency for the first time);

Relevant Date means (i) in respect of any payment other than a sum to be paid by the Issuer on a Subordination Event, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 16, and (ii) in respect of a sum to be paid by the Issuer on a Subordination Event, the date which is one day prior to the date on which the relevant Subordination Event occurs;

Reset Date means the First Reset Date and each date falling on the fifth anniversary of the First Reset Date;

Reset Interest Rate has the meaning given to it in Condition 4(d);

Reset Period means the period from one Reset Date to (but excluding) the next following Reset Date;

Reset Reference Banks means five major banks in the interbank market in London as selected and appointed by the Issuer and notify to the Calculation Agent;

Notes has the meaning given to it in the preamble to these Conditions;

Senior Obligations means all obligations of the Issuer, issued directly or indirectly by it, other than Parity Obligations and Junior Obligations;

Senior Preference Share(s) means the most senior class of preference shares in the capital of the Issuer (*sai yuusen kabushiki*), to the extent such preference shares are in issue;

S&P means S&P Global or any of its subsidiaries and their successors;

Special Event means any of an Accounting Event, a Rating Methodology Event, a Substantial Repurchase Event, a Tax Deduction Event or a Withholding Tax Event or any combination of the foregoing;

Special Taxation Measures Act means the Special Taxation Measures Act of Japan (Act No.26 of 1957);

Subordination Claim Amount means, after satisfaction of the relevant Subordinate Payment Conditions, the amount payable by the Issuer in respect of each Note (in lieu of any other payment by the Issuer), which shall be the amount, if any, as would have been payable to the Holder of such Note if, on the day prior to the commencement of the relevant Subordination Event, and thereafter, such Holder were the holder of a Senior Preference Share having an equal right to a return of assets on the occurrence of the relevant Subordination Event, and so ranking pari passu with, the holders of Parity Obligations, but ranking junior to the claims of holders of all Senior Obligations (except as otherwise provided by mandatory provisions of law), on the assumption that the amount that such Holder was entitled to receive in respect of each Senior Preference Share on a return of assets on the occurrence of such Subordination Event, were an amount equal to the principal amount of the relevant Note and any accrued and unpaid interest and any outstanding Arrears of Interest. The claim of any Holder of a Note with respect to such Subordination Claim Amount shall rank senior to the claims of holders of all Junior Obligations.

Subordination Event means any one of the following events:

- (i) liquidation proceedings (including ordinary or special liquidation proceedings under the Companies Act) (*seisan tetsuzuki*) have been commenced in respect of the Issuer, or any other order or resolution for the liquidation, dissolution or winding up of the Issuer has been made (except, in any such case, a solvent winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of the Issuer, the terms of which reorganization, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Notes shall thereby become redeemable or repayable in accordance with these Conditions);
- (ii) a Japanese court with jurisdiction decides to commence bankruptcy proceedings (*hasan tetsuzuki*) against the Issuer pursuant to the provisions of the Bankruptcy Act;
- (iii) a Japanese court with jurisdiction decides to commence corporate reorganization proceedings (*kaisha kousei tetsuzuki*) against the Issuer pursuant to the provisions of the Corporate Reorganization Act;
- (iv) a Japanese court with jurisdiction decides to commence rehabilitation proceedings (*minji saisei tetsuzuki*) against the Issuer pursuant to the provisions of the Civil Rehabilitation Act; or
- (v) any analogous event relating to the Issuer to those described in (i) to (iv) above under any insolvency, bankruptcy or similar law outside of Japan which is applicable to the Issuer (including any other order being made, or an effective resolution being passed, for the winding-up and/or liquidation of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a reorganization, reconstruction or amalgamation of the Issuer, the terms of which reorganization, reconstruction or amalgamation (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) and (y) do not provide that the Notes shall thereby become redeemable or repayable in accordance with these Conditions)).

Subordinate Payment Conditions means:

- (i) in a liquidation, winding up or dissolution of the Issuer in the manner contemplated under paragraph (i) of the definition of “Subordination Event”, all of the Senior Obligations then outstanding (and required to be repaid in connection with such Subordination Event) having been paid in full pursuant to the provisions of the Companies Act, or satisfaction thereof has been received in full through another means;
- (ii) in bankruptcy proceedings of the Issuer in the manner contemplated under paragraph (ii) of the definition of “Subordination Event”, all the Senior Obligations stated in the dividend table (*haitou hyou*) prepared by the bankruptcy administrator (*hasan kanzainin*) for making a final distribution have been paid in full pursuant to the provisions of the Bankruptcy Act, or satisfaction thereof has been received in full through another means (including by deposit (*yokin*));
- (iii) in reorganization proceedings of the Issuer in the manner contemplated under paragraph (iii) of the definition of “Subordination Event”, all the Senior Obligations stated in a final and definitive reorganization plan (*kousei keikaku*) drafted pursuant to the Corporate Reorganization Act (if the Senior Obligations have been revised or reduced under the plan, then “Senior Obligations” means such amounts as so revised or reduced) have been paid in full in accordance with the conditions of the plan or satisfaction thereof has been received in full through another means;
- (iv) in rehabilitation proceedings of the Issuer in the manner contemplated under paragraph (iv) of the definition of “Subordination Event”, all the Senior Obligations stated in a final and definitive rehabilitation plan (*saisei keikaku*) drafted pursuant to the Civil Rehabilitation Law (if the Senior Obligations have been revised or reduced under the plan, then “Senior Obligations” means such amounts as so revised or reduced) have been paid in full in accordance with the conditions of the plan or satisfaction thereof has been received in full through another means; or

- (v) in the circumstances contemplated under paragraph (v) of the definition of “Subordination Event”, all Senior Obligations have first been paid in full in a manner analogous to those described under (i) to (iv) above (in accordance, where applicable, with an order, plan, scheme or other structure under the relevant insolvency, bankruptcy or similar law) or satisfaction thereof has been received in full through another means.

Subsidiary means, with respect to any specified Person:

- (i) any corporation, association or other business entity of which more than 50 percent of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);
- (ii) any partnership or limited-liability company of which (a) more than 50 percent of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; and
- (iii) any entity otherwise treated as a consolidated entity of that Person in accordance with IFRS.

Substantial Repurchase Event shall be deemed to occur if prior to the giving of the relevant notice of redemption the Issuer repurchases (and effects corresponding cancellations) or redeems Notes in respect of 75 percent or more in the aggregate principal amount of the Notes initially issued and any further Notes issued pursuant to Condition 17);

a **Tax Deduction Event** shall be deemed to have occurred if as a result of a Tax Law Change:

- (i) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in Japan, or such entitlement is reduced compared to such entitlement as at the Issue Date; or
- (ii) in respect of the Issuer’s obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not be entitled to have such deduction set against the profits of companies with which it is grouped for applicable Japanese tax purposes,

and, in each case, the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

Tax Law Change means a change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having the power to tax, including any treaty to which Japan is a party, or any change in the official or generally published interpretation of such laws or regulations, including a decision of any court or tribunal, or any official interpretation or published pronouncement by any relevant tax authority that provides for a position with respect to such laws or regulations or interpretation thereof that differs from the previously generally accepted official position in relation to similar transactions, which change, official interpretation, published pronouncement, or amendment has not been publicly announced as formally proposed before, and becomes, or would become, effective on or after the Issue Date;

Trust Deed has the meaning given to it in the preamble to these Conditions;

Trustee has the meaning given to it in the preamble to these Conditions;

U.S. Dollar, U.S.\$ or cent means the lawful currency of the United States of America; and

a **Withholding Tax Event** shall be deemed to occur if as a result of a Tax Law Change, in making any payments on the Notes, the Issuer has paid or will or would on the next Interest Payment Date be required to pay Additional Amounts on the Notes and the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it.

The Issuer intends (without thereby assuming a legal obligation) at any time that it will redeem or repurchase the Notes only to the extent that the aggregate principal amount of the Notes to be redeemed or repurchased does not exceed such part of the net proceeds received by the Issuer or any Subsidiary of the Issuer during the 360-day period prior to the date of such redemption or repurchase from the sale or issuance by the Issuer or such Subsidiary to third party purchasers (other than group entities of the Issuer) of securities which are assigned by S&P and Japan Credit Rating Agency, Ltd. (JCR), at the time of sale or issuance, an aggregate “equity credit” (or such similar nomenclature used by S&P and JCR from time to time) that is equal to or greater than the “equity credit” assigned to the Notes to be redeemed or repurchased at the time of their issuance (but taking into account any changes in hybrid capital methodology or another relevant methodology or the interpretation thereof since the issuance of the Notes), unless:

- i. *such redemption or repurchase will not render the Issuer’s creditworthiness weaker than it was as of the end of the fiscal year which ended 31 March 2016, or*
- ii. *such repurchase is of less than (a) 10 percent of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (b) 25 percent of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years, or*
- iii. *the Notes are redeemed pursuant to any Special Event Redemption other than a Substantial Repurchase Event, or*
- iv. *the Notes are not assigned an “equity credit” (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase, or*
- v. *in the case of any repurchase, up to the maximum amount of Notes repurchased that would allow the Issuer’s aggregate principal amount of securities/hybrid capital remaining outstanding after such repurchase to be equal to or greater than the maximum aggregate principal amount of securities/hybrid capital to which S&P would assign “equity credit” (or such similar nomenclature then used by S&P at the time of such repurchase); or*
- vi. *such redemption or repurchase occurs on or after the Reset Date falling on July 19, 2042 (or, to the extent the definition of “Margin” is replaced, July 19, 2047).*

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Certificate in respect of each Tranche contains provisions which apply to the Notes in respect of which they are issued while they are represented by the Global Certificate, some of which modify the effect of the Conditions and which are summarized below. Terms defined in the relevant Conditions have the same meaning in paragraphs 1 to 7 below.

1. Accountholders

For so long as any of the Notes are represented by a Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") as the holder of a particular nominal amount of such Notes (each an "Accountholder") (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any Alternative Clearing System as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such nominal amount of such Notes (and the expression "Holders" and references to "holding of Notes" and to "holder of Notes" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the registered holder of the relevant Global Certificate, being the nominee for the relevant clearing system (the "Relevant Nominee"), in accordance with and subject to the terms of the relevant Global Certificate and the relevant Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

2. Cancellation

On any redemption or payment of interest being made in respect of, or purchase and cancellation of, any of the Notes represented by the Global Certificate details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in the Register. Upon any such redemption, payment of an instalment or purchase and cancellation the nominal amount of the relevant Global Certificate and the Notes held by the registered holder hereof shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled. The nominal amount of the relevant Global Certificate and of the Notes held by the registered holder hereof following any such redemption or purchase and cancellation as aforesaid or any transfer or exchange as referred to below shall be the nominal amount most recently entered in the register.

3. Payments

Payments of principal, premium and interest (including, for the avoidance of doubt, Deferred Interest) in respect of Notes represented by the relevant Global Certificate will be made to the Relevant Nominee upon presentation or, if no further payment fails to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the holders of such Global Certificate for such purpose. A record of each payment made will be entered into by or on behalf of the Registrar in the Register and shall be *prima facie* evidence that payment has been made.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant clearing system's rules and procedures.

For the purposes of Condition 9 of the relevant Conditions, the record date in respect of the Notes shall be the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date.

4. Notices

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System notices to Holders may be

given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 16 of the relevant Conditions provided that the Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed.

5. Exchange and Registration of Title

Transfers of the holding of Notes represented by a Global Certificate pursuant to Condition 1(c) of the relevant Conditions may only be made in part:

- (a) if the Notes represented by such Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;
- (b) an event as described in Condition 3(a) of the relevant Conditions occurs;
- (c) upon an Enforcement Event; or
- (d) with the consent of the Company,

provided that, in the case of the first transfer of part of a holding pursuant to (a) to (c) above, the holder of the Notes represented by such Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Notes represented by such Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or an Alternative Clearing System.

6. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

7. Calculation of Interest

For so long as all the Notes outstanding are represented by the Global Certificate, interest shall be calculated on the basis of the aggregate principal amount of the Notes represented by the Global Certificate, and not per Calculation Amount as provided in Condition 4(b) of the relevant Conditions.

MATERIAL JAPANESE TAXATION CONSIDERATIONS

The following discussion summarizes certain Japanese tax consequences to prospective holders arising from the purchase, ownership and disposition of the Notes. The summary does not purport to be a comprehensive description of all potential Japanese tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Japan or any Japanese consequences other than Japanese tax consequences.

Prospective holders of the Notes should consult their own tax advisors as the Japanese or other tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of any state, local, foreign or other tax laws.

The following description is a summary of Japanese tax consequences (limited to national taxes) to holders of the Notes, principally relating to such holders that are individual non-residents of Japan or non-Japanese corporations, having no permanent establishment in Japan, and applicable to interest and the Issue Differential (as defined below) with respect to Notes that we will issue outside Japan, as well as to certain aspects of capital gains, inheritance and gift taxes. It does not address the tax treatment of the original issue discount of the Notes bearing no interest that fall under “discounted bonds” as prescribed by the Special Taxation Measures Act or any Notes on which interest is calculated based on any indices, including the amount of our profits or assets or those of any specially-related person of ours (as defined below).

The statements regarding Japanese tax laws set out below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after such date.

Prospective investors should note that the following description of Japanese taxation is not exhaustive.

Representation Upon Initial Distribution

By subscribing for Notes, an investor will be deemed to have represented that it is a “gross recipient,” i.e., (1) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with us as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, or a specially-related person of ours, (2) a Japanese financial institution or financial instruments business operator as designated in Article 3-2-2, Paragraph 28 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) relating to the Special Taxation Measures Act that will hold the Notes for its own proprietary account or (3) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. The Notes are not as part of the initial distribution by the Managers at any time to be directly or indirectly offered or sold in Japan or to, or for the benefit of, any person other than a gross recipient, except as specifically permitted under the Special Taxation Measures Act.

Interest and Issue Differential

Interest payments on the Notes will be subject to Japanese withholding tax unless the holder establishes that the Note is held by or for the account of a holder that is (1) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, and in compliance with certain requirements for tax exemption under the Special Taxation Measures Act, or (2) a Japanese designated financial institution or financial instruments business operator as described in Article 6, Paragraph 9 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that Paragraph.

Interest payments on the Notes to an individual resident of Japan, to a Japanese corporation not described in item (2) of the preceding paragraph, to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of ours and does not comply with the requirements described in item (1) of the preceding paragraph will be subject to deduction in respect of Japanese income tax at a rate of 15% (for the period up to and including December 31, 2037, of 15.315%) of the amount specified in subparagraphs (a) or (b) below, as applicable:

- (a) if interest is paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-

related person of ours (except as provided in subparagraph (b) below), the amount of such interest; or

(b) if interest is paid to a public corporation, a financial institution, a financial instruments business operator or certain other entities through a Japanese payment handling agent, as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Act in compliance with the requirement for tax exemption under that paragraph, the amount of such interest minus the amount accrued during the period held, without any cessation, by such entities as provided in the Cabinet Order relating to the said Paragraph 6.

A legend containing a statement to the same effect as set forth in the preceding paragraphs will be printed on the relevant Notes or global Note, as applicable, in compliance with the requirements of the Special Taxation Measures Act and regulations thereunder.

If the recipient of interest on the Notes is a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, or having a permanent establishment in Japan but the receipt of the interest on the Notes is not attributable to the business thereof carried on in Japan through such permanent establishment, that in either case is not a specially-related person of ours, no Japanese income tax or corporation tax will be payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:

(x) if the relevant Notes are held through a participant in an international clearing organization, such as DTC, Euroclear and Clearstream or through a financial intermediary, in each case, as prescribed by the Special Taxation Measures Act (each such participant or financial intermediary being referred to as a “Participant”), the requirement to provide certain information prescribed by the Special Taxation Measures Act to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted, and to advise the Participant if the holder of the Notes ceases to be so exempted (including the case where the holder became a specially-related person of ours); and

(y) if the relevant Notes are not held through a Participant, the requirement to submit to the relevant paying agent that makes payment of interest on the Notes a written application for tax exemption (*hikazei tekiyo shinkokusho*), together with certain documentary evidence, at or prior to each time interest is received.

If a recipient of interest on the Notes is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, which is subject to Japanese withholding tax due to its status as a specially-related person of ours or for any other reason, (1) the rate of withholding tax may be reduced, generally to 10%, under the applicable tax treaty, convention or agreement, and (2) if such recipient is not subject to Japanese tax under the applicable tax treaty, convention or agreement due to its status as a financial institution in the relevant country, such as the United States and the United Kingdom, or for any other reason, no Japanese income tax or corporation tax will be payable with respect to such interest whether by way of withholding or otherwise; *provided* that, in either case (1) or (2) above, such recipient shall submit required documents and information (if any) to the relevant tax authority.

If the recipient of any difference between the issue price and the redemption price of the Notes as referred to in Article 41-13, Paragraph 3 and Article 67-17, Paragraph 3 of the Special Taxation Measures Act (the “Redemption Gains”) is a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, that in either case is not a specially-related person of ours, no income tax or corporation tax will be withheld with respect to such Redemption Gains.

Capital Gains, Inheritance and Gift Taxes

Gains derived from the sale of the Notes, whether within or outside Japan, by a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, will be, in general, not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired the Notes as a legatee, heir or donee, even if the individual is not a Japanese resident.

No stamp, issue, registration or similar taxes or duties will, under present Japanese law, be payable by holders of the Notes in connection with the issue of the Notes outside Japan.

SUBSCRIPTION AND SALE

The Managers have, pursuant to a Subscription Agreement (the “Subscription Agreement”) dated July 13, 2017, severally and not jointly agreed to subscribe for the Notes subject to the terms and conditions set out in the Subscription Agreement.

The Company has agreed in the Subscription Agreement to indemnify and hold the Managers harmless against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Company.

The following table sets out the respective principal amounts of the NC6 Notes and the NC10 Notes that the Managers have agreed to subscribe for pursuant to the Subscription Agreement.

Managers	Notes to be subscribed	Principal amount of the NC6	Principal amount of the NC10
		(millions of dollars)	Notes to be subscribed
Morgan Stanley & Co. International plc	605	385	
Deutsche Bank AG, Singapore Branch	550	350	
Merrill Lynch International	550	350	
Other Managers (collectively)	1,045	665	
Total	2,750		1,750

No Sale of Similar Securities

The Company has agreed that during the period from the date hereof through and including the date that is 45 days after the date the Notes are issued, without the prior written consent of the joint global coordinators, the Company will not offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company. This provision does not apply to (i) any debt securities which either confer a right to receive payment, or by their terms are payable, in yen, or are denominated in any other currency and more than 50% of the aggregate principal amount thereof is initially distributed in Japan and (ii) any equity-linked securities.

Other Relationships

Some of the Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Managers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

General

No action has been or will be taken by us or the Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this offering memorandum or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose possession this offering memorandum comes are required to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Notes or have in their possession or distribute this offering memorandum or any other offering material relating to the Notes.

United States

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has agreed that it will not offer or sell the Notes, (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering or the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the U.S. Securities Act.

United Kingdom

Each of the Managers has represented, warranted and agreed that (i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act and are subject to the Special Taxation Measures Act. Each of the Managers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act; and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution, directly or indirectly offer or sell Notes to, or for the benefit of, any person other than a gross recipient or to others for re-offering or re-sale, directly or indirectly, to, or for the benefit of, any person other than a gross recipient. A “gross recipient” for this purpose is: (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Company as described in Article 6, paragraph (4) of the Special Taxation Measures Act, (ii) a Japanese financial institution or financial instruments business operator as, designated in Article 3-2-2, Paragraph 28 of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is

directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notices

European Economic Area

This offering memorandum is not a prospectus and is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the purchase of, or subscription for, the Notes. This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below), as implemented in member states of the European Economic Area (“EEA”), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Notes, which are the subject of the offering contemplated in this offering memorandum, should only do so in circumstances in which no obligation arises for the Company or the Managers to produce a prospectus for such offer. None of the Company or any of the Managers has authorized, nor do any of them authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Managers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes to the public may be made in that Relevant Member State at any time:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Company for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall result in a requirement for the publication by the Company or the Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an “offer of the Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

The Notes are being offered hereunder in minimum subscription amounts of US\$200,000.

United Kingdom

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the FSMA by, a person authorized under the FSMA. This offering memorandum is only being distributed to and is only directed at persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), (iii) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, or (iv) to the extent that doing so does not prejudice the lawful distribution of this offering memorandum to the foregoing, are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum must not be acted or relied upon by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person in the United Kingdom without the prior written consent of the Company. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

GENERAL INFORMATION

(1) The Company has obtained all necessary consents, approvals and authorizations in Japan in connection with the issue of the Notes. The issue of the Notes was authorized by resolutions of the Board of Directors of the Company dated May 30, 2017.

(2) Except as disclosed in this offering memorandum, there has been no adverse change in the prospects of the Company nor any adverse change in the financial or trading position of the Company since March 31, 2017.

(3) The Notes have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) for the NC6 Notes is XS1642682410 and the Common Code for the NC6 Notes is 164268241. The International Security Identification Number (ISIN) for the NC10 Notes is XS1642686676 and the Common Code for the NC10 Notes is 164268667.

(4) Approval in-principle has been received for the listing of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or information contained in this offering memorandum. Approval in-principle granted by the SGX-ST for the listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, us, our subsidiaries or associated companies (if any) or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of \$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a global certificate is exchanged for definitive certificates. In addition, in the event that a global certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

(5) The consolidated financial statements of the Company as of and for the year ended March 31, 2017 with the corresponding figures presented as comparative information as of and for the year ended March 31, 2016 and, as of and for the year ended March 2016 with the corresponding figures presented as comparative information as of and for the year ended March 31, 2015 included in this Offering Memorandum have been audited by Deloitte Touche Tohmatsu LLC, independent auditor as stated in their report appearing herein.

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GLOSSARY

5G	Fifth generation wireless broadband technology, based on the IEEE 802.11ac standard.
asymmetric digital subscriber line (or ADSL)	An internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone lines.
average revenue per user (or ARPU)	Measures the average monthly revenue generated per customer. The calculation of ARPU excludes revenues that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees. SoftBank Corp. calculates ARPU based on the number of its subscribers, excluding subscribers of communication modules. ARPU is one measure of operating performance.
broadband	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services.
churn	The number of customers who terminate their service in any particular period.
churn rate	Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service (“churn”) relative to the total mobile main subscriber base for a given period (excluding subscribers who switch between SoftBank and Y!mobile using MNP).
FDD-LTE	See long-term evolution.
fiber-to-the-home (or FTTH)	An optical access network in which the optical network unit is on or within the customer’s premises. Although the first-connected capacity of an FTTH network varies, the upgrade capacity of an FTTH network exceeds all other transmission media.
GB	Gigabyte, a measure of data representing approximately one billion bytes of information.
interconnect	The connection of one telecommunications carrier’s operator’s network to another or of a piece of telephone equipment to the telephone network.
interconnection fee	The charge levied by one telecommunication’s carrier to another for interconnection between their networks.
IoT	The internet of things.
IP	Internet protocol.
IP telecommunications	The transmission of telephone calls over an IP network.
ISP	Internet service provider.
long-term evolution (or LTE)	An advanced wireless communications standard that achieves high-speed communications comparable to optic fiber. There are two LTE systems: FDD (frequency division duplex) and TDD (time division duplex). The FDD system assigns uplink and downlink communications to a pair of different frequency bandwidths, and is referred to as FDD-LTE. The TDD system uses the same frequency bandwidth for both uplink and downlink, and is referred to as TD-LTE. LTE-Advanced is a fourth generation (4G) high-speed wireless communication standard, capable of downlink speeds of more than 1 Gbps under certain system configurations.

main mobile subscribers	Subscribers of smartphones, feature phones, tablets, mobile data communications devices and others, such as voice call SIMs. These are all sources of revenue and profit and we have concentrated our efforts on acquiring and maintaining such subscribers.
mobile virtual network operator (or MVNO)	A wireless communications services provider that does not own the radio spectrum or wireless network infrastructure over which it provides services but instead leases access to such spectrum or infrastructure from another operator.
personal handy-phone system (or PHS)	A mobile network system operating in the 1880-1930 MHz frequency band with cells that are generally smaller and typically measure tens or at most hundreds of meters as opposed to multi-kilometer cells of more standard devices.
subscriber	An account for any particular telecommunications service. With respect to our Domestic Telecommunication Segment, the number of mobile service subscriber is based on the cumulative number of assigned telephone numbers, including telephone numbers assigned to tablets, modules and PHS. The number of <i>SoftBank Hikari</i> subscribers is based on the cumulative number of users for which the physical connection of a fiber-optic line at the central office of NTT East or NTT West has been completed and includes the number of subscribers to <i>SoftBank Air</i> .
TD-LTE	See long-term evolution.
traffic	Calls or other transmissions being sent and received over a communications network.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SoftBank Group Corp.:

We have audited the accompanying consolidated statement of financial position of SoftBank Group Corp. and its subsidiaries (the “Company”) as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Group Corp. and its subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 (3) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

/s/ DELOITTE TOUCHE TOHMATSU LLC
Tokyo, Japan
June 21, 2017

Consolidated Financial Statements

a. Consolidated Statement of Financial Position

	Notes	(Millions of yen)		(Thousands of U.S. dollars)	
		As of March 31, 2016	As of March 31, 2017	As of March 31, 2017	
ASSETS					
Current assets					
Cash and cash equivalents	7	¥ 2,569,607	¥ 2,183,102	\$ 19,458,971	
Trade and other receivables	8,25	1,914,789	2,121,619	18,910,946	
Other financial assets	9,25	152,858	794,689	7,083,421	
Inventories	10	359,464	341,344	3,042,553	
Other current assets	11	553,551	283,221	2,524,477	
Total current assets		5,550,269	5,723,975	51,020,368	
Non-current assets					
Property, plant and equipment	12	4,183,507	3,977,254	35,451,056	
Goodwill	13	1,609,789	4,175,464	37,217,791	
Intangible assets	13	6,439,145	6,946,639	61,918,522	
Investments accounted for using the equity method	16	1,588,270	1,670,799	14,892,584	
Other financial assets	9,25	970,874	1,552,267	13,836,055	
Deferred tax assets	18	172,864	404,994	3,609,894	
Other non-current assets	11	192,474	182,820	1,629,557	
Total non-current assets		15,156,923	18,910,237	168,555,459	
Total assets		¥20,707,192	¥24,634,212	\$219,575,827	

	Notes	(Millions of yen)		(Thousands of U.S. dollars)	
		As of March 31, 2016	As of March 31, 2017	As of March 31, 2017	
LIABILITIES AND EQUITY					
Current liabilities					
Interest-bearing debt	19,25	¥ 2,646,609	¥ 2,694,093	\$ 24,013,664	
Trade and other payables	20,25	1,621,195	1,607,453	14,327,953	
Other financial liabilities	25	6,531	13,701	122,123	
Income taxes payables		140,351	256,218	2,283,786	
Provisions	23	56,120	56,362	502,380	
Other current liabilities	22	694,965	599,096	5,340,013	
Total current liabilities		5,165,771	5,226,923	46,589,919	
Non-current liabilities					
Interest-bearing debt	19,25	9,275,822	12,164,277	108,425,680	
Other financial liabilities	21,25	95,664	287,229	2,560,201	
Defined benefit liabilities	24	123,759	108,172	964,186	
Provisions	23	118,876	138,730	1,236,563	
Deferred tax liabilities	18	2,083,164	1,941,380	17,304,394	
Other non-current liabilities	22	338,865	297,771	2,654,167	
Total non-current liabilities		12,036,150	14,937,559	133,145,191	
Total liabilities		17,201,921	20,164,482	179,735,110	
Equity					
Equity attributable to owners of the parent					
Common stock	30	238,772	238,772	2,128,282	
Capital surplus	30	261,234	245,706	2,190,088	
Retained earnings	30	2,166,623	2,958,355	26,369,151	
Treasury stock	30	(314,752)	(67,727)	(603,681)	
Accumulated other comprehensive income	30	261,736	211,246	1,882,931	
Total equity attributable to owners of the parent		2,613,613	3,586,352	31,966,771	
Non-controlling interests		891,658	883,378	7,873,946	
Total equity		3,505,271	4,469,730	39,840,717	
Total liabilities and equity		<u>¥20,707,192</u>	<u>¥24,634,212</u>	<u>\$219,575,827</u>	

b. Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Continuing operations				
Net sales	33	¥ 8,881,777	¥ 8,901,004	\$ 79,338,658
Cost of sales	34	(5,518,104)	(5,472,238)	(48,776,522)
Gross profit		3,363,673	3,428,766	30,562,136
Selling, general and administrative expenses	34	(2,374,955)	(2,277,251)	(20,298,164)
Gain from remeasurement relating to business combination	5	59,441	18,187	162,109
Other operating loss	35	(139,252)	(143,703)	(1,280,890)
Operating income		908,907	1,025,999	9,145,191
Finance cost	36	(440,744)	(467,311)	(4,165,353)
Income on equity method investments	16	375,397	321,550	2,866,120
Gain on sales of shares of associates	37	12,428	238,103	2,122,319
Derivative gain (loss)	38	12,788	(252,815)	(2,253,454)
Gain (loss) from financial instruments at FVTPL	39	114,377	(160,419)	(1,429,887)
Other non-operating income (loss)	26,40	(63,992)	7,419	66,129
Income before income tax		919,161	712,526	6,351,065
Income taxes	18	(422,677)	207,105	1,846,020
Net income from continuing operations		496,484	919,631	8,197,085
Discontinued operations				
Net income from discontinued operations	42	61,757	554,799	4,945,174
Net income		¥ 558,241	¥ 1,474,430	\$ 13,142,259
Net income attributable to				
Owners of the parent		¥ 474,172	¥ 1,426,308	\$ 12,713,326
Non-controlling interests		84,069	48,122	428,933
		¥ 558,241	¥ 1,474,430	\$ 13,142,259
(Yen)				
		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Earnings per share attributable to owners of the parent				
Basic earnings per share				
Continuing operations	43	¥ 370.05	¥ 792.16	\$ 7.06
Discontinued operations	43	32.44	494.85	4.41
Total basic earnings per share	43	¥ 402.49	¥ 1,287.01	\$ 11.47
Diluted earnings per share				
Continuing operations	43	¥ 355.90	¥ 781.25	\$ 6.96
Discontinued operations	43	32.42	494.39	4.41
Total diluted earnings per share	43	¥ 388.32	¥ 1,275.64	\$ 11.37

Consolidated Statement of Comprehensive Income

Notes	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Net income	¥ 558,241	¥1,474,430	\$13,142,259
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan	24,41	342	108,744
Total items that will not be reclassified to profit or loss		342	108,744
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets	25,41	(4,906)	50,166
Cash flow hedges	25,41	(31,992)	(66,441)
Exchange differences on translating foreign operations	29,41	(289,735)	(182,726)
Share of other comprehensive income of associates	16,41	27,642	(270,996)
Total items that may be reclassified subsequently to profit or loss		(298,991)	(469,997)
Total other comprehensive income, net of tax		(298,649)	(361,253)
Total comprehensive income		¥ 259,592	¥1,433,901
Total comprehensive income attributable to			
Owners of the parent		¥ 195,864	\$12,353,668
Non-controlling interests		63,728	427,338
		¥ 259,592	¥1,433,901
			\$12,781,006

Note:

Income taxes related to the components of other comprehensive income are described in "Note 41. Other comprehensive income."

c. Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2016

(Millions of yen)								
Equity attributable to owners of the parent								
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non-controlling interests
As of April 1, 2015		¥238,772	¥ 374,845	¥1,740,686	¥ (48,383)	¥ 540,386	¥2,846,306	¥1,006,871
Comprehensive income								
Net income		—	—	474,172	—	—	474,172	84,069
Other comprehensive income		—	—	—	—	(278,308)	(278,308)	(20,341)
Total comprehensive income		—	—	474,172	—	(278,308)	195,864	63,728
Transactions with owners and other transactions								
Cash dividends	31	—	—	(47,261)	—	—	(47,261)	(46,719)
Transfer of accumulated other comprehensive income to retained earnings		—	—	342	—	(342)	—	—
Purchase and disposal of treasury stock	30	—	—	(1,316)	(266,369)	—	(267,685)	—
Changes from business combination	5	—	—	—	—	—	—	54,409
Changes from loss of control		—	—	—	—	—	—	(96,060)
Changes in interests in subsidiaries	30	—	(128,912)	—	—	—	(128,912)	(94,567)
Changes in associates' interests in their subsidiaries		—	15,736	—	—	—	15,736	—
Share-based payment transactions		—	(3,457)	—	—	—	(3,457)	5,943
Other		—	3,022	—	—	—	3,022	(1,947)
Total transactions with owners and other transactions		—	(113,611)	(48,235)	(266,369)	(342)	(428,557)	(178,941)
As of March 31, 2016		¥238,772	¥ 261,234	¥2,166,623	¥(314,752)	¥ 261,736	¥2,613,613	¥ 891,658
								¥3,505,271

For the fiscal year ended March 31, 2017

	(Millions of yen)								
	Equity attributable to owners of the parent								
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2016		¥238,772	¥261,234	¥2,166,623	¥(314,752)	¥261,736	¥2,613,613	¥891,658	¥3,505,271
Comprehensive income									
Net income		—	—	1,426,308	—	—	1,426,308	48,122	1,474,430
Other comprehensive income		—	—	—	—	(40,350)	(40,350)	(179)	(40,529)
Total comprehensive income		—	—	1,426,308	—	(40,350)	1,385,958	47,943	1,433,901
Transactions with owners and other transactions									
Cash dividends	31	—	—	(48,042)	—	—	(48,042)	(43,467)	(91,509)
Transfer of accumulated other comprehensive income to retained earnings		—	—	10,140	—	(10,140)	—	—	—
Purchase and disposal of treasury stock	30	—	—	(1,479)	(348,170)	—	(349,649)	—	(349,649)
Retirement of treasury stock	30	—	—	(595,195)	595,195	—	—	—	—
Changes from business combination	5	—	—	—	—	—	—	2,218	2,218
Changes from loss of control		—	—	—	—	—	—	(25,997)	(25,997)
Changes in interests in subsidiaries		—	1,670	—	—	—	1,670	6,189	7,859
Changes in associates' interests in their subsidiaries		—	(4,236)	—	—	—	(4,236)	—	(4,236)
Changes in interest in associates' capital surplus		—	(15,360)	—	—	—	(15,360)	—	(15,360)
Share-based payment transactions		—	2,398	—	—	—	2,398	8,087	10,485
Other		—	—	—	—	—	—	(3,253)	(3,253)
Total transactions with owners and other transactions		—	(15,528)	(634,576)	247,025	(10,140)	(413,219)	(56,223)	(469,442)
As of March 31, 2017		<u>¥238,772</u>	<u>¥245,706</u>	<u>¥2,958,355</u>	<u>¥ (67,727)</u>	<u>¥211,246</u>	<u>¥3,586,352</u>	<u>¥883,378</u>	<u>¥4,469,730</u>

For the fiscal year ended March 31, 2017

(Thousands of U.S. dollars)									
Equity attributable to owners of the parent									
Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity	
As of April 1, 2016	\$2,128,282	\$2,328,496	\$19,312,087	\$(2,805,526)	\$2,332,971	\$23,296,310	\$7,947,749	\$31,244,059	
Comprehensive income									
Net income	—	—	12,713,326	—	—	12,713,326	428,933	13,142,259	
Other comprehensive income	—	—	—	—	(359,658)	(359,658)	(1,595)	(361,253)	
Total comprehensive income	—	—	12,713,326	—	(359,658)	12,353,668	427,338	12,781,006	
Transactions with owners and other transactions									
Cash dividends	31	—	—	(428,220)	—	—	(428,220)	(387,441)	(815,661)
Transfer of accumulated other comprehensive income to retained earnings		—	—	90,382	—	(90,382)	—	—	—
Purchase and disposal of treasury stock	30	—	—	(13,183) (3,103,396)	—	(3,116,579)	—	(3,116,579)	
Retirement of treasury stock	30	—	—	(5,305,241)	5,305,241	—	—	—	
Changes from business combination	5	—	—	—	—	—	19,770	19,770	
Changes from loss of control		—	—	—	—	—	(231,723)	(231,723)	
Changes in interests in subsidiaries		—	14,885	—	—	14,885	55,165	70,050	
Changes in associates' interests in their subsidiaries		—	(37,757)	—	—	(37,757)	—	(37,757)	
Changes in interest in associates' capital surplus		—	(136,911)	—	—	(136,911)	—	(136,911)	
Share-based payment transactions		—	21,375	—	—	21,375	72,083	93,458	
Other		—	—	—	—	—	(28,995)	(28,995)	
Total transactions with owners and other transactions	—	(138,408)	(5,656,262)	2,201,845	(90,382)	(3,683,207)	(501,141)	(4,184,348)	
As of March 31, 2017	\$2,128,282	\$2,190,088	\$26,369,151	\$ (603,681)	\$1,882,931	\$31,966,771	\$7,873,946	\$39,840,717	

d. Consolidated Statement of Cash Flows

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Cash flows from operating activities				
Net income		¥ 558,241	¥ 1,474,430	\$ 13,142,259
Depreciation and amortization		1,401,329	1,472,669	13,126,562
Gain from remeasurement relating to business combination		(59,441)	(18,187)	(162,109)
Finance cost		440,745	467,311	4,165,353
Income on equity method investments		(375,397)	(321,550)	(2,866,120)
Gain on sales of shares of associates		(12,428)	(238,103)	(2,122,319)
Derivative (gain) loss		(12,788)	252,815	2,253,454
(Gain) loss from financial instruments at FVTPL		(114,377)	160,419	1,429,887
Other non-operating loss (income)		67,836	(9,511)	(84,776)
Gain on sales of discontinued operations	44	—	(636,216)	(5,670,880)
Income taxes		443,984	(91,028)	(811,374)
Increase in trade and other receivables		(50,740)	(275,771)	(2,458,071)
Increase in inventories		(404,933)	(268,312)	(2,391,586)
(Decrease) increase in trade and other payables		(698)	15,871	141,465
Other		91,656	46,587	415,252
Subtotal		1,972,989	2,031,424	18,106,997
Interest and dividends received		12,072	29,502	262,965
Interest paid		(461,217)	(519,373)	(4,629,405)
Income taxes paid	44	(1,230,087)	(359,209)	(3,201,792)
Income taxes refunded	44	646,429	318,384	2,837,900
Net cash provided by operating activities		940,186	1,500,728	13,376,665
Cash flows from investing activities				
Purchase of property, plant and equipment, and intangible assets	44	(1,360,960)	(923,502)	(8,231,589)
Proceeds from sales of property, plant and equipment, and intangible assets	44	150,956	34,566	308,102
Payments for acquisition of investments		(407,754)	(688,916)	(6,140,619)
Proceeds from sales/redemption of investments	44	58,161	482,128	4,297,424
Decrease from acquisition of control over subsidiaries ..	5	(61,670)	(3,254,104)	(29,005,295)
(Decrease) increase from loss of control over subsidiaries	44	(63,070)	723,544	6,449,274
Payments for acquisition of marketable securities for short-term trading		(94,349)	(503,767)	(4,490,302)
Proceeds from sales/redemption of marketable securities for short-term trading		189,844	239,730	2,136,821
Payments into time deposits		(45,748)	(638,914)	(5,694,928)
Proceeds from withdrawal of time deposits		40,907	283,419	2,526,241
Other		(57,999)	32,219	287,183
Net cash used in investing activities		(1,651,682)	(4,213,597)	(37,557,688)
Cash flows from financing activities				
Increase in short-term interest-bearing debt, net	19	128,135	360,216	3,210,767
Proceeds from long-term interest-bearing debt	19	2,129,683	4,792,530	42,717,978
Repayment of long-term interest-bearing debt	19	(1,604,768)	(2,283,067)	(20,350,004)
Payment for purchase of subsidiaries' interests from non-controlling interests	44	(267,276)	(18,600)	(165,790)
Purchase of treasury stock		(269,214)	(350,857)	(3,127,346)
Cash dividends paid		(47,219)	(46,273)	(412,452)
Cash dividends paid to non-controlling interests		(47,497)	(42,599)	(379,704)
Other		21,426	(30,604)	(272,788)
Net cash provided by financing activities		43,270	2,380,746	21,220,661
Effect of exchange rate changes on cash and cash equivalents				
Effect of exchange rate changes on cash and cash equivalents		(20,820)	(54,382)	(484,731)
Decrease in cash and cash equivalents				
Decrease in cash and cash equivalents		(689,046)	(386,505)	(3,445,093)
Cash and cash equivalents at the beginning of the year				
Cash and cash equivalents at the beginning of the year	7	3,258,653	2,569,607	22,904,064
Cash and cash equivalents at the end of the year				
Cash and cash equivalents at the end of the year	7	¥ 2,569,607	¥ 2,183,102	\$ 19,458,971

Notes to Consolidated Financial Statements

1. Reporting entity

SoftBank Group Corp. is a corporation domiciled in Japan. The registered address of SoftBank Group Corp.'s head office is disclosed on our website (<https://www.softbank.jp/>). These consolidated financial statements are composed of SoftBank Group Corp. and its subsidiaries (the "Company"). The Company engages in various businesses in the information industry, with its base in the Domestic Telecommunications segment, the Sprint segment, the Yahoo Japan segment, the Distribution segment, and the ARM segment. The details are described in "(1) Description of reportable segments" in "Note 6. Segment information."

2. Basis of preparation of consolidated financial statements

(1) Compliance with IFRSs

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(2) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain items, such as financial instruments, that are measured at fair value as described in "Note 3. Significant accounting policies."

(3) Presentation currency and unit of currency

These consolidated financial statements have been presented in Japanese yen, which is the currency of the primary economic environment of SoftBank Group Corp. ("functional currency"), and yen amounts are rounded to the nearest million.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.19 to \$1, the approximate rate of exchange at March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(4) Changes in presentation

(Consolidated statement of income)

- a. "Gain on sales of shares of associates" which was included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥12,428 million which was included in "Other non-operating income (loss)" in the consolidated statement of income for the fiscal year ended March 31, 2016, is reclassified as "Gain on sales of shares of associates."
- b. "Derivative gain (loss)" which was included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥12,788 million which was included in "Other non-operating income (loss)" in the consolidated statement of income for the fiscal year ended March 31, 2016, is reclassified as "Derivative gain (loss)."
- c. "Gain (loss) from financial instruments at FVTPL" which was included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥114,377 million which was included in "Other non-operating income (loss)" in the consolidated statement of income for the fiscal year ended March 31, 2016, is reclassified as "Gain (loss) from financial instruments at FVTPL."
- d. "Dilution gain from changes in equity interest" which was separately presented for the fiscal year ended March 31, 2016 is included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2017 since the significance of the amount decreased. In order to reflect the change, ¥14,903 million which was separately presented as "Dilution gain from changes in equity interest" in the consolidated statement of income for the fiscal year ended March 31, 2016, is included in "Other non-operating income (loss)."

(Consolidated statement of cash flows)

- a. "Gain on sales of shares of associates" which was included in "Other non-operating loss (income)" in net cash provided by operating activities for the fiscal year ended March 31, 2016 is separately presented for

the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(12,428) million which was included in “Other non-operating loss (income)” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Gain on sales of shares of associates” in net cash provided by operating activities.

- b. “Derivative (gain) loss” which was included in “Other non-operating loss (income)” in net cash provided by operating activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(12,788) million which was included in “Other non-operating loss (income)” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Derivative (gain) loss” in net cash provided by operating activities.
- c. “(Gain) loss from financial instruments at FVTPL” which was included in “Other non-operating loss (income)” in net cash provided by operating activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(114,377) million which was included in “Other non-operating loss (income)” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “(Gain) loss from financial instruments at FVTPL” in net cash provided by operating activities.
- d. “Dilution gain from changes in equity interest” which was separately presented in net cash provided by operating activities for the fiscal year ended March 31, 2016 is included in “Other non-operating income (loss)” for the fiscal year ended March 31, 2017 since the significance of the amount decreased. In order to reflect the change, ¥(14,903) million which was separately presented as “Dilution gain from changes in equity interest” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is included in “Other non-operating loss (income)” in net cash provided by operating activities.
- e. “Payments into time deposits” which was included in “Other” in net cash used in investing activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(45,748) million which was included in “Other” in net cash used in investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Payments into time deposits” in net cash used in investing activities.
- f. “Proceeds from withdrawal of time deposits” which was included in “Other” in net cash used in investing activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥40,907 million which was included in “Other” in net cash used in investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Proceeds from withdrawal of time deposits” in net cash used in investing activities.

(5) New standards and interpretations not yet adopted by the Company

New standards and interpretations which are newly established or amended before the approval date of the consolidated financial statements, and are not yet adopted by the Company, and which may have potential impacts, are as follows. The Company is currently evaluating the potential impacts.

Standard / interpretation	Mandatory adoption (From the year beginning)	To be adopted by the Group	Outline of the new / revised standards	
IFRS 9	Financial Instruments	January 1, 2018	From the fiscal year ending March 31, 2019	<p>IFRS 9 replaces a part of the previous IAS 39. Main revisions are:</p> <ul style="list-style-type: none"> to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement; to revise the treatment of changes in fair value of financial liabilities measured at fair value; to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.
IFRS 15	Revenue from contracts with customers (and clarification to IFRS 15)	January 1, 2018	From the fiscal year ending March 31, 2019	<p>IFRS 15 (clarification to IFRS 15 is included) replaces the previous IAS 11 and IAS 18. Main revisions are:</p> <ul style="list-style-type: none"> to require revenue recognition by the following five steps: <ul style="list-style-type: none"> a. identify the contract with the customer b. identify the performance obligations in the contract c. determine the transaction price d. allocate the transaction price to each performance obligation in the contract e. recognize revenue when (or as) a performance obligation is satisfied to revise the treatment for contract costs, license and guarantee of products; and to increase the disclosure related to revenue recognition.
IFRS 16	Leases	January 1, 2019	From the fiscal year ending March 31, 2020	<p>IFRS 16 replaces the previous IAS 17 and IFRIC 4. Main revisions are:</p> <ul style="list-style-type: none"> Revision to apply a control model to the identification of leases and distinguishing between leases and service contracts; and Revision to eliminate lease classification and recognition of assets and liabilities for all leases by the lessee.
IAS 7	Statement of (Amendment) cash flows	January 1, 2017	From the fiscal year ending March 31, 2018	<p>Requirement for additional disclosure related to changes in liabilities arising from financing activities.</p>

(6) Definition of company name and abbreviation used in the notes

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

Company name / Abbreviation	Definition
“SoftBank Group Corp.”	SoftBank Group Corp. (stand-alone basis)
The “Company”	SoftBank Group Corp. and its subsidiaries
Each of the following abbreviations indicates the respective company, and its subsidiaries, if any.	
“ARM”	ARM Holdings plc
“Sprint”	Sprint Corporation
“Sprint Communications”	Sprint Communications, Inc.
“Brightstar”	Brightstar Global Group Inc.
“Clearwire”	Clearwire Corporation
“Supercell”	Supercell Oy
“Alibaba”	Alibaba Group Holding Limited
“GungHo”	GungHo Online Entertainment, Inc.
“WCP”	Wireless City Planning Inc.

3. Significant accounting policies

Accounting policies the Company has adopted have been applied consistently to all periods presented in these consolidated financial statements.

(1) Basis of consolidation

a. Subsidiaries

A subsidiary is an entity that is controlled by SoftBank Group Corp.

The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries' financial statements are consolidated from the date when control is acquired (“acquisition date”) until the date when the control is lost.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

Non-controlling interests consist of those interests at the acquisition date and any adjustments for subsequent changes in those interests.

Total comprehensive income of subsidiaries is generally attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intragroup balances and transactions and unrealized gain or loss arising from intragroup transactions are eliminated on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent.

When SoftBank Group Corp. loses control of a subsidiary, a gain or loss is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the net carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary when control is lost.

Any amounts previously recognized in accumulated other comprehensive income in relation to the former subsidiaries are reclassified to profit or loss.

b. Associates and joint ventures

An associate is an entity over which SoftBank Group Corp. has significant influence in the financial and operating policy decisions, but does not have control or joint control.

A joint venture is an investment which parties including SoftBank Group Corp. have joint control based on the contractual arrangement that requires unanimous consent related to significant decisions of the business activities and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The investment is adjusted thereafter to recognize the Company's interest of the profit or loss and other comprehensive income from the date of acquisition to the date of loss of significant influence.

However, regarding preferred stock investment in associates, when the feature of preferred stock is substantively different from common stock, it is not accounted for using the equity method, and it is designated as financial assets at fair value through profit or loss ("financial assets at FVTPL"). Please refer to "(4) Financial instruments" in "Note 3. Significant accounting policies" for details.

When the losses of an associate and a joint venture exceed the Company's interest in the associate and the joint venture, long-term interests that, in substance, form a part of the net investment in the company are decreased to zero, and no additional loss is recognized except when the Company incurs legal or constructive obligations to or makes payments on behalf of the associate and the joint venture.

Unrealized gains or losses on intercompany transactions with associates and joint ventures are added to or deducted from the carrying amount of the investments only to the extent of the Company's interests in the associates and the joint ventures.

Any excess in the cost of acquisition of an associate and a joint venture over the Company's interest of 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.

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

The Company applies the equity method to the financial statements of Alibaba, an associate of the Company, on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba due to the contract with Alibaba. Adjustments are made for significant transactions or events that occurred during the intervening period and which were publicly announced by Alibaba.

(2) Business combinations

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

The consideration transferred in a business combination is measured as the sum of the assets transferred by the Company, liabilities assumed by the Company from the former owners of the acquiree, and the fair value at the acquisition date of the equity interests issued by the Company. 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 Company 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 Company 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 Company’s previously held interest in the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss.

Amounts 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 recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the fiscal year, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The Company 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 in business combinations that occurred before the date of transition to IFRSs is carried over at the carrying amount under the previous accounting principles (Japanese Generally Accepted Accounting Principles, “JGAAP”) as of the date of transition to IFRSs, and recorded by that amount after an impairment test.

(3) Foreign currency translation

a. Transactions denominated in foreign currencies

The financial statements of each group company are prepared in their functional currency. Transactions in currencies other than the entity’s functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into the functional currency at the rates prevailing at the end of the fiscal year. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was measured.

Exchange differences arising from translation are recognized in profit or loss, except for exchange differences arising from non-monetary available-for-sale financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

b. Foreign operations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company’s foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) are translated into Japanese yen using exchange rates prevailing at the end of the fiscal year.

Income, expenses and cash flows are translated into Japanese yen by using the average exchange rates for each quarter. When the translated amounts do not approximate the amounts translated by the exchange rates at the dates of the transactions, the exchange rates at the transaction dates are used for the translation.

The exchange rates used in the translation are described in “Note 29. Foreign currency exchange rates.”

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income and cumulative differences are included in accumulated other comprehensive income.

These cumulative differences are reclassified from equity to profit or loss when the Company loses control or significant influence over the foreign operation.

(4) Financial instruments

a. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract provision of the instrument.

Financial assets and financial liabilities are measured at fair value at initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities other than financial assets at FVTPL and financial liabilities at fair value through profit or loss (“financial liabilities at FVTPL”) are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of 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 FVTPL,” “held-to-maturity investments,” “loans and receivables,” or “available-for-sale financial assets.” The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

All purchases and sales of financial assets made in a regular way are recognized and derecognized on a trade date basis. Purchases and sales made in a regular way refer to acquiring or disposing financial assets under a contract that requires the delivery of assets within a time frame established by regulation or convention in the marketplace.

(a) Financial assets at FVTPL

Financial assets are classified as “financial assets at FVTPL” when they are held for trading purposes or designated as financial assets at FVTPL.

Financial assets other than derivatives, which are mainly acquired to be sold in the short-term, are classified as held for trading purposes.

The Company designates a financial asset as a financial asset at FVTPL upon initial recognition, if:

- the financial assets are managed in accordance with the Company’s documented risk management policy or investment strategy; and
- its performance is reviewed on the fair value basis by the Company’s management to make decisions about the investment plan.

Also, if the Company is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated and accounted for as financial assets at FVTPL.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Gains or losses arising from changes in fair value, dividend income and interest income are recognized in profit or loss. Fair value of financial assets at FVTPL is measured in the manner described in “(1) Categorization by level within the fair value hierarchy” in “Note 26. Fair value of financial instruments.”

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as “held-to-maturity investments.”

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

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables.”

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

(d) Available-for-sale financial assets

Non-derivative financial assets are classified as “available-for-sale financial assets,” if:

- they are designated as “available-for-sale financial assets”; or
- they are classified as neither “financial assets at FVTPL,” “held-to-maturity investments,” nor “loans and receivables.”

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. Fair value of available-for-sale financial assets is measured in the manner described in “(1) Categorization by level within the fair value hierarchy” in “Note 26. Fair value of financial instruments.” Exchange differences arising on monetary financial assets classified as available-for-sale financial assets, interest income calculated using the effective interest method relating to available-for-sale financial assets, and dividends received are recognized in profit or loss.

(e) Impairment of financial assets

Among financial assets other than those at FVTPL, available-for-sale equity instruments are assessed for any objective evidence of impairment at the end of the fiscal year and at the end of each quarter, and the other assets are assessed for any objective evidence of impairment at the end of the fiscal year. Financial assets are impaired when there is objective evidence that loss events occurred subsequent to initial recognition of the financial assets and when estimated negative future cash flows of the financial assets from those events can be reasonably estimated.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value below the cost is considered to be objective evidence of impairment. In addition, objective evidence of impairment of all financial assets could include:

- significant financial difficulty of the issuer or borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;
- high possibilities of borrowers’ bankruptcy or entering financial reorganization; or
- disappearance of an active market for the financial assets.

The Company assesses the existence of objective evidence of impairment individually for independently significant assets or collectively for assets with no individual significance.

When there is objective evidence of impairment on loans and receivables or held-to-maturity investments, the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, is recognized in profit or loss as an impairment loss. The impairment loss is recognized through the use of an allowance account, and the carrying amount of a loan and receivable is written off against the allowance account when it is considered uncollectible.

The carrying amount of held-to-maturity investments is reduced by the impairment loss directly. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset does not exceed what the amortized cost would have been, had the impairment not been recognized.

When there is objective evidence that an available-for-sale financial asset is impaired, previously recognized accumulated other comprehensive income is transferred to profit or loss. Impairment losses on equity instruments classified as available-for-sale financial assets are not reversed.

(f) Derecognition of financial assets

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

c. Non-derivative financial liabilities

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

Non-derivative financial liabilities are classified into “financial liabilities at FVTPL” when the entire hybrid contract, including more than one embedded derivatives, is designated and accounted for as a financial liability at FVTPL. Subsequent to initial recognition, liabilities at FVTPL are measured at fair value and gains or losses arising from changes in fair value and interest costs are recognized in profit or loss.

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

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

d. Derivatives and hedge accounting

(a) Derivatives

The Company is engaged in derivative transactions, including foreign currency forward contracts, currency swaps, and collar transactions in order to manage its exposure to foreign exchange rate, interest rate, and share price risks.

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

(b) Hedge accounting

The Company designates certain derivative transactions as hedging instruments and accounts for them as cash flow hedges.

At the inception of the hedge, the Company 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 Company 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.

The effective portion of changes in the fair value of derivatives that are designated and qualifying as cash flow hedges is recognized in other comprehensive income and accumulated in equity. Accumulated other comprehensive income is transferred to profit or loss through a line item relating to the hedged item in the consolidated statement of income in the periods when the cash flows from the hedged item affect profit or loss. Any ineffective portion of changes in 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 Company removes the associated gains or losses previously recognized in accumulated other comprehensive income and includes them in the initial amount of the cost of the non-financial asset or non-financial liability (basis adjustment).

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised or when the hedge no longer meets the criteria for hedge accounting.

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remain in equity and are reclassified to 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 reclassified immediately to profit or loss.

(c) Embedded derivatives

Derivatives embedded in non-derivative host contracts (“embedded derivatives”) are separated from the host contracts and accounted for as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the whole financial instruments, including embedded derivatives, are not measured at FVTPL. If the Company is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated and accounted for as financial assets or financial liabilities at FVTPL.

e. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amounts are presented in the consolidated statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value.

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories mainly consist of mobile handsets 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 mainly calculated 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.

(7) Property, plant and equipment

Property, plant and equipment are measured on a historical cost basis, 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.

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

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

Buildings and structures

Buildings	12 - 50 years
Other	5 - 15 years

Telecommunications equipment

Wireless equipment, switching equipment and other network equipment	5 - 30 years
Towers	15 - 42 years
Other	5 - 40 years

Furniture, fixtures and equipment

Leased mobile devices	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.

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.

(8) Goodwill

Please refer to “(2) Business combinations” in “Note 3. Significant accounting policies” 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 cash-generating units or groups of cash-generating units to which goodwill has been allocated, and annually, regardless of any indication of impairment. Impairment is described in “(11) Impairment of property, plant and equipment, intangible assets and goodwill” in “Note 3. Significant accounting policies.”

The Company’s policy for goodwill arising from the acquisition of an associate is described in “(1) Basis of consolidation” in “Note 3. Significant accounting policies.”

(9) Intangible assets

Intangible assets are measured at historical cost, less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately 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 in the period in which it is incurred, except for expenditures on development activities eligible for capitalization (internally-generated intangible assets). The amount initially recognized for internally-generated intangible assets is 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.

There are intangible assets with finite useful lives and intangible assets with indefinite useful lives.

The intangible assets with finite useful lives are amortized over the estimated useful lives. Amortization of the customer relationships is mainly 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 wireless equipment	5 - 10 years
Other	3 - 5 years
Technologies	8 - 20 years
Customer relationships	4 - 24 years
Favorable lease contracts	7 - 23 years
Trademarks (with finite useful lives)	8 - 34 years
Spectrum migration costs	18 years
Other	5 - 20 years

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.

Favorable lease contracts are recognized as intangible assets based on the estimated fair value of the favorable portion of future cash flows if, at the time of business combinations, the terms of operating lease contracts in which the acquiree is the lessee are favorable compared to market terms.

Spectrum migration costs are the amounts that the Company incurred in connection with the costs arising from the migration of the existing users from the 900 MHz band, which SoftBank Corp. acquired, to the other frequency spectrum based on the termination campaign. Useful lives are estimated based on the actual utilization of the frequency spectrum in the past.

Intangible assets with indefinite useful lives are as follows:

- Licenses using specific frequency spectrum granted by the U.S. Federal Communications Commission (“FCC licenses”)
- Trademarks (with indefinite useful lives)

As long as the Company acts within the requirements of the regulatory authorities, the renewal and extension of FCC licenses are reasonably certain at minimal cost. Therefore, it has been determined that FCC licenses have indefinite useful lives.

The Company determined that “Sprint,” “Boost Mobile” and other trademarks have indefinite useful lives as they can be legally utilized continuously as long as the business continues and management’s current plans are to offer services under these trademarks for the foreseeable future.

The intangible assets with indefinite useful lives and the intangible assets that are not yet available for use are not amortized. The impairment of these assets is described in “(11) Impairment of property, plant and equipment, intangible assets and goodwill” in “Note 3. Significant accounting policies.”

(10) Leases

The assessment of whether an arrangement is a lease or contains a lease is made on a basis of all the facts and circumstances at the inception of the arrangement.

Leases are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the lessee. All other leases are classified as operating leases. It is determined that all the risks and rewards of ownership of assets are transferred to the lessee when the lease terms account for most of the economic useful lives of the assets, or the present values of the total minimum lease payments are almost equal to the fair values of the assets. The lease terms are the total of the non-cancelable period and the period which is deemed to be reasonably certain that the renewal option will be exercised at the inception of the leases.

a. Finance leases

(The Company as lessee)

At inception, the Company initially recognizes finance leases as assets and the lease obligation at the amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Subsequent to initial recognition, the accounting policy for assets held under finance leases is consistent with that of assets that are owned. Lease payments are apportioned between finance cost and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

b. Operating leases

(The Company as lessee)

Gross operating lease payments are recognized as expenses on a straight-line basis over the relevant lease terms.

(The Company as lessor)

Gross operating lease incomes are recognized as revenues on a straight-line basis over the relevant lease terms.

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

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

At the end of the fiscal year, the Company 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 Company 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 annually 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 pre-tax 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 Company evaluates whether there is any indication that an impairment loss recognized in prior years for assets other than goodwill has decreased or extinguished. If such 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 that 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

At the end of the fiscal year and at the end of each quarter, the Company determines whether there is any indication that goodwill may be impaired.

Goodwill is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies arising from the business combination, and it is tested for impairment annually, regardless of any indication of impairment, and when there is an indication that the cash-generating unit or groups of cash-generating units may be impaired. If, at the time of the impairment test, the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or groups of cash-generating units and then to the other assets pro rata based on the carrying amount of each asset in the unit or groups of cash-generating units.

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

(12) Retirement benefits

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Company primarily adopts defined contribution pension plans.

SoftBank Corp. has frozen its defined benefit lump-sum plans since March 2006 and 2007. Liabilities for the frozen defined benefit lump-sum plans 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.

Sprint has frozen its defined benefit pension plans since December 2005. Liabilities for the defined benefit pension plans are recognized as defined benefit liabilities until they are paid as pensions after the time of retirement of employees.

a. Defined contribution plans

Contributions paid for defined contribution plans are recognized as expenses in the period in which the employees render the related service. Contributions payable are recognized as liabilities.

b. 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 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 remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in net profit or loss. Net interest is determined using the discount rate described above.

The liabilities for the frozen defined benefit plans are calculated on the basis of retirement benefits vested at the time the plans were frozen. Therefore, service cost is not incurred for those defined benefit plans.

The Company's remeasurements, which comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest), are recognized in other comprehensive income and transferred to retained earnings immediately from accumulated other comprehensive income.

(13) Provisions

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

Provisions are measured using the estimated future cash flows, discounted using a pre-tax 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 Company recognizes asset retirement obligations, restructuring provisions, provisions for loss on interest repayment, and provisions for onerous contract as provisions.

Restructuring provisions are recognized when the Company has a detailed formal plan for the restructuring and has raised a valid expectation to those who will be affected that the Company will carry out the restructuring by starting implementation of the plan or announcing the main features of the plan.

Restructuring provisions are mainly related to network shutdown and backhaul access contracts. The details of the restructuring provision are described in "Note 23. Provisions."

Provision for loss on interest repayment is recorded based on an amount representing future expected claims in order to prepare for future claims by debtors and other, for repayment of interest paid in excess of the rate permitted under the Interest Rate Restriction Act.

(14) Treasury stock

When the Company acquires its own equity share capital ("treasury stock"), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity. No gain or loss is recognized on the purchase, sale, or cancellation of the treasury stock. The difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(15) Assets or disposal groups classified as held for sale

Assets or disposal groups, whose recoveries are expected principally through sale transactions rather than continuing use, are classified as held for sale when it is probable that the sale will be completed within one year, they are available for immediate sale in their present condition, and management commits to a plan to sell.

The Company, when committed to a sale plan involving loss of control of a subsidiary, classifies assets and liabilities of the subsidiary as held for sale when the above criteria are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of the carrying amounts and fair values less costs to sell and depreciation of property, plant and equipment and amortization of intangible assets are not conducted after the classification.

(16) Share-based payments

The Company grants stock options and restricted stock unit awards as equity-settled share-based compensation and cash-settled share-based compensation.

Equity-settled share-based compensation is measured at fair value at the grant date. The fair value of stock options is calculated using the Black-Scholes model and other, and the fair value of restricted stock units is calculated using the share price at the date of grant.

The fair value determined at the grant date is expensed over the vesting period, based on the estimate of stock options or restricted stock units that will eventually vest, with a corresponding increase in equity.

The Company regularly reviews the assumptions made and revises estimates of the number of stock options or restricted stock units that are expected to vest, when necessary.

Cash-settled share-based compensation is accounted for as liabilities and is measured initially at the fair value of the award. The fair value of the liabilities is remeasured on each closing date and the settlement date, and changes in fair values are recognized in profit or loss.

(17) Revenue

The Company's accounting policy for revenue recognition by major categories is as follows:

Domestic Telecommunications segment and Sprint segment

a. Mobile Communications service and sales of mobile handsets

The Company provides mobile telecommunications services, which consist of voice communications and data transmission to subscribers, and sells mobile handsets and accessories to customers.

In the Mobile Communications service, revenues are mainly generated from basic monthly charges, telecom service ("revenues from the mobile telecommunications service") and other fees. Also, revenues from the sale of mobile handsets ("revenues from the sale of mobile handsets") are generated from the sale of mobile handsets and accessories to subscribers or dealers.

The business flow of the above transactions consists of "Indirect sales," where the Company sells mobile handsets to dealers and enters into telecommunications services contracts with subscribers through dealers, and "Direct sales," where the Company sells mobile handsets to subscribers and enters into telecommunications services contracts directly with subscribers. The revenues are recognized respectively as follows:

(a) Indirect sales

Revenues from the sale of mobile handsets are recognized when mobile handsets are delivered to dealers, which is when risk and economic value are deemed to be transferred. Commission fees paid to dealers related to the sales of mobile handsets are deducted from revenues.

The mobile telecommunications services are recognized as revenue when services are provided to subscribers. Discounts are deducted from revenues from monthly mobile telecommunications services as a discount of mobile telecommunications charges.

Activation fees are deferred upon entering into the contract and recognized as revenues over the estimated average contract period. Upgrade fees are recognized as revenues over the estimated average usage period of handsets with the subscribers. Direct costs related to activation are deferred to the extent of the activation fees and upgrade fees and are amortized over the respective same period.

(b) Direct sales

In direct transactions, as the revenue from the sales of mobile handsets and the mobile telecommunications services, including the fees, are considered to be one transaction, the total amount of revenues is allocated to mobile handsets and telecommunications service on the basis of the fair value ratio.

When handsets are sold in installments, revenue from the sales of mobile handsets is recognized based on the fair value ratio when handsets are delivered to the subscribers. When handsets are sold in lump-sum payment, the maximum amount of revenues to be recognized by the sale of mobile handsets is set by the amounts to be received from subscribers at the sales of the mobile handsets. The amount of revenue allocated to the mobile telecommunications services is recognized when the service is provided to the subscribers.

b. Fixed-line Telecommunications service

In the Fixed-line Telecommunications service, revenues are generated mainly from voice communications and digital data transmission services, Internet provider charges, ADSL service fees, IP telephony service fees, and the usage of the network (“revenues from fixed-line telecommunications service”).

Revenues from fixed-line telecommunications services are recognized as revenues when services are provided to subscribers, based upon fixed monthly charges plus the usage of the network.

Yahoo Japan segment

In the Yahoo Japan segment, revenues are generated mainly from sponsored search advertising, display advertising, e-commerce related commission fees, revenue from membership and product sales.

Sponsored search advertising revenue is recognized when a visitor to the website clicks the advertisement. Display advertising comprises premium advertising, Yahoo! Display Ad Network (“YDN”) and other services. Revenue from premium advertising is recognized over a period in which related advertisement is displayed. Revenue from YDN is recognized when a visitor to the website clicks the advertisement on the page with the related content. Revenue from e-commerce related commission fees is recognized when the transaction occurs. Revenue from membership fees is recognized over an effective period of the membership. Revenue from product sales is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably.

Distribution segment

In the Distribution segment, revenues are generated mainly from distribution of mobile handsets to telecommunication service providers and retailers overseas, and sales of PC software, peripherals, and mobile handset accessories in Japan. Revenue in the Distribution segment is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably. For transactions conducted by the Company on behalf of third parties, revenue is presented on a net basis by excluding payment to third parties from the total consideration received from customers.

ARM segment

In the ARM segment, revenue is generated mainly from sales of licenses to ARM's technology and royalties arising from the resulting sale of licensees' ARM's technology-based products.

License revenue is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably.

Royalty revenue is earned on sales of products containing ARM's technology by the Company's customers. Royalty revenue is recognized when it is probable that the economic benefits associated with the transaction will flow into the Company, and the amount of revenue can be reliably measured. Royalty revenue is recognized on an accrual basis in the quarter in which the customers ship products containing ARM's technology, using an estimate based on sales trends and product information.

(18) Sales commission fees

The Company pays sales commission fees when dealers sell the Company's mobile handsets to subscribers or acquire and retain engagement of telecommunications service between the Company and subscribers. Commission fees related to the sales of mobile handsets are deducted from the revenues from the sales of mobile handsets. Commission fees related to the acquisition and retention of engagement of telecommunications service are recognized as selling, general and administrative expenses.

(19) Income tax

Income tax expense is composed of current and deferred taxes, and recognized in profit or loss, except for taxes related to business combinations and items that are recognized in other comprehensive income or directly in equity.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized. The recoverability of deferred tax assets is reassessed at the end of the fiscal year.

Deferred tax assets are not recognized for temporary differences from initial recognition of assets and liabilities that do not arise from business combinations and that do not impact accounting profit or taxable income.

Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will reverse in the foreseeable future and when there will be sufficient taxable profits against which the temporary differences can be utilized.

Deferred tax liabilities are basically recognized for taxable temporary differences, except for:

- temporary differences arising from the initial recognition of assets and liabilities, and related transactions other than business combinations, that affect neither the accounting profit nor the taxable profit;
- taxable temporary differences arising from the initial recognition of goodwill; and
- taxable temporary differences associated with investments in subsidiaries and associates, where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(20) Earnings per share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted-average number of ordinary shares (after adjusting for treasury stocks) outstanding for the period.

Diluted earnings per share assume full conversion of the issued potential stocks having a dilutive effect, with an adjustment for net income attributable to owners of the parent and the weighted-average number of ordinary shares (after adjusting for treasury stocks) outstanding for the period.

4. Significant judgments and estimates

In preparing consolidated financial statements under IFRSs, management makes judgments, estimates, and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue, and expenses. These estimates and underlying assumptions are based on management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of its estimates or assumptions, however, actual results in the future may differ from those projected estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in the future periods. Significant judgments, estimates and assumptions that affect the amounts recognized in the Company's consolidated financial statements are as follows:

- judgments of whether an entity is controlled by the Company in determining the scope of consolidation ((1) in "Note 3. Significant accounting policies" and "Note 15. Major subsidiaries");

- significant judgments for the determination of joint ventures ((1) in “Note 3. Significant accounting policies” and (3) in “Note 14. Leases”);
- estimates for impairment of investments accounted for using the equity method ((1) in “Note 3. Significant accounting policies”);
- estimates of fair value of assets acquired and the liabilities assumed in a business combination ((2) in “Note 3. Significant accounting policies” and “Note 5. Business combinations”);
- fair value measurement of financial assets at FVTPL, financial liabilities at FVTPL, and available-for-sale financial assets ((4) in “Note 3. Significant accounting policies,” (1) (2) in “Note 26. Fair value of financial instruments” and “Note 39. Gain and loss from financial instruments at FVTPL”);
- estimates for impairment of financial assets measured at amortized cost ((4) in “Note 3. Significant accounting policies” and “Note 40. Other non-operating income and loss”);
- estimates of residual value and useful life of property, plant and equipment and intangible assets ((7) and (9) in “Note 3. Significant accounting policies”);
- judgments and estimates for accounting treatment of contracts including leases ((10) in “Note 3. Significant accounting policies” and “Note 14. Leases”);
- estimates for impairment of property, plant and equipment, intangible assets and goodwill ((11) in “Note 3. Significant accounting policies,” “Note 13. Goodwill and intangible assets” and “Note 35. Other operating income and loss”);
- measurement of defined benefit obligation ((12) in “Note 3. Significant accounting policies” and (2) in “Note 24. Retirement benefits”);
- judgments and estimates for recognition and measurement on provisions ((13) in “Note 3. Significant accounting policies” and “Note 23. Provisions”);
- assessment of recoverability of deferred tax assets ((19) in “Note 3. Significant accounting policies” and (4) in “Note 18. Income taxes”); and
- recognition of liabilities and expenses related to contingencies (“Note 35. Other operating income and loss” and (b) (3) b. in “Note 46. Contingency”).

Relating to a transaction in which SoftBank Group Corp.’s then wholly-owned subsidiary, SOFTBANK GROUP CAPITAL APAC PTE. LTD. (“APAC,” currently Foxconn Ventures Pte. Ltd.), sold a portion of its Alibaba shares to SoftBank Group Corp., SoftBank Group Corp.’s wholly-owned subsidiary West Raptor Holdings, LLC, and third parties, for the nine-month period ended December 31, 2016, the Company had recognized deferred tax liabilities of ¥913,012 million (\$8,138,087 thousand) on SoftBank Group Corp.’s expected taxable income for the next fiscal year (April 1, 2017 to March 31, 2018). SoftBank Group Corp. had also recorded deferred tax assets of ¥60,451 million (\$538,827 thousand), as it was deemed probable that, in conjunction with the transaction, taxable profit would be available against which carryforwards and a deductible temporary differences could be utilized. However, because ownership of APAC’s outstanding shares was below 50% on March 31, 2017 and taxable profit was not expected at SoftBank Group Corp. for the next fiscal year, the Company did not recognize any deferred tax liabilities relating to the transaction for the fiscal year ended March 2017. In addition, SoftBank Group Corp. did not recognize any deferred tax assets for the fiscal year ended March 2017, as it was deemed probable that taxable profit would not be available against which carryforwards and deductible temporary differences could be utilized.

5. Business combinations

For the fiscal year ended March 31, 2016

(1) ASKUL Corporation

a. Overview of consolidation

ASKUL Corporation, an associate of the Company, which primarily conducts mail order services for office supplies, became the Company’s subsidiary on August 27, 2015 as a result of ASKUL Corporation’s acquisition of its own treasury stock as resolved by its Board of Directors on May 19, 2015. As a result of ASKUL Corporation’s acquisition of its own treasury stock, the ownership ratio of ASKUL Corporation’s voting rights held by the Company rose from 41.7% (as of May 20, 2015) to 44.4% (as of August 27, 2015). The Company did not yet hold the majority of the voting rights of ASKUL Corporation; however, considering relevant facts such as the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation’s past shareholders meetings, the Company determined that it substantially has control of ASKUL Corporation as a consolidated subsidiary.

b. Summary of the acquiree

Name	ASKUL Corporation
Business description	Mail-order business for office supplies, such as stationery, other products and services

c. Acquisition date

August 27, 2015

d. Consideration transferred and its components

	(Millions of yen)
	Acquisition date
	(August 27, 2015)
Fair value of equity interest in ASKUL Corporation already held at the time of the acquisition	¥93,611
Total consideration transferred	A
	<u>¥93,611</u>

As a result of the remeasurement of equity interest previously held at the time of the acquisition of control by the Company in ASKUL Corporation at fair value on the acquisition date, the Company recognized a gain on the acquisition of ¥59,441 million for the fiscal year ended March 31, 2016. This gain is presented as "Gain from remeasurement relating to business combination" in the consolidated statement of income.

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

	(Millions of yen)
	Acquisition date
	(August 27, 2015)
Trade and other receivables	¥ 45,365
Other current assets	44,751
Property, plant and equipment	32,315
Intangible assets	69,124
Other non-current assets	8,394
Total assets	199,949
Current liabilities	71,495
Non-current liabilities	<u>34,586</u>
Total liabilities	<u>106,081</u>
Net assets	B
	93,868
Non-controlling interests ¹	C
Goodwill ²	A-(B-C)
	<u>¥ 53,779</u>

Notes:

1. Non-controlling interests
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at the acquisition date in the identifiable net assets of the acquiree at the acquisition date.
2. Goodwill
Goodwill reflects an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Proceeds from acquisition of control over subsidiaries

	(Millions of yen)
	Acquisition date
	(August 27, 2015)
Cash and cash equivalents held by the acquiree at the acquisition of control	¥31,291
Proceeds in cash from the acquisition of control over the subsidiary	<u>¥31,291</u>

g. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2016, are ¥189,013 million and ¥2,970 million, respectively.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other expenses.

(2) Ikyu Corporation

a. Overview of consolidation

The Company, for the purpose of ensuring the effectiveness of growth through the e-Commerce Revolution, which is strategically important for Yahoo Japan Corporation, has been performing a tender offer for Ikyu Corporation's shares, which was resolved at Yahoo Japan Corporation's Board of Directors' meeting held on December 15, 2015. The tender offer ended on February 3, 2016 and then Yahoo Japan Corporation acquired 27,480,682 shares of Ikyu Corporation's common shares at ¥94,341 million in cash. Consequently, the Company's voting rights ratio for Ikyu Corporation has become 94.3% and Ikyu Corporation has been converted to a consolidated subsidiary.

b. Summary of the acquiree

Name	Ikyu Corporation
Business description	Operation of various Internet sites that provide reservation services for hotels, restaurants, and other

c. Acquisition date

February 3, 2016

d. Consideration transferred and its components

	(Millions of yen)
	Acquisition date (February 3, 2016)
Payment by cash	¥94,341
Total consideration transferred	A <u>¥94,341</u>

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

	(Millions of yen)
	Acquisition date (February 3, 2016)
Current assets	¥ 8,934
Intangible assets	26,183
Other non-current assets	<u>1,130</u>
Total assets	36,247
Current liabilities	4,270
Non-current liabilities	<u>8,177</u>
Total liabilities	<u>12,447</u>
Net assets	B 23,800
Non-controlling interests ¹	C 1,503
Goodwill ²	A-(B-C) <u>¥72,044</u>

Notes:

1. Non-controlling interests

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at the acquisition date in the identifiable net assets of the acquiree at the acquisition date.

2. Goodwill
 Goodwill reflects an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Payment for acquisition of control over subsidiaries

	(Millions of yen)
	Acquisition date
	(February 3, 2016)
Payment for the acquisition by cash	¥(94,341)
Cash and cash equivalents held by the acquiree at the acquisition of control	<u>4,016</u>
Payment for the acquisition of control over the subsidiary by cash	<u>¥(90,325)</u>

g. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income after the acquisition date are immaterial.

For the fiscal year ended March 31, 2017

(3) ARM

a. Overview of consolidation

On July 18, 2016 (GMT), the Company and ARM, located in the United Kingdom, entered into an agreement on the terms of a recommended all cash acquisition of the entire issued and to be issued share capital of ARM by the Company for a total acquisition price of approximately £24.0 billion (approximately ¥3.3 trillion) by means of an English court-sanctioned scheme of arrangement ("Acquisition"). The Acquisition was approved at ARM's general meeting of shareholders held on August 30, 2016, and at the English court hearing held on September 1, 2016, and came into effect on September 5, 2016.

As a result of the transaction, ARM became a wholly-owned subsidiary of the Company.

b. Purpose of consolidation

The Company believes ARM is one of the world's leading technology companies, with strong capabilities in global semiconductor intellectual property and the "Internet of Things," and a proven track record of innovation.

The board and management of the Company believe that the acquisition of ARM by the Company will deliver the following benefits:

- Support and accelerate ARM's position as the global leader in intellectual property licensing and R&D outsourcing for semiconductor companies

The Company's deep industry expertise and global network of relationships will accelerate adoption of ARM's intellectual property across existing and new markets.

- Maintain ARM's dedication to innovation

The Company intends to sustain ARM's long-term focus on generating more value per device, and driving licensing wins and future royalty streams in new growth categories, specifically "Enterprise and Embedded Intelligence."

- Increased investment to drive the next wave of innovation

The Company intends to support ARM's multiple growth initiatives by investing in engineering talent and complementary acquisitions with the aim of ensuring ARM maintains a R&D edge over existing and emerging competitors. The Company believes such an investment strategy in long-term growth will be easier to execute as a non-listed company.

- Shared culture and long-term vision

The Company believes the two companies share the same technology-oriented culture, long-term vision, focus on innovation and commitment to attracting, developing and retaining top talent. These common values will be the foundation for the strong strategic partnership necessary to capture the significant opportunities ahead.

- Maintain and grow the UK's leadership in science and technology

The Company is investing in the UK as a world leader in science and technology development and innovation and, as evidence of this, intends to invest in multiple ARM growth initiatives, at least doubling the number of ARM employees in the UK over the next five years.

c. Summary of ARM

(a) Name	ARM Holdings plc
(b) Address	110 Fulbourn Road, Cambridge CB1 9NJ, United Kingdom
(c) Name and title of representative	Simon Segars, Chief Executive Officer
(d) Nature of business	<ul style="list-style-type: none"> • Design of microprocessor intellectual property and related technology • Sale of software tools
(e) Share capital	£0.7 million (as of December 31, 2015)
(f) Date of incorporation	October 16, 1990
(g) Consolidated net sales	£968 million (for the fiscal year ended December 31, 2015 under IFRSs)

d. Acquisition date

September 5, 2016

e. Consideration transferred and the component

	(Millions of yen)	(Thousands of U.S. dollars)
	Acquisition date (September 5, 2016)	Acquisition date (September 5, 2016)
Payment for the acquisition by cash	¥3,319,137	\$29,584,963
Fair value of equity interest in ARM already held at the time of the acquisition	47,867	426,660
Total consideration transferred	A ¥3,367,004	\$30,011,623

Acquisition-related costs of ¥25,780 million (\$229,789 thousand) arising from the business combination are recognized in "Other operating loss."

As a result of the remeasurement of 1.4% equity interest at fair value which was already held by the Company at the time of the acquisition of control in ARM, the Company recognized a gain of ¥18,168 million (\$161,940 thousand) through the step acquisition. This gain is presented as "Gain from remeasurement relating to business combination" in the consolidated statement of income.

f. Fair value of assets and liabilities, and goodwill on the acquisition date

	(Millions of yen)		(Thousands of U.S. dollars)	
	Acquisition date (September 5, 2016)		Acquisition date (September 5, 2016)	
Cash and cash equivalents	¥ 16,984		\$ 151,386	
Trade and other receivables	59,782		532,864	
Other current assets	119,090		1,061,503	
Intangible assets ¹	693,432		6,180,872	
Other non-current assets	23,649		210,794	
Total assets	912,937		8,137,419	
Current liabilities	61,930		552,010	
Deferred tax liabilities	127,622		1,137,552	
Other non-current liabilities	7,292		64,998	
Total liabilities	196,844		1,754,560	
Net assets	B 716,093		6,382,859	
Goodwill ²	A-B ¥2,650,911		\$23,628,764	

Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Moreover, the above amounts, which are fair values based on the best estimate at present, may change in a year after the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date may be obtained.

The amounts of assets and liabilities on the acquisition date have been revised for the three-month period ended March 31, 2017 as follows: technologies, customer relationships, and trademarks are newly recognized; intangible assets and deferred tax liabilities have increased by ¥692,269 million (\$6,170,505 thousand) and ¥126,714 million (\$1,129,459 thousand); and goodwill has decreased by ¥563,018 million (\$5,018,433 thousand). The above amount is translated at the exchange rate (GBP = JPY138.15) as of the acquisition date.

In addition, ¥29,379 million (\$261,868 thousand) of amortization expenses related to intangible assets newly recognized has been recorded as “selling, general and administrative expenses” as a result of retrospective amortization from the acquisition date.

Notes:

1. The components of intangible assets are as follows; the estimated useful lives are from 8 to 20 years for technologies, 13 years for customer relationships, and 8 years for trademarks.

	(Millions of yen)		(Thousands of U.S. dollars)	
	Acquisition date (September 5, 2016)		Acquisition date (September 5, 2016)	
Technologies	¥537,680		\$4,792,584	
Customer relationships	148,649		1,324,975	
Trademarks	5,940		52,946	
Other	1,163		10,367	
Total	¥693,432		\$6,180,872	

2. Goodwill reflects excess earning power expected from future business development, congregative human resources related to research and development, and the synergy between the Company and the acquiree.

g. Payment for acquisition of control over subsidiaries

	(Millions of yen)		(Thousands of U.S. dollars)	
	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2017	
Payment for the acquisition by cash	¥(3,319,137)		\$ (29,584,963)	
Foreign currency exchange gain relating to settlement*	52,856		471,129	
Cash and cash equivalents held by the acquiree at the time of acquisition of control	16,984		151,386	
Payment for the acquisition of control over the subsidiary by cash	¥(3,249,297)		\$ (28,962,448)	

Note:

* Fluctuation in foreign currency exchange rates arising from the acquisition date to the settlement date (September 15, 2016).

h. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2017, are ¥112,902 million (\$1,006,346 thousand) and ¥17,272 million (\$153,953 thousand), respectively. In addition, amortization expenses related to intangible assets recognized on the acquisition date are included in the aforementioned net income.

(4) Consolidated net sales and consolidated net income and loss assuming that the business combinations were completed at the beginning of the fiscal year

For the fiscal year ended March 31, 2016

The following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2016, assuming that the business combinations of ASKUL Corporation and Ikyu Corporation were completed and controls were acquired as of April 1, 2015.

	(Millions of yen)
	Fiscal year ended
	March 31, 2016
Sales (pro forma)	¥9,278,092
Net income (pro forma)	<u>¥ 559,178</u>

For the fiscal year ended March 31, 2017

The following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2017, assuming that the business combination of ARM was completed and control was acquired as of April 1, 2016.

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended	Fiscal year ended
	March 31, 2017	March 31, 2017
Sales (pro forma)	¥8,970,264	\$79,956,003
Net income (pro forma)	<u>¥1,482,045</u>	<u>\$13,210,135</u>

6. Segment information

(1) Description of reportable segments

The Company's reportable segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by the Company's Board of Directors in order to make decisions about the allocation of resources and assess its performance.

The Company has five reportable segments: the Domestic telecommunications segment, the Sprint segment, the Yahoo Japan segment, the Distribution segment, and the ARM segment.

The Domestic Telecommunications segment provides, mainly through SoftBank Corp., mobile communications services, sale of mobile devices, telecommunication services such as fixed-line telephone and data communications services for corporate customers, and broadband services for retail customers in Japan.

The Sprint segment provides, through Sprint, mobile communication services, sale and lease of mobile devices, sale of mobile device accessories, and fixed-line telecommunications services in the U.S.

The Yahoo Japan segment provides, mainly through Yahoo Japan Corporation, Internet-based advertising business, e-commerce business, and membership services.

The Distribution segment provides, through Brightstar, distribution of mobile devices overseas, and through SoftBank Commerce & Service Corp., sale of mobile device accessories, PC software, and peripherals in Japan.

The ARM segment provides, through ARM, designs of microprocessor intellectual property and related technology, and the sale of software tools. The ARM segment was newly established from the fiscal year ended March 31, 2017, by the consolidation of ARM in September 2016. Operating results of ARM after the acquisition date is included in the ARM segment.

Information on business segments which are not included in the reportable segments is classified in “Other.” “Other” includes mainly Fukuoka SoftBank HAWKS-related business.

“Reconciliations” includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the Internet, communication, and media fields overseas, are included in the corporate general expenses.

(2) Net sales and income of reportable segments

Accounting policies for reportable segments are the same as the policies described in “Note 3. Significant accounting policies.”

Income of reportable segments is defined as “Operating income.” Intersegment transaction prices are determined under the same general business conditions as applied for external customers.

The Company also discloses EBITDA (i.e., segment income and loss after addition of depreciation and amortization) and Adjusted EBITDA (i.e., EBITDA after deduction of gain from remeasurement relating to a business combination, addition or deduction of other adjustments (gains are deducted)) by each reportable segment. “Other adjustments” are special items such as acquisition-related costs and impairment loss mainly included in other operating income and loss.

Income and loss, which are not attributable to operating income and loss, such as financial cost and income and loss on equity method investments, are not managed by each reportable segment and therefore these income and losses are excluded from the segment performance.

Discontinued operations are not included. The details are described in “Note 42. Discontinued operations.”

For the fiscal year ended March 31, 2016

	(Millions of yen)								
	Reportable segments								
	Domestic Telecommu- nications	Sprint	Yahoo Japan	Distribution	ARM	Total	Other	Reconcili- ations	Consoli- dated
Net sales									
Customers	¥3,106,855	¥3,688,498	¥642,880	¥1,345,856	¥—	¥8,784,089	¥ 97,688	¥ —	¥8,881,777
Intersegment	37,795	183,149	9,151	74,560	—	304,655	21,280	(325,935)	—
Total	¥3,144,650	¥3,871,647	¥652,031	¥1,420,416	¥—	¥9,088,744	¥118,968	¥(325,935)	¥8,881,777
Segment income	688,389	61,485	222,787	(1,284)	—	971,377	(17,310)	(45,160)	908,907
Reconciliation from segment income to adjusted EBITDA									
Segment income	688,389	61,485	222,787	(1,284)	—	971,377	(17,310)	(45,160)	908,907
Depreciation and amortization	474,948	842,110	32,695	10,268	—	1,360,021	11,810	1,636	1,373,467
EBITDA	1,163,337	903,595	255,482	8,984	—	2,331,398	(5,500)	(43,524)	2,282,374
Gain from remeasurement relating to business combination									
—	—	(59,441)	—	—	—	(59,441)	—	—	(59,441)
Other adjustments	—	79,668	—	16,466	—	96,134	6,086	—	102,220
Adjusted EBITDA	¥1,163,337	¥ 983,263	¥196,041	¥ 25,450	¥—	¥2,368,091	¥ 586	¥ (43,524)	¥2,325,153

For the fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segments								
	Domestic Telecommu- nications	Sprint	Yahoo Japan	Distribution	ARM	Total	Other	Reconcili- ations*	Consoli- dated
Net sales									
Customers	¥ 3,156,825	¥ 3,459,142	¥ 841,581	¥ 1,228,051	¥ 112,901	¥ 8,798,500	¥ 102,504	¥ —	¥ 8,901,004
Intersegment	36,966	164,233	11,877	67,323	1	280,400	25,804	(306,204)	—
Total	¥ 3,193,791	¥ 3,623,375	¥ 853,458	¥ 1,295,374	¥ 112,902	¥ 9,078,900	¥ 128,308	¥ (306,204)	¥ 8,901,004
Segment income	719,572	186,423	189,819	(10,047)	12,919	1,098,686	(16,573)	(56,114)	1,025,999
Reconciliation from segment income to adjusted EBITDA									
Segment income	719,572	186,423	189,819	(10,047)	12,919	1,098,686	(16,573)	(56,114)	1,025,999
Depreciation and amortization	489,458	885,845	38,973	7,237	32,523	1,454,036	9,984	1,589	1,465,609
EBITDA	1,209,030	1,072,268	228,792	(2,810)	45,442	2,552,722	(6,589)	(54,525)	2,491,608
Gain from remeasurement relating to business combination	—	—	(19)	—	(18,168)	(18,187)	—	—	(18,187)
Other adjustments	—	7,371	10,736	30,260	25,780	74,147	8,052	8,847	91,046
Adjusted EBITDA	¥ 1,209,030	¥ 1,079,639	¥ 239,509	¥ 27,450	¥ 53,054	¥ 2,608,682	¥ 1,463	¥ (45,678)	¥ 2,564,467

(Thousands of U.S. dollars)

	Reportable segments								
	Domestic Telecommu- nications	Sprint	Yahoo Japan	Distribution	ARM	Total	Other	Reconcili- ations*	Consoli- dated
Net sales									
Customers	\$28,138,203	\$30,832,891	\$7,501,390	\$10,946,172	\$1,006,337	\$78,424,993	\$ 913,665	\$ —	\$79,338,658
Intersegment	329,495	1,463,882	105,866	600,080	9	2,499,332	230,002	(2,729,334)	—
Total	\$28,467,698	\$32,296,773	\$7,607,256	\$11,546,252	\$1,006,346	\$80,924,325	\$1,143,667	\$ (2,729,334)	\$79,338,658
Segment income	6,413,869	1,661,672	1,691,942	(89,553)	115,153	9,793,083	(147,723)	(500,169)	9,145,191
Reconciliation from segment income to adjusted EBITDA									
Segment income	6,413,869	1,661,672	1,691,942	(89,553)	115,153	9,793,083	(147,723)	(500,169)	9,145,191
Depreciation and amortization	4,362,760	7,895,936	347,384	64,506	289,892	12,960,478	88,992	14,163	13,063,633
EBITDA	10,776,629	9,557,608	2,039,326	(25,047)	405,045	22,753,561	(58,731)	(486,006)	22,208,824
Gain from remeasurement relating to business combination	—	—	(169)	—	(161,940)	(162,109)	—	—	(162,109)
Other adjustments	—	65,701	95,695	269,721	229,789	660,906	71,771	78,857	811,534
Adjusted EBITDA	\$10,776,629	\$ 9,623,309	\$2,134,852	\$ 244,674	\$ 472,894	\$23,252,358	\$ 13,040	\$ (407,149)	\$22,858,249

Note:

* ¥8,847 million (\$78,857 thousand) of expenses arising from the resignation of Nikesh Arora from his position as a director is included in “Reconciliations” for the fiscal year ended March 31, 2017. The details are described in “(2) Remuneration for major executives” in “Note 45. Related party transactions.”

(3) Geographical information

a. Net sales to external customers

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Japan	¥4,090,986	¥4,359,888	\$38,861,645
U.S.	4,157,020	3,962,325	35,317,987
Other	633,771	578,791	5,159,026
Total	¥8,881,777	¥8,901,004	\$79,338,658

Sales are categorized based on the location of external customers.

b. Non-current assets (excluding financial assets and deferred tax assets)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Japan	¥ 4,212,343	¥ 4,072,675	\$ 36,301,587
U.S.	8,019,523	7,772,859	69,282,993
U.K.	4,720	3,373,592	30,070,345
Other	188,329	63,051	562,001
Total	<u>¥12,424,915</u>	<u>¥15,282,177</u>	<u>\$136,216,926</u>

7. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Cash and demand deposits	¥1,979,642	¥1,592,709	\$14,196,533
Time deposits (maturities of three-month or less)	404,434	411,518	3,668,045
MMF	137,390	120,149	1,070,942
Other	48,141	58,726	523,451
Total	<u>¥2,569,607</u>	<u>¥2,183,102</u>	<u>\$19,458,971</u>

Cash and demand deposits as of March 31, 2016 include ¥120,998 million of cash in trust established for SoftBank Group Corp.'s acquisition of its own treasury stock (As of March 31, 2017: ¥ zero).

The amount of cash and cash equivalents pledged as collateral for interest-bearing debt or other is described in “(5) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

8. Trade and other receivables

The components of trade and other receivables are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Trade receivables	¥1,320,862	¥1,493,857	\$13,315,420
Installment receivables	511,980	537,164	4,787,985
Other	127,253	154,031	1,372,948
Allowance for doubtful accounts	(45,306)	(63,433)	(565,407)
Total	<u>¥1,914,789</u>	<u>¥2,121,619</u>	<u>\$18,910,946</u>

Installment receivables represent receivables arising from the Company's advance payments to dealers on behalf of its customers who chose to purchase mobile handsets by installments in indirect sales. The amounts are charged to customers together with telecommunication service fees over the periods of installment payments.

The period of installment payments for the receivables above is within 24 months. As such, the amounts due within a year after the period end date are included in “Trade and other receivables,” and those after one year are included in “Other financial assets (non-current).”

9. Other financial assets

The components of other financial assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars) As of March 31, 2017
	As of March 31, 2016	As of March 31, 2017	
Current			
Marketable securities	¥ 29,596	¥ 277,895	\$ 2,477,003
Time deposits (maturities of three-month over)	32,313	458,495	4,086,772
Other	90,949	58,299	519,646
Total	<u>¥152,858</u>	<u>¥ 794,689</u>	<u>\$ 7,083,421</u>
Non-current			
Installment receivables	175,061	230,495	2,054,506
Investment securities	650,169	1,106,409	9,861,922
Other	180,482	247,281	2,204,127
Allowance for doubtful accounts	(34,838)	(31,918)	(284,500)
Total	<u>¥970,874</u>	<u>¥1,552,267</u>	<u>\$13,836,055</u>

Installment receivables are described in “Note 8. Trade and other receivables.”

10. Inventories

The components of inventories are as follows:

	(Millions of yen)		(Thousands of U.S. dollars) As of March 31, 2017
	As of March 31, 2016	As of March 31, 2017	
Merchandise and finished products			
Other	¥333,085	¥297,077	\$2,647,981
Other	26,379	44,267	394,572
Total	<u>¥359,464</u>	<u>¥341,344</u>	<u>\$3,042,553</u>

The amount of inventories pledged as collateral for interest-bearing debt or other is described in “(5) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

Write-downs of inventories recognized as an expense during the fiscal year are as follows:

	(Millions of yen)		(Thousands of U.S. dollars) Fiscal year ended March 31, 2017
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Write-downs of inventories	<u>¥29,504</u>	<u>¥25,300</u>	<u>\$225,510</u>

11. Other current assets and other non-current assets

The components of other current assets and other non-current assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars) As of March 31, 2017
	As of March 31, 2016	As of March 31, 2017	
Current			
Prepaid expense	¥171,991	¥143,258	\$1,276,923
Tax receivable*	332,339	91,566	816,169
Other	49,221	48,397	431,385
Total	<u>¥553,551</u>	<u>¥283,221</u>	<u>\$2,524,477</u>
Non-current			
Long-term prepaid expense	178,162	171,805	1,531,375
Other	14,312	11,015	98,182
Total	<u>¥192,474</u>	<u>¥182,820</u>	<u>\$1,629,557</u>

Note:

* Tax receivable is mainly withholding income tax related to dividends within the group companies.

12. Property, plant and equipment

Changes in property, plant and equipment at historical cost, are as follows:

Historical cost	(Millions of yen)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of April 1, 2015	¥412,543	¥5,231,946	¥ 546,822	¥ 97,348	¥ 318,732	¥25,003	¥6,632,394
Purchases	9,727	17,390	304,128	297	453,104	5,072	789,718
Business combinations	13,816	13	1,566	9,436	2,256	5,959	33,046
Disposals	(4,583)	(225,109)	(256,500)	(677)	(25,013)	(6,116)	(517,998)
Transfer of accounts ..	22,840	486,911	350,812	—	(542,613)	3,458	321,408
Exchange differences ..	(12,253)	(141,152)	(44,233)	(1,348)	(7,195)	(2,784)	(208,965)
Other	(13,344)	(2,833)	(1,196)	13	(3,302)	658	(20,004)
As of March 31, 2016	428,746	5,367,166	901,399	105,069	195,969	31,250	7,029,599
Purchases	13,904	19,502	231,857	348	363,935	8,485	638,031
Business combinations	259	—	1,582	—	127	8,146	10,114
Disposals	(19,132)	(190,213)	(303,098)	(5,020)	(10,759)	(3,524)	(531,746)
Transfer of accounts ..	20,118	195,251	359,536	5	(242,786)	8,609	340,733
Exchange differences ..	24	(8,127)	6,341	(89)	2,197	713	1,059
Other	8,840	13,831	5,198	(400)	(3,379)	(3,932)	20,158
As of March 31, 2017	¥452,759	¥5,397,410	¥1,202,815	¥ 99,913	¥ 305,304	¥49,747	¥7,507,948

Historical cost	(Thousands of U.S. dollars)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of March 31, 2016	\$3,821,606	\$47,839,968	\$ 8,034,576	\$936,527	\$ 1,746,760	\$278,545	\$62,657,982
Purchases	123,933	173,830	2,066,646	3,102	3,243,917	75,630	5,687,058
Business combinations	2,309	—	14,101	—	1,132	72,609	90,151
Disposals	(170,532)	(1,695,454)	(2,701,649)	(44,746)	(95,900)	(31,411)	(4,739,692)
Transfer of accounts ..	179,320	1,740,360	3,204,706	45	(2,164,061)	76,737	3,037,107
Exchange differences ..	214	(72,440)	56,520	(793)	19,583	6,355	9,439
Other	78,795	123,282	46,332	(3,565)	(30,119)	(35,048)	179,677
As of March 31, 2017	\$4,035,645	\$48,109,546	\$10,721,232	\$890,570	\$ 2,721,312	\$443,417	\$66,921,722

Changes in the accumulated depreciation and impairment losses of property, plant and equipment are as follows:

Accumulated depreciation and impairment losses	(Millions of yen)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of April 1, 2015 . . .	¥ (144,910)	¥ (1,980,273)	¥ (181,517)	¥ (6)	¥ (387)	¥ (7,853)	¥ (2,314,946)
Depreciation	(33,650)	(618,930)	(281,695)	—	—	(5,831)	(940,106)
Impairment loss	(639)	—	(1,151)	(1)	(24,977)	(946)	(27,714)
Disposals	4,105	212,607	92,354	—	23,751	2,665	335,482
Transfer of accounts	(16)	1,802	34,828	—	—	3	36,617
Exchange differences	4,116	48,826	12,471	—	100	1,960	67,473
Other	(3,183)	355	590	—	—	(660)	(2,898)
As of March 31, 2016 . . .	¥ (174,177)	¥ (2,335,613)	¥ (324,120)	¥ (7)	¥ (1,513)	¥ (10,662)	¥ (2,846,092)
Depreciation	(37,248)	(557,896)	(440,026)	—	—	(6,572)	(1,041,742)
Impairment loss	(15)	—	(3,497)	—	(2,332)	—	(5,844)
Disposals	12,290	161,937	197,339	—	320	1,100	372,986
Transfer of accounts	56	(730)	9,252	—	2	(6)	8,574
Exchange differences	(197)	(5,573)	(5,449)	(1)	6	(115)	(11,329)
Other	9,593	(5,439)	(8,584)	—	390	(3,207)	(7,247)
As of March 31, 2017 . . .	¥ (189,698)	¥ (2,743,314)	¥ (575,085)	¥ (8)	¥ (3,127)	¥ (19,462)	¥ (3,530,694)

Accumulated depreciation and impairment losses	(Thousands of U.S. dollars)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of March 31, 2016 . . .	\$ (1,552,518)	\$ (20,818,371)	\$ (2,889,028)	\$ (62)	\$ (13,486)	\$ (95,035)	\$ (25,368,500)
Depreciation	(332,008)	(4,972,778)	(3,922,150)	—	—	(58,580)	(9,285,516)
Impairment loss	(134)	—	(31,170)	—	(20,786)	—	(52,090)
Disposals	109,546	1,443,417	1,758,971	—	2,853	9,805	3,324,592
Transfer of accounts	499	(6,507)	82,467	—	18	(53)	76,424
Exchange differences	(1,756)	(49,674)	(48,569)	(10)	53	(1,025)	(100,981)
Other	85,507	(48,480)	(76,513)	—	3,476	(28,585)	(64,595)
As of March 31, 2017 . . .	\$(1,690,864)	\$(24,452,393)	\$(5,125,992)	\$(72)	\$(27,872)	\$(173,473)	\$(31,470,666)

The components of the carrying amounts of property, plant and equipment are as follows:

Carrying amounts	(Millions of yen)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of March 31, 2016 . . .	¥254,569	¥3,031,553	¥577,279	¥105,062	¥194,456	¥20,588	¥4,183,507
As of March 31, 2017 . . .	¥263,061	¥2,654,096	¥627,730	¥ 99,905	¥302,177	¥30,285	¥3,977,254

Carrying amounts	(Thousands of U.S. dollars)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of March 31, 2017 . . .	\$2,344,781	\$23,657,153	\$5,595,240	\$890,498	\$2,693,440	\$269,944	\$35,451,056

The amounts of “Other” included in “Buildings and structures” for the fiscal year ended March 31, 2016 and for the fiscal year ended March 31, 2017 are recorded mainly due to the change in accounting estimate of asset retirement obligations in Sprint. The details are described in “Note 23. Provisions.”

The amount of “Other” included in “Telecommunications equipment” for the fiscal year ended March 31, 2017 is recorded mainly due to the changes in accounting estimate of asset retirement obligations in SoftBank Corp. The details are described in “Note 23. Provisions.”

The decrease resulting from “Disposals” in “Furniture, fixtures, and equipment” includes ¥222,750 million, which is a historical cost of certain leased devices sold from Sprint to Mobile Leasing Solutions, LLC, and ¥(59,730) million of accumulated depreciation and impairment losses for the fiscal year ended March 31, 2016. The details are described in “(3) Handset sale-leaseback” in “Note 14. Leases.”

The amounts of “Transfer of accounts” in “Furniture, fixtures, and equipment” for the fiscal year ended March 31, 2016 and for the fiscal year ended March 31, 2017 are mainly due to the transfer of leased devices from “Inventories” in current assets.

Impairment loss is included in “Other operating loss” in the consolidated statement of income. The details are described in “Note 35. Other operating loss.”

The carrying amounts of finance lease assets included in property, plant and equipment are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Buildings and structures	¥ 11,781	¥ 10,090	\$ 89,937
Telecommunications equipment	1,069,694	1,150,560	10,255,459
Furniture, fixtures, and equipment	49,415	36,046	321,294
Construction in progress	73	50	446
Other	4,050	7,038	62,733
Total	¥1,135,013	¥1,203,784	\$10,729,869

Finance lease obligations of the Company are pledged through the lessor’s retaining the property right of lease assets.

The amount of property, plant and equipment pledged as collateral for interest-bearing debt or other is described in “(5) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

Assets with limited property rights due to installment purchases are described in “(6) Assets with limited property rights” in “Note 19. Interest-bearing debt.”

13. Goodwill and intangible assets

Changes in goodwill and intangible assets at historical cost are as follows:

(Millions of yen)

Intangible assets with finite useful lives										Intangible assets with infinite useful lives										
Historical cost					FCC					Customer relationships					Spectrum migration costs					
Goodwill	FCC	Licenses	Trademarks	Software	Software	Technologies	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Game titles	Trademarks	Customer relationships	Favorable lease contracts	Game titles	Spectrum migration costs	Other	Total	
¥1,673,151	¥4,320,296	¥734,655	¥1,363,940	¥176,933	¥176,933	¥979,860	¥979,860	¥63,210	¥54,569	¥168,384	¥186,534	¥186,534	¥186,534	¥168,384	¥168,384	¥8,054,384	281,988	18,799		
As of April 1, 2015																				
Purchases	—	10,389	—	85,036	—	4,353	—	—	—	—	—	—	—	—	—	—	14,446	827	96,554	
Internal development	—	—	—	30,250	—	8,797	—	56,680	—	—	—	(77,796)	(47)	—	—	—	(1,766)	(83,440)	18,799	
Business combinations	—	128,774	—	—	—	(3,831)	—	—	—	(307)	—	(48)	—	—	—	—	(1,275)	(64,558)	6,848	
Loss of control	—	(146,032)	—	—	—	(62,928)	—	—	—	—	—	—	—	—	—	—	(233,501)	(418,785)	18,799	
Disposals	—	—	—	—	(114)	177,792	—	(55,663)	(111,016)	(2,306)	7	(3,909)	—	—	—	—	(4,024)	(4,024)	6,848	
Transfer of accounts	—	(30,072)	(269,935)	(46,911)	(25,021)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Exchange differences	—	(158)	—	—	875	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Other	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
As of March 31, 2016	—	1,625,663	4,060,750	717,880	1,549,013	—	—	981,105	165,610	112,434	59,245	117,233	131,030	131,030	131,030	131,030	7,894,300	252,033	24,254	
Purchases	—	—	—	17,454	—	—	—	1,837	—	—	22	—	—	—	—	—	18,989	—	695,824	
Internal development	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(241)	(102,182)	18,989	
Business combinations	—	2,659,035	—	—	—	2,142	538,076	149,215	—	—	—	—	—	—	—	—	—	—	445	
Loss of control	—	(89,834)	—	—	—	(99)	—	—	(109)	(1,367)	—	(101,842)	—	—	—	—	(1,329)	(82,675)	18,799	
Disposals	—	—	—	—	—	(79,614)	—	—	—	—	—	—	(256)	—	—	—	(114,927)	(139)	18,799	
Transfer of accounts	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(867)	(27,000)	18,799	
Exchange differences	—	26,734	(13,939)	(3,625)	(1,185)	114,764	—	—	—	—	—	(758)	(10,592)	(185)	—	—	(696)	38,670	18,799	
Other	—	—	36,386	1	2,405	7,119	—	(2,968)	—	—	—	—	—	—	—	—	—	—	—	
As of March 31, 2017	—	¥4,221,598	¥4,100,651	¥714,257	¥1,648,242	¥545,195	¥1,648,242	¥1,129,621	¥163,485	¥163,485	¥64,828	¥117,233	¥209,573	¥209,573	¥209,573	¥209,573	¥8,693,085	—	—	
Intangible assets with finite useful lives										Intangible assets with infinite useful lives										
Historical cost					FCC					Customer relationships					Spectrum migration costs					
Goodwill	FCC	Licenses	Trademarks	Software	Software	Technologies	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Game titles	Trademarks	Customer relationships	Favorable lease contracts	Game titles	Spectrum migration costs	Other	Total	
¥14,490,267	¥36,195,294	¥6,398,788	¥13,807,050	¥8,745,030	¥1,476,157	¥1,002,175	¥528,078	¥1,044,951	¥1,167,929	¥70,365,452	—	—	—	—	—	—	—	—	—	
As of March 31, 2016	—	155,575	—	495,151	1,6374	—	—	—	—	196	—	—	—	—	—	—	—	—	—	
Purchases	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Internal development	—	23,701,177	—	19,092	4,796,114	1,330,021	—	—	—	—	52,999	—	—	—	—	—	3,966	6,202,192	18,799	
Business combinations	—	(800,731)	—	—	(882)	—	—	(972)	(12,185)	(907,764)	—	—	—	—	—	—	(2,148)	(910,794)	18,799	
Loss of control	—	—	—	—	(709,635)	—	—	—	—	—	(2,282)	—	—	—	—	—	(11,846)	(736,920)	18,799	
Disposals	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,024,396)	(1,239)	18,799	
Transfer of accounts	—	—	—	—	9	1,022,943	—	205	—	—	—	—	—	—	—	—	(7,728)	(240,663)	18,799	
Exchange differences	—	238,291	(124,245)	(32,312)	63,455	(26,454)	—	—	(6,757)	(94,411)	(1,649)	—	—	—	—	—	(6,204)	344,683	18,799	
Other	—	—	324,325	9	21,437	4,617	—	—	—	—	499	—	—	—	—	—	—	—	—	
As of March 31, 2017	—	¥37,629,004	¥36,550,949	¥6,366,494	¥14,691,523	¥4,859,569	¥10,068,821	¥1,457,215	¥—	¥—	¥577,841	¥1,044,951	¥1,868,019	¥1,868,019	¥1,868,019	¥1,868,019	¥1,868,019	¥77,485,382	—	—

Changes in the accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

(Millions of yen)									
Intangible assets with indefinite useful lives					Intangible assets with finite useful lives				
Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs
¥ (9,788)	¥—	¥ (7,404)	¥ (606,074)	¥—	¥(397,637)	¥(31,742)	¥(83,325)	¥(3,627)	¥(19,974)
As of April 1, 2015									¥(1,150,802)
Amortization	(6,086)	(4,125)	(228,753)	(589)	(173,860)	(1,342)	(26,951)	(1,932)	(5,742)
Impairment loss									(5,175)
Loss of control									(51)
Disposals									446
Exchange differences									59,160
Other									60,086
As of March 31, 2016	(15,874)	(11,243)	(766,865)	(5,527)	(11,736)	151	(17,736)	(52,590)	(24,002)
Amortization	(30,260)	(22,301)	(228,538)	(22,301)	(22,301)	(22,301)	(22,301)	(5,179)	(24,844)
Impairment loss									(1,455,155)
Loss of control									(408,397)
Disposals									(2,041)
Exchange differences									54,399
Other									80,849
As of March 31, 2017	¥(46,134)	¥—	¥(11,226)	¥(925,308)	¥(22,301)	¥(630,815)	¥(58,731)	¥—	¥(13,419)
									¥(27,350)
									¥(1,746,446)

(Thousands of U.S. dollars)									
Intangible assets with indefinite useful lives					Intangible assets with finite useful lives				
Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs
\$ (141,492)	\$—	\$ (100,214)	\$ (6,835,413)	\$—	\$ (4,824,895)	\$ (413,299)	\$ (468,758)	\$ (46,163)	\$ (60,264)
As of March 31, 2016									\$ (12,970,452)
Amortization	(269,721)	(—)	(2,037,062)	(198,779)	(1,226,562)	(—)	(61,066)	(19,262)	(59,346)
Impairment loss									(38,150)
Loss of control									(3,640,227)
Disposals									18,192
Exchange differences									484,883
Other									720,644
As of March 31, 2017	\$ (411,213)	\$—	\$ (100,062)	\$ (8,247,687)	\$ (198,779)	\$ (6,068,411)	\$ (523,495)	\$—	\$ (119,610)
									\$ (243,783)
									\$ (15,566,860)

The carrying amounts of goodwill and intangible assets are as follows:

(Millions of yen)										
Intangible assets with finite useful lives										
Carrying amounts	Intangible assets with indefinite useful lives					Spectrum migration costs				Total
	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Other	
Goodwill	<u>¥4,060,750</u>	<u>¥706,637</u>	<u>¥782,148</u>	<u>¥439,800</u>	<u>¥119,242</u>	<u>¥59,844</u>	<u>¥54,066</u>	<u>¥110,472</u>	<u>¥106,186</u>	<u>¥6,439,145</u>
As of March 31, 2016 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
As of March 31, 2017	<u>¥4,175,464</u>	<u>¥703,031</u>	<u>¥722,934</u>	<u>¥522,894</u>	<u>¥448,806</u>	<u>¥104,754</u>	<u>¥—</u>	<u>¥57,532</u>	<u>¥182,223</u>	<u>¥6,946,639</u>

(Thousands of U.S. dollars)										
Intangible assets with finite useful lives										
Carrying amounts	Intangible assets with indefinite useful lives					Spectrum migration costs				Total
	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Other	
Goodwill	<u>\$6,266,432</u>	<u>\$6,443,836</u>	<u>\$4,660,790</u>	<u>\$4,000,410</u>	<u>\$933,720</u>	<u>\$—</u>	<u>\$512,808</u>	<u>\$225,341</u>	<u>\$1,624,236</u>	<u>\$61,918,522</u>
As of March 31, 2017 .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
As of March 31, 2017	<u>\$37,217,791</u>	<u>\$36,550,949</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

“FCC licenses” are licenses to use a specific frequency spectrum granted by the U.S. Federal Communications Commission (“FCC”). As long as the Company acts within the requirements of regulatory authorities, the renewal and extension of FCC licenses are reasonably certain at minimal cost. Therefore, it is determined that FCC licenses have indefinite useful lives.

The Company determined that the “Sprint” and “Boost Mobile” trademarks have indefinite useful lives as they can be legally utilized continuously as long as the business continues and management’s current plans are to offer services under these trademarks for the foreseeable future.

Technologies reflect excessive earning capacity in the future expected from technologies of the acquiree that had been already developed, or was already well-advanced in development, at the time of the business combinations.

Customer relationships reflect excessive earning capacity in the future expected from the existing customers of the acquiree at the time of the business combinations.

Favorable lease contracts are recognized as intangible assets based on the estimated fair value of the favorable portion of future cash flows if, at the time of business combinations, the terms of operating lease contracts in which the acquiree is the lessee are favorable compared to market terms at acquisition date. Reversal of favorable lease contracts is recognized as operating lease payments.

Game titles reflect excessive earning capacity in the future expected from the existing game titles of the acquiree at the time of the business combinations.

Spectrum migration costs are the amounts that the Company incurred in connection with the costs arising from the migration of the existing users from the 900 MHz band, which SoftBank Corp. acquired, to the other frequency spectrum based on the termination campaign.

Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses are included in “Other operating loss” in the consolidated statement of income. The details are described in “Note 35. Other operating loss.”

The amount of “Other” included in “FCC licenses” for the fiscal year ended March 31, 2017 is recognized due to exchange of certain spectrum with other carriers. The details are described in “Note 35. Other operating loss.”

Increase due to “Business combinations” is as follows:

For the fiscal year ended March 31, 2016

As a result of consolidating ASKUL Corporation as a subsidiary in August 2015, the Company recognized customer relationships of ¥40,680 million and trademarks of ¥20,130 million. The details are described in “(1) ASKUL Corporation” in “Note 5. Business combinations.”

As a result of consolidating Ikyu Corporation as a subsidiary in February 2016, the Company recognized customer relationships of ¥16,000 million and trademarks of ¥10,120 million. The details are described in “(2) Ikyu Corporation” in “Note 5. Business combinations.”

For the fiscal year ended March 31, 2017

As a result of consolidating ARM as a subsidiary in September 2016, the Company recognized goodwill of ¥2,650,911 million (\$23,628,764 thousand), technologies of ¥537,680 million (\$4,792,584 thousand), customer relationships of ¥148,649 million (\$1,324,975 thousand), and trademarks of ¥5,940 million (\$52,946 thousand). The details are described in “(3) ARM” in “Note 5. Business combinations.”

Decrease due to “Loss of control” is as follows:

For the fiscal year ended March 31, 2016

As a result of losing control of GungHo as a subsidiary in June 2015, game titles decreased by ¥21,610 million. The details are described in “(1) GungHo” in “Note 42. Discontinued operations.”

For the fiscal year ended March 31, 2017

As a result of losing control of Supercell as a subsidiary in July 2016, game titles decreased by ¥47,636 million (\$424,601 thousand). The details are described in “(2) Supercell” in “Note 42. Discontinued operations.”

The carrying amount of internally-generated intangible assets included in the intangible assets is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
Software	¥47,200	¥50,919	\$453,864

The carrying amounts of finance leased assets included in the intangible assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
Software	¥290,460	¥297,531	\$2,652,028

Finance lease obligations of the Company are pledged through the lessor's retaining the property right of lease assets.

The intangible assets with limited property rights due to installment purchase are described in “(6) Assets with limited property rights” in “Note 19. Interest-bearing debt.”

Research and development costs included in “Cost of sales” and “Selling, general and administrative expenses” are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Research and development costs	¥6,242	¥64,459	\$574,552

Increase in research and development costs for the fiscal year ended March 31, 2017 is mainly due to the consolidation of ARM.

Goodwill acquired as a part of business combinations is allocated to cash-generating units or cash-generating unit groups that are expected to benefit from the synergies arising from the combination.

Amounts of goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or cash-generating unit groups are as follows:

Goodwill

Reportable segments	Cash-generating unit or Cash-generating unit groups	(Millions of yen)		(Thousands of U.S. dollars)
		As of March 31, 2016	As of March 31, 2017	
Domestic Telecommunications	SoftBank ¹	¥ 908,720	¥ 909,463	\$ 8,106,453
Sprint	Sprint	331,811	330,726	2,947,910
Yahoo Japan	Yahoo ²	16,519	16,519	147,241
	Marketing solution	9,821	9,821	87,539
	Shopping	56,600	58,159	518,397
	Ikyu	72,044	72,044	642,161
	Settlement finance	20,891	20,891	186,211
	Other	—	1,524	13,584
	Subtotal	175,875	178,958	1,595,133
Distribution	Brightstar	90,657	60,394	538,319
ARM	ARM	—	2,691,818	23,993,386
	Other	102,726	4,105	36,590
Total		¥1,609,789	¥4,175,464	\$37,217,791

Notes:

1. SoftBank comprises SoftBank Corp. and WCP.
2. Goodwill is allocated to "Yahoo" because the benefits are expected to be realized from Yahoo Japan as a whole, not from individual cash-generating units in Yahoo Japan.

Intangible assets with indefinite useful lives

Reportable segments	Cash-generating unit	(Millions of yen)		(Thousands of U.S. dollars)
		As of March 31, 2016	As of March 31, 2017	
Sprint	Sprint	¥4,729,506	¥4,766,499	\$42,485,952
Yahoo Japan	Shopping	20,130	20,130	179,428
	Ikyu	10,120	10,120	90,204
	Subtotal	30,250	30,250	269,632
Distribution	Brightstar US and Canada region	3,042	3,030	27,008
	Brightstar Asia and Oceania region	1,753	1,613	14,377
	Brightstar Europe and Africa region	2,836	2,290	20,412
	Subtotal	7,631	6,933	61,797
Total		¥4,767,387	¥4,803,682	\$42,817,381

The recoverable amount of each cash-generating unit or cash-generating unit group is measured as follows:

Value in use: SoftBank, Marketing solution, Shopping, Settlement finance, Ikyu, Brightstar, Brightstar US and Canada region, Brightstar Latin America region, Brightstar Asia and Oceania region, Brightstar Europe and Africa region, and SoftBank Commerce & Service Corp.

Fair value less disposal cost: Sprint, Yahoo, and ARM

Value in use is assessed by discounting to the present value the estimated cash flows in the next five years based on the financial budget approved by the management, which reflects past experience and external information, using the pre-tax discount rate of 7.21%-16.17% of the cash-generating unit or cash-generating unit group (5.12%-22.11% for the fiscal year ended March 31, 2016). The cash flows from after five years are assumed to increase on the basis of the growth rate of 0%-2.34% (0%-3.81% for the fiscal year ended March 31, 2016).

In Sprint and Yahoo, the fair value less disposal cost is measured based on active market prices and in ARM, it is measured by discounting the cash flows which are estimated based on the business plans for the next 10 years while taking into account the future cash flows that market participants would expect to receive in accordance with their assumptions discounted to the present value using a post-tax discount rate of 9%. The cash flows from after 10 years are assumed on the basis of the growth rate of 19% on the 11th year and 10% on the 12th year. The cash flows from the 13th year onward are assumed to increase on the basis of the growth rate of 2%. Fair value is classified into level 3 as its fair value is measured using unobservable inputs.

Goodwill of Brightstar had been allocated to the entirety of Brightstar (a group of cash-generating units), which had bundled five cash-generating units (Brightstar's US & Canada, Latin America, Asia & Oceania, SoftBank Commerce & Service Corp., and Europe & Africa); however, in March 2017, its goodwill was reallocated to Brightstar, which bundled four cash-generating units except for SoftBank Commerce & Service Corp. due to the determination of business reorganization in the Distribution segment. Since impairment indicators existed, the impairment test was conducted on goodwill and intangible assets with indefinite useful lives. As a result, the recoverable amount of goodwill was less than its carrying amount and, therefore, ¥30,260 million (\$269,721 thousand) of impairment loss on goodwill was recorded. Value in use was used as the recoverable amount and estimated future cash flow plan of four cash-generating units approved by the management was calculated using a pre-tax discount rate of 10.97%-16.17%.

Other than the above, as a result of an annual impairment test of goodwill and intangible assets with indefinite useful lives for cash-generating units or cash-generating unit groups, no impairment loss was recognized.

As a result of reviewing the business plan of Brightstar's Latin America region, goodwill and intangible assets with indefinite useful lives were tested for impairment because there was an indication of impairment for the fiscal year ended March 31, 2016. As a result, the recoverable amount became negative and therefore the carrying amount of assets related to the cash-generating unit was reduced to zero. Impairment loss on property, plant and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in

use was used as the recoverable amount and calculated by discounting management's approved estimated future cash flow plan using a pre-tax discount rate of 22.11%. In addition, impairment loss of ¥6,086 million for goodwill allocated to cash-generating unit groups of Other is recognized.

The Company determined that for cash-generating units or cash-generating unit groups to which the goodwill and intangible assets with indefinite useful lives are allocated, the recoverable amount is unlikely to fall below the carrying amount, even if major assumptions used in the impairment test change to a reasonably foreseeable extent.

14. Leases

(1) Finance leases

(As lessee)

The Company has leased assets, including wireless equipment, switching equipment, power supply systems and transmission facilities.

The components of finance lease obligations are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
The total minimum lease payments			
Within 1 year	¥ 417,891	¥ 458,234	\$ 4,084,446
1 to 5 years	836,142	827,253	7,373,679
Over 5 years	5,542	2,573	22,934
Total	1,259,575	1,288,060	11,481,059
Deduction -future financial expense	(47,389)	(42,170)	(375,880)
Present value of finance lease obligations	¥1,212,186	¥1,245,890	\$11,105,179

The components of the present value of finance lease obligations are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Within 1 year	¥ 396,992	¥ 438,284	\$ 3,906,623
1 to 5 years	809,799	805,085	7,176,085
Over 5 years	5,395	2,521	22,471
Total	¥1,212,186	¥1,245,890	\$11,105,179

The outstanding balance by year of maturity of financial lease obligations is described in "(2) Financial risk management c. Liquidity risk" in "Note 25. Financial instruments."

Certain lease contracts have financial covenants. Major contents are described in "(3) Financial covenants" in "Note 19. Interest-bearing debt."

The components of the future minimum lease payments receivable under non-cancelable subleases are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Total	¥27,964	¥28,006	\$249,630

(2) Operating leases

(As lessee)

The Company leases towers, land and buildings for the placement of telecommunications equipment, frequency spectrum, and telecommunication lines under operating leases. Certain operating lease contracts have automatic renewal options and escalation clauses.

In addition to the non-cancelable period, an automatic renewal option is included in the lease term to the extent that, at the inception of the lease, it is reasonably certain that the option will be exercised. For

operating leases with escalation clauses or a portion of which is free of charge, the total lease payment amount is amortized over the lease term by the straight line method.

Cell site leases

Cell site leases in the U.S. are generally provided by the cell phone tower operators who provide tower and ground space to place Sprint-owned antennae, radio, and related equipment. The contract terms generally provide for an initial non-cancelable term of 5 to 12 years with up to five renewal options for five years each. At the establishment of the cell sites leases, it is assumed that at least one renewal option is exercised for contracts less than 10 years.

Cell site leases in Japan contain only land or buildings for the placement of cell sites. Most of the contract terms are 10 years or 20 years. At the establishment of the cell site leases, it is reasonably certain that they will be used until the contract term expires.

Spectrum leases (U.S.)

U.S. leased spectrum agreements have renewal options. For those contracts, it is reasonably certain that, at the inception of the transaction, all the renewal options will be used and terms including renewal terms are up to 30 years.

The components of the future minimum lease payments related to non-cancelable operating leases are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Within 1 year	¥ 434,831	¥ 377,393	\$ 3,363,874
1 to 5 years	1,246,531	1,216,504	10,843,248
Over 5 years	1,207,512	1,051,701	9,374,285
Total	<u>¥2,888,874</u>	<u>¥2,645,598</u>	<u>\$23,581,407</u>

Operating lease payments recognized as expenses for the fiscal year ended March 31, 2017 totaled ¥494,579 million (\$4,408,405 thousand) (for the fiscal year ended March 31, 2016: ¥471,057 million).

(As lessor)

Sprint provides a device leasing program to its qualifying subscribers in the U.S. and SoftBank Corp. provides device rental service to corporate customers in Japan. The Company classifies substantially all transactions as operating leases along with the device leasing program and device rental service. At the end of the lease term of the device leasing program at Sprint, the subscriber has the option to turn in their device, continue leasing their device, or purchase the device. Since device leases are provided on the condition that subscribers maintain telecommunication services with the Company, the amount of revenue from these transactions is separated into the amount of payments to be received for device leases and other elements based on the fair value of telecommunication service and lease.

The components of the future minimum lease payments receivable under non-cancelable operating leases are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Within 1 year	¥292,923	¥287,176	\$2,559,729
1 to 5 years	99,141	54,198	483,091
Over 5 years	1,701	1,097	9,778
Total	<u>¥393,765</u>	<u>¥342,471</u>	<u>\$3,052,598</u>

(3) Handset sale-leaseback

In November 2015, Sprint entered into agreements (Handset Sale-Leaseback) to sell and leaseback certain leased devices, with Mobile Leasing Solutions, LLC (MLS) and conducted the first Handset Sale-Leaseback transaction (Tranche 1 transaction).

MLS was established for the leasing business by SBLS HD US, Inc. (SBLS), a wholly-owned subsidiary of SoftBank Group Corp. and JPLS HD US, Inc. (JPLS), a company formed by Japanese leasing companies. It is contractually agreed that significant management policies and operating decisions of MLS require the unanimous consent of its Board of Directors designated by SBLS and JPLS. Accordingly, the Company accounts for MLS under the equity method as a joint venture.

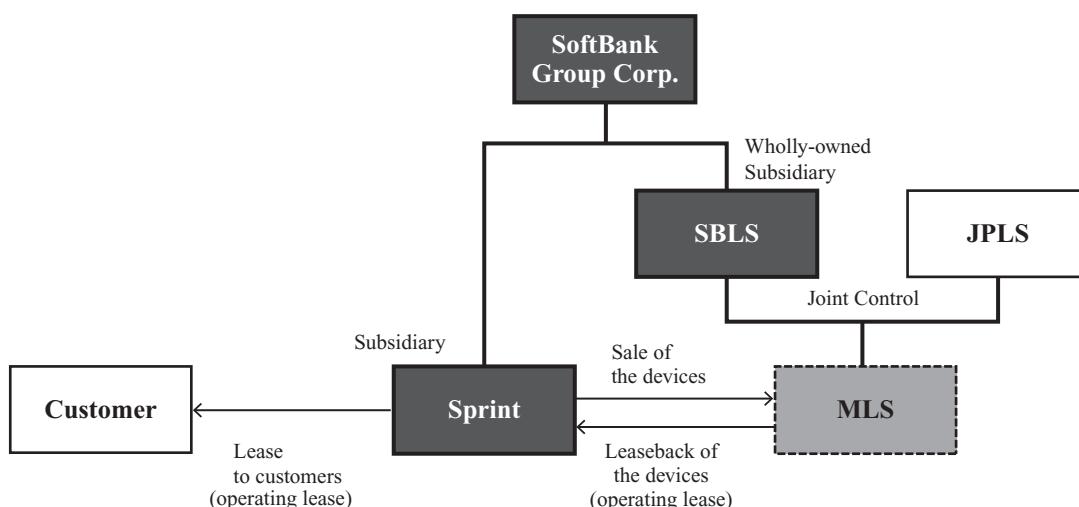
Under this transaction, Sprint sold the devices and transferred the associated certain specified customer lease end rights and obligations to MLS in exchange for proceeds, and a portion of the proceeds will be settled at the end of the agreement as a deferred purchase price receivable. Simultaneously with the sale of the devices and transfer of certain specified customer lease end rights and obligations, MLS leased back each device to Sprint pursuant to the Master Lease Agreement in exchange for monthly rental payments to be made by Sprint to MLS. In addition, Brightstar has a contractual agreement with MLS to provide reverse logistics and remarketing services to MLS with respect to the devices that are returned to MLS. The terms and conditions of the transaction are negotiated and determined based on the market price and the content of the transaction.

Sprint derecognized the devices from property, plant and equipment when they were sold to MLS under the Tranche 1 transaction; however, in December 2016, it terminated the Tranche 1 transaction by repurchasing the devices and related customer lease end rights and obligations from MLS. As a result, Sprint recognized the devices, inventories and other totaling \$477 million (¥55,548 million) and \$16 million (¥1,826 million) respectively. The impact on the condensed interim consolidated statements of income from the termination is immaterial.

The future minimum lease payments receivable during the period under the transaction is ¥45,843 million (\$408,619 thousand) (for the fiscal year ended March 31, 2016: ¥28,385 million).

Of the transactions, the contractual detail of the second Handset Sale-Leaseback transaction conducted in May 2016 is different from that of the Tranche 1 transaction and certain risks related to ownership of the leased devices are not transferred and are retained in Sprint, therefore, borrowings are recognized as fund procurements utilizing the leased devices.

Outline of the transaction*



Note:

* In order to represent the main point of the transaction, the outline shows only the main components related to the transaction and the relationship between the Company and each company in a simplified manner.

15. Major subsidiaries

(1) Organizational structure

The Company's major subsidiaries are as follows:

Company Name	Reportable segments	Location	Ownership percentage of voting rights (%)	
			As of March 31, 2016	As of March 31, 2017
SoftBank Corp.	Domestic			
	Telecommunications	Tokyo	99.99	99.99
Wireless City Planning Inc. ¹	Domestic			
	Telecommunications	Tokyo	32.2	32.2
SoftBank Payment Service Corp.	Domestic			
	Telecommunications	Tokyo	100	100
Sprint Corporation	Sprint	U.S.	83.4	83.0
Sprint Communications, Inc.	Sprint	U.S.	100	100
Yahoo Japan Corporation ²	Yahoo Japan	Tokyo	43.0	43.0
ValueCommerce Co., Ltd.	Yahoo Japan	Tokyo	50.5	52.3
ASKUL Corporation ³	Yahoo Japan	Tokyo	44.4	45.3
eBOOK Initiative Japan Co., Ltd. ⁴	Yahoo Japan	Tokyo	—	44.6
Brightstar Global Group Inc.	Distribution	U.S.	95.5	87.1
Brightstar Corp.	Distribution	U.S.	100	100
SoftBank Commerce & Service Corp.	Distribution	Tokyo	100	100
ARM Holdings plc	ARM	U.K.	—	100
ARM PIPD Holdings One, LLC	ARM	U.S.	—	100
ARM PIPD Holdings Two, LLC	ARM	U.S.	—	100
ARM Limited	ARM	U.K.	—	100
SoftBank Group International GK ⁵	Company-wide	Tokyo	100	100
SoftBank Group Japan GK ⁵	Company-wide	Tokyo	100	100
SB Group US, Inc.	Company-wide	U.S.	100	100
SoftBank Group Capital Limited ⁶	Company-wide	U.K.	100	100
SB Energy Corp.	Other	Tokyo	100	100
Fukuoka SoftBank HAWKS Corp.	Other	Fukuoka	100	100
SoftBank Robotics Group Corp. ⁷	Other	Tokyo	60.0	60.0
SoftBank Robotics Corp.	Other	Tokyo	100	100
SBBM Corporation	Other	Tokyo	100	100
ITmedia Inc.	Other	Tokyo	57.9	58.0
SoftBank Technology Corp.	Other	Tokyo	55.7	54.6
Vector Inc.	Other	Tokyo	52.1	52.1
SoftBank Ventures Korea Corp.	Other	South Korea	100	100
SoftBank Korea Corp.	Other	South Korea	100	100
Starburst I, Inc.	Other	U.S.	100	100
SoftBank Holdings Inc.	Other	U.S.	100	100
SoftBank America Inc.	Other	U.S.	100	100
SoftBank Capital Fund' 10 L.P.	Other	U.S.	81.7	81.7
SoftBank Capital Fund' 14 L.P.	Other	U.S.	99.0	99.0
STARFISH I PTE. LTD.	Other	Singapore	100	100
SB Pan Pacific Corporation	Other	Micronesia	100	100
Hayate Corporation	Other	Micronesia	100	100
West Raptor Holdings, LLC	Other	U.S.	—	100

Notes:

1. The Company does not own the majority of WCP's voting rights. However, the Company determined that it has control over WCP and included it into the scope of consolidation, considering the fact that SoftBank Group Corp.'s directors, SoftBank Corp.'s directors and corporate officers constitute the majority of members of WCP's Board of Directors and that WCP's business activities significantly depend on the Company.
2. The Company does not own the majority of Yahoo Japan Corporation's voting rights. However, the Company determined that it has control over Yahoo Japan Corporation and included it into the scope of consolidation, considering the fact that the Company holds 43.0% of the voting rights of Yahoo Japan Corporation and SoftBank Group Corp.'s directors and SoftBank Corp.'s directors constitute the majority of the members of Yahoo Japan Corporation's Board of Directors.
3. The Company does not own the majority of ASKUL Corporation's voting rights. However, the Company determined that it has control over ASKUL Corporation and included it into the scope of consolidation, considering the fact that the Company holds 45.3%

of the voting rights of ASKUL Corporation, the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation's past shareholders meetings.

4. The Company does not own the majority of eBOOK Initiative Japan Co., Ltd.'s voting rights. However, the Company determined that it has control over eBOOK Initiative Japan Co., Ltd. and included it into the scope of consolidation, considering the fact that the Company holds 44.6% of the voting rights of eBOOK Initiative Japan Co., Ltd., and Yahoo Japan Corporation's directors and its employees constitute the majority of the members of eBOOK Initiative Japan Co., Ltd.'s Board of Directors.
5. SoftBank Group International GK and SoftBank Group Japan GK conducted an absorption type merger with SoftBank Group International GK being the surviving company, effective on April 24, 2017.
6. SoftBank Group International Limited changed its company name to SoftBank Group Capital Limited on April 27, 2016.
7. SoftBank Robotics Holdings Corp. changed its company name to SoftBank Robotics Group Corp. on November 1, 2016.

(2) Summarized consolidated financial information and other information on subsidiaries with significant non-controlling interests

a. Sprint (Sprint Corporation and its group companies)

(a) General information

	As of March 31, 2016	As of March 31, 2017	
Ownership ratio of the non-controlling interests (%)	16.6	17.0	
 (Millions of yen) (Thousands of U.S. dollars)			
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Accumulated amount attributable to the non-controlling interests of subsidiary group	¥286,199	¥274,376	\$2,445,637
 (Millions of yen) (Thousands of U.S. dollars)			
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net loss allocated to the non-controlling interests of subsidiary group	¥(39,387)	¥(24,295)	\$(216,552)

(b) Summarized consolidated financial information

	(Millions of yen)	(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017
Current assets	¥ 899,704	¥1,583,724
Non-current assets	7,958,438	7,790,217
Current liabilities	1,527,507	1,424,313
Non-current liabilities	5,362,584	6,108,478
Net assets	1,968,051	1,841,150
 (Millions of yen) (Thousands of U.S. dollars)		
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	¥3,871,647	¥3,623,375
Net loss	(230,380)	(148,261)
Total comprehensive income	(232,734)	(160,823)

No dividends were paid to non-controlling interests by Sprint for the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017.

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net cash provided by operating activities	¥ 361,001	¥ 373,446
Net cash used in investing activities	(685,226)	(1,011,880)
Net cash provided by financing activities	155,915	658,123
Effect of exchange rate changes on cash and cash equivalents	<u>(16,029)</u>	4,750
(Decrease) increase in cash and cash equivalents	<u>¥(184,339)</u>	<u>¥ 24,439</u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

b. Yahoo (Yahoo Japan Corporation and its group companies)

(a) General information

	As of March 31, 2016	As of March 31, 2017
Ownership ratio of the non-controlling interests (%)	57.0	57.0
	(Millions of yen)	(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017
Accumulated amount attributable to the non-controlling interests of subsidiary group	¥539,584	¥583,106
	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income allocated to the non-controlling interests of subsidiary group	¥97,909	¥73,172

(b) Summarized consolidated financial information

	(Millions of yen)	(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017
Current assets	¥806,380	¥ 966,818
Non-current assets	555,000	585,974
Current liabilities	366,023	416,168
Non-current liabilities	64,012	119,334
Net assets	931,345	1,017,290
	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	¥652,327	¥853,730
Net income	172,492	132,634
Total comprehensive income	173,504	134,436

Dividends paid to the non-controlling interests by Yahoo Japan Corporation for the fiscal year ended March 31, 2017 is ¥28,748 million (\$256,244 thousand) (For the fiscal year ended March 31, 2016: ¥28,733 million).

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net cash provided by operating activities	¥ 107,519	\$1,146,511
Net cash used in investing activities	(112,647)	(522,783)
Net cash (used in) provided by financing activities	(49,358)	213,887
Effect of exchange rate changes on cash and cash equivalents	(286)	(624)
(Decrease) increase in cash and cash equivalents	<u>¥ (54,772)</u>	<u>¥ 93,902</u>
		<u>\$ 836,991</u>

16. Investments accounted for using the equity method

(1) Summarized consolidated financial information and other of the significant associates

Alibaba Group Holding Limited

a. General information

Alibaba (registered in Cayman) operates online marketplaces “Taobao Marketplace,” “Tmall,” “Alibaba.com” and other through its group company.

b. Summarized consolidated financial information

IFRSs summarized consolidated financial information for Alibaba is as follows:

The Company applies the equity method to the consolidated financial statements of Alibaba on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba to that of the Company due to the contract with Alibaba. Also, this note discloses the summarized consolidated financial information of Alibaba on a three-month time lag. Adjustments are made for significant transactions or events which occurred during the intervening period and which were publicly announced by Alibaba.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Current assets	¥2,637,889	¥2,944,857	\$26,248,837
Non-current assets	3,755,127	5,301,646	47,255,959
Current liabilities	989,195	1,546,084	13,780,943
Non-current liabilities	1,094,527	1,528,963	13,628,336
Equity			
Total equity attributable to owners of the parent	3,580,184	4,373,539	38,983,323
Non-controlling interests	729,110	797,917	7,112,194

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	¥1,771,778	\$20,836,055
Net income	1,177,794	9,152,295
Other comprehensive income, net of tax ..	122,648	(1,070,764)
Total comprehensive income	<u>¥1,300,442</u>	<u>\$ 8,081,531</u>

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income attributable to owners of the parent	¥1,175,236	¥1,062,873	\$ 9,473,866
Other comprehensive income attributable to owners of the parent, net of tax	122,254	(130,113)	(1,159,756)
Total comprehensive income attributable to owners of the parent	¥1,297,490	¥ 932,760	\$ 8,314,110

There was no dividend received from Alibaba for the fiscal years ended March 31, 2016 and 2017.

The reconciliation between total equity attributable to owners of the parent based on the summarized consolidated financial information above and the carrying amount of the interests in Alibaba is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Total equity attributable to owners of the parent	¥3,580,184	¥4,373,539	\$38,983,323
Interest ratio (%)	32.60	30.05	30.05
Interests of the Company	1,167,140	1,314,249	11,714,493
Goodwill	137,705	139,290	1,241,555
Accumulated amortization of goodwill on the			
IFRSs transition date ¹	(7,989)	(6,899)	(61,494)
Stock acquisition rights	(62,980)	(80,326)	(715,982)
Other ²	(32,329)	(30,068)	(268,010)
Carrying amount of the interests in Alibaba	¥1,201,547	¥1,336,246	\$11,910,562

Notes:

1. Goodwill recorded by Alibaba from business combinations before the IFRSs transition date was amortized over the periods in which economic benefits were reasonably expected to be realized, when the Company applied the equity method to the investment in Alibaba under previous accounting principles (JGAAP). The adjustment amount above reflects the accumulated amortization of goodwill at the date of transition to IFRSs.
2. Other relates to adjustments mainly related to organization restructurings such as the transfer of Taobao shares in 2005 and the purchase of treasury stocks by Alibaba! Inc. in the U.S. in 2012.

c. Fair value of investment in Alibaba

The fair value of the investment in Alibaba based on market price is ¥9,036,776 million (\$80,548,855 thousand) as of March 31, 2017 (As of March 31, 2016: ¥7,103,981 million).

(2) Aggregated information on investment in insignificant associates and joint ventures

The aggregated information of insignificant investments accounted for using the equity method, other than (1) above (total amount of the Company's interests), is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Carrying amount of the interests			
Associates	¥380,511	¥327,184	\$2,916,338
Joint ventures	6,212	7,369	65,684
Total	¥386,723	¥334,553	\$2,982,022

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income			
Associates	¥(3,775)	¥(9,159)	\$ (81,638)
Joint ventures	(1,483)	545	4,858
Total	¥(5,258)	¥(8,614)	\$ (76,780)
Other comprehensive income, net of tax			
Associates	(417)	481	4,287
Joint ventures	(779)	658	5,865
Total	¥(1,196)	¥ 1,139	10,152
Total comprehensive income			
Associates	(4,192)	(8,678)	(77,351)
Joint ventures	(2,262)	1,203	10,723
Total	¥(6,454)	¥(7,475)	\$ (66,628)

17. Structured entities

(1) Consolidated structured entities

The Company owns investment funds which are structured entities consolidated by the Company. These funds are structured as venture funds in the form of partnerships and limited partnerships for investment, and designed so that the voting rights or similar rights are not determinant in evaluating control. The Company evaluated that it controls the operation of those structured entities.

The Company is engaged in investment commitment contracts with certain consolidated structured entities.

The Company has not provided, nor intends to provide, any significant financial support or other significant support to the consolidated structured entities without contractual obligation.

(2) Unconsolidated structured entities

The Company owns investment funds, which are structured entities unconsolidated by the Company. These funds are structured as venture funds in the form of partnerships, limited partnerships for investment and investment trusts, and designed so that the voting rights or similar rights are not determinant in evaluating control. The third parties control the operation of these structured entities. The funds are financed by the subscription by its partners.

The scale of the unconsolidated structured entities, the carrying amount of the investment in the entities by the Company, and the potential maximum loss exposure of the Company are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
Total assets of the unconsolidated structured entities (aggregate amount)	¥629,519	¥523,860	\$ 4,669,400
The maximum loss exposure of the Company			
The carrying amount of the investment recognized by the Company	75,733	62,079	553,338
Commitment contracts related to additional investment	16,437	18,540	165,255
Total	¥ 92,170	¥ 80,619	\$ 718,593

The investment recognized by the Company is included in “Investments accounted for using the equity method” or “Other financial assets (non-current)” in the consolidated statement of financial position. There is no liability to recognize related to unconsolidated structured entities.

The potential maximum loss exposure incurred from the involvement with the structured entities is limited to the total of the carrying amount of the Company’s investment and commitment regarding additional investment.

The Company's maximum loss exposure represents the potential maximum loss amount, and does not indicate any estimated loss amount by being involved with structured entities.

The Company has not provided, nor intends to provide, any financial support or other significant support to the unconsolidated structured entities above without contractual obligation.

18. Income taxes

(1) Tax expenses

The components of income tax expenses are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Current tax expenses	¥(219,931)	\$(2,831,589)
Deferred tax expenses	<u>(202,746)</u>	<u>4,677,609</u>
Total	<u>¥(422,677)</u>	<u>¥ 207,105</u>
		<u>\$ 1,846,020</u>

There is a reduction of current tax expense due to the benefit from net operating loss carryforwards, tax credit carryforwards and temporary differences that occurred in previous periods and that were unaccompanied by the recognition of deferred tax assets. The reduction of current tax expense for the year ended March 31, 2017 was ¥33,768 million (\$300,989 thousand) (for the fiscal year ended March 31, 2016: ¥30,023 million).

(2) Reconciliation of the statutory effective tax rate and actual tax rate

The reconciliation of the statutory effective tax rate and actual tax rate is as follows. The actual tax rate represents the ratio of income tax expenses to income before income tax.

	(Unit :%)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Statutory effective tax rate	33.1	31.7
Effect to temporary difference associated with investment by sales of shares of associates between consolidated subsidiaries	—	(76.3)
Effect from evaluating recoverability of deferred tax assets	17.4	15.9
Effect from profit or loss that does not impact taxable gain or loss	2.2	(7.5)
Aggregation of income earned by controlled foreign companies	—	3.8
Loss relating to loss of control	—	3.1
Impairment loss on goodwill	—	1.3
Difference in tax rate applied to subsidiaries	(2.2)	1.1
Gain from remeasurement relating to business combination	(2.1)	(0.8)
Change of deferred tax assets and liabilities by the change of effective tax rate	(1.7)	(0.4)
Other	<u>(0.7)</u>	<u>(1.0)</u>
Actual tax rate	<u>46.0</u>	<u>(29.1)</u>

The Company is subject to income taxes, residence taxes and deductible enterprise taxes. The statutory effective tax rate for the fiscal year ended March 31, 2017 based on these taxes is 31.7% (for the fiscal year ended March 31, 2016: 33.1%), except for foreign subsidiaries that are subject to income taxes at their respective locations.

In Japan, as the Act on the Partial Revision of the Income Tax Act (Article 15, 2016) and the Local Tax Law (Article 13, 2016) were enacted in the Diet on March 29, 2016, the statutory effective tax rate was changed from the fiscal year on and after April 1, 2016.

(3) Movement of deferred tax assets and deferred tax liabilities

The movement of deferred tax assets and deferred tax liabilities is as follows:

For the fiscal year ended March 31, 2016

	(Millions of yen)						
	As of March 31, 2015	Recognized in profit or loss	Recognized in other compre- hensive income	Business combination	Exchange differences	Other	As of March 31, 2016
Deferred tax assets							
Property, plant and equipment	¥ 72,624	¥ 49,136	¥ —	¥ 1,089	¥ (4,047)	¥ 433	¥ 119,235
Accrued expenses and other liabilities	267,229	(51,870)	202	1,765	(7,760)	(1,036)	208,530
Net operating loss carryforwards and tax credit carryforwards ¹	127,548	(43,307)	—	1,230	(5,054)	3	80,420
Temporary difference associated with investment in subsidiaries, associates and joint ventures	137	2,351	—	—	(20)	—	2,468
Other	104,819	(20,643)	8	5	(2,082)	97	82,204
Total	572,357	(64,333)	210	4,089	(18,963)	(503)	492,857
Deferred tax liabilities							
FCC licenses	(1,508,886)	(23,510)	—	—	95,552	—	(1,436,844)
Customer relationships	(216,238)	68,289	—	(18,285)	8,194	—	(158,040)
Trademarks	(298,794)	510	—	(9,759)	18,558	670	(288,815)
Temporary difference associated with investment in subsidiaries, associates and joint ventures ²	(256,430)	(114,516)	28,478	—	191	(8,154)	(350,431)
Other	(109,136)	(69,186)	(5,048)	(3,596)	6,891	11,048	(169,027)
Total	(2,389,484)	(138,413)	23,430	(31,640)	129,386	3,564	(2,403,157)
Net	¥(1,817,127)	¥(202,746)	¥23,640	¥(27,551)	¥110,423	¥ 3,061	¥(1,910,300)

Notes:

1. The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2015 or 2016, in the amount of ¥10,306 million for the fiscal year ended March 31, 2016. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized.
2. The increase in deferred tax liabilities from “Temporary difference associated with investment in subsidiaries, associates and joint ventures” is mainly due to the recognition of deferred tax liabilities on temporary differences on investment which mainly arose from dilution gain from changes in equity interest and income on equity method investments related to Alibaba. The amount of deferred tax liability recognized as of March 31, 2016 is ¥327,343 million.

For the fiscal year ended March 31, 2017

	(Millions of yen)							
	As of March 31, 2016	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination ¹	Exchange differences	Other	As of March 31, 2017	
Deferred tax assets								
Property, plant and equipment	¥ 119,235	¥ 5,282	¥ —	¥ —	¥ 509	¥ 2	¥ 125,028	
Accrued expenses and other liabilities	208,530	(51,483)	(27)	45	(2,032)	(1,183)	153,850	
Net operating loss carryforwards and tax credit carryforwards ²	80,420	(66,226)	—	9,831	(4,465)	51	19,611	
Temporary difference associated with investment in subsidiaries, associates and joint ventures ³	2,468	227,630	—	—	(2)	—	230,096	
Other	82,204	(15,949)	195	1,027	(298)	3,247	70,426	
Total	492,857	99,254	168	10,903	(6,288)	2,117	599,011	
Deferred tax liabilities								
FCC licenses	(1,436,844)	(19,567)	—	—	3,960	—	(1,452,451)	
Customer relationships	(158,040)	50,760	—	(27,233)	1,686	—	(132,827)	
Trademarks	(288,815)	1,070	—	(1,100)	1,210	—	(287,635)	
Technologies	—	8,312	—	(98,381)	(1,089)	—	(91,158)	
Temporary difference associated with investment in subsidiaries, associates and joint ventures ⁴	(350,431)	333,388	849	—	32	5,757	(10,405)	
Other	(169,027)	51,564	(16,606)	(832)	3,342	(29,362) ⁵	(160,921)	
Total	(2,403,157)	425,527	(15,757)	(127,546)	9,141	(23,605)	(2,135,397)	
Net	¥ (1,910,300)	¥ 524,781	¥ (15,589)	¥ (116,643)	¥ 2,853	¥ (21,488)	¥ (1,536,386)	
	(Thousands of U.S. dollars)							
	As of March 31, 2016	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination ¹	Exchange differences	Other	As of March 31, 2017	
Deferred tax assets								
Property, plant and equipment	\$ 1,062,795	\$ 47,081	\$ —	\$ —	\$ 4,537	\$ 18	\$ 1,114,431	
Accrued expenses and other liabilities	1,858,722	(458,891)	(241)	401	(18,112)	(10,545)	1,371,334	
Net operating loss carryforwards and tax credit carryforwards ²	716,820	(590,302)	—	87,628	(39,799)	455	174,802	
Temporary difference associated with investment in subsidiaries, associates and joint ventures ³	21,998	2,028,969	—	—	(18)	—	2,050,949	
Other	732,722	(142,161)	1,738	9,154	(2,656)	28,942	627,739	
Total	4,393,057	884,696	1,497	97,183	(56,048)	18,870	5,339,255	
Deferred tax liabilities								
FCC licenses	(12,807,238)	(174,409)	—	—	35,297	—	(12,946,350)	
Customer relationships	(1,408,682)	452,447	—	(242,740)	15,028	—	(1,183,947)	
Trademarks	(2,574,338)	9,537	—	(9,805)	10,785	—	(2,563,821)	
Technologies	—	74,089	—	(876,914)	(9,707)	—	(812,532)	
Temporary difference associated with investment in subsidiaries, associates and joint ventures ⁴	(3,123,549)	2,971,637	7,568	—	285	51,315	(92,744)	
Other	(1,506,613)	459,612	(148,017)	(7,416)	29,790	(261,717) ⁵	(1,434,361)	
Total	(21,420,420)	3,792,913	(140,449)	(1,136,875)	81,478	(210,402)	(19,033,755)	
Net	\$ (17,027,363)	\$ 4,677,609	\$ (138,952)	\$ (1,039,692)	\$ 25,430	\$ (191,532)	\$ (13,694,500)	

Notes:

1. The increase from "Business combination" is mainly due to the consolidation of ARM. The details are described in "(3) ARM" in "Note 5. Business combinations."
2. The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2016 or 2017, in the amount of ¥11,062 million (\$98,601 thousand) for the fiscal year ended March 31, 2017. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized.

3. The increase in deferred tax assets from “Temporary difference associated with investment in subsidiaries, associates and joint ventures” is due to the recognition of deferred tax assets on temporary differences on investment which arose from changes in the carrying amount on a tax basis, due to the sales of Alibaba shares to a subsidiary of the Company. The amount of deferred tax assets recognized as of March 31, 2017 is ¥229,980 million (\$2,049,915 thousand).

4. The decrease in deferred tax liabilities from “Temporary difference associated with investment in subsidiaries, associates and joint ventures” is mainly due to the write-off of deferred tax liabilities on temporary differences on investment which arose from sales of Alibaba shares. The amount of deferred tax liabilities recognized as of March 31, 2017 is ¥7,747 million (\$69,053 thousand).

5. The increase in deferred tax liabilities from “Other” is mainly due to the recognition of deferred tax liabilities of ¥38,979 million (\$347,437 thousand) for taxable profits in the foreseeable future, resulting from the sales of Supercell shares to a foreign subsidiary of the Company. In addition, deferred tax expenses of ¥38,979 million (\$347,437 thousand) is included in “Net income from discontinued operations” in the consolidated statement of income for the fiscal year ended March 31, 2017.

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
	As of March 31, 2017	As of March 31, 2017	
Deferred tax assets	¥ 172,864	¥ 404,994	\$ 3,609,894
Deferred tax liabilities	(2,083,164)	(1,941,380)	(17,304,394)
Net	¥(1,910,300)	¥(1,536,386)	\$(13,694,500)

(4) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

Deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards unaccompanied by the recognition of deferred tax assets are as follows. The amounts below are on a tax basis.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
	As of March 31, 2017	As of March 31, 2017	
Deductible temporary differences	¥ 404,965	¥ 609,386	\$ 5,431,732
Net operating loss carryforwards	954,868	852,142	7,595,525
Tax credit carryforwards	37,711	39,148	348,944
Total	¥1,397,544	¥1,500,676	\$13,376,201

Expiration of net operating loss carryforwards and tax credit carryforwards unaccompanied by recognition of deferred tax assets is as follows. There is no deductible temporary difference with an expiry date.

Net operating loss carryforwards (tax basis)	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
	As of March 31, 2017	As of March 31, 2017	
1st year	¥ 25,096	¥ 18,692	\$ 166,610
2nd year	10,421	14,978	133,506
3rd year	6,198	21,021	187,370
4th year	10,679	20,621	183,804
5th year and thereafter and no expiry date	902,474	776,830	6,924,235
Total	¥954,868	¥852,142	\$7,595,525

Tax credit carryforwards (tax basis)	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
	As of March 31, 2017	As of March 31, 2017	
1st year	¥ 297	¥ 8,254	\$ 73,572
2nd year	8,097	1,183	10,545
3rd year	1,189	2,438	21,731
4th year	2,449	2,598	23,157
5th year and thereafter and no expiry date	25,679	24,675	219,939
Total	¥ 37,711	¥ 39,148	\$ 348,944

In addition to the above, total deductible temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax assets related to the investment in subsidiaries, associates and joint ventures as of March 31, 2017 are ¥2,652,745 million (\$23,645,111 thousand) (as of March 31, 2016: ¥2,154,301 million).

(5) Taxable temporary differences unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries

Total taxable temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries as of March 31, 2017 are ¥1,645,736 million (\$14,669,186 thousand) (as of March 31, 2016: ¥1,128,346 million).

19. Interest-bearing debt

(1) Components of interest-bearing debt

The components of interest-bearing debt are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)		Average interest rate (%) ¹	Maturity ²
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017			
Current						
Short-term borrowings	¥ 515,408	¥ 667,664	\$ 5,951,190	1.13	—	
Commercial paper	42,000	80,000	713,076	0.07	—	
Current portion of long-term borrowings	743,225	1,128,510	10,058,918	1.77	—	
Current portion of corporate bonds ⁴	900,685	339,462	3,025,778	5.68	—	
Current portion of lease obligations	396,992	438,284	3,906,623	1.89	—	
Current portion of installment payables	48,299	40,173	358,079	1.81	—	
Total	<u>¥2,646,609</u>	<u>¥ 2,694,093</u>	<u>\$ 24,013,664</u>			
Non-current						
Long-term borrowings	1,785,500	3,377,625	30,106,293	1.86	Jul. 2018-Feb. 2026	
Corporate bonds ⁴	6,611,947	7,233,838	64,478,456	4.69	Jul. 2018-Sep. 2043	
Lease obligations	815,194	807,606	7,198,556	1.93	Apr. 2018-Apr. 2026	
Financial liabilities relating to the sale of shares by variable prepaid forward contract ³	—	715,448	6,377,110	1.59	Jun. 2019	
Installment payables	63,181	29,760	265,265	2.48	Apr. 2018-Nov. 2021	
Total	<u>¥9,275,822</u>	<u>¥12,164,277</u>	<u>\$108,425,680</u>			

Notes:

1. Average interest rate represents the weighted-average interest rate to the balance as of March 31, 2017.
2. Maturity represents the maturity of the outstanding balance as of March 31, 2017.
3. The details are described in "(2) Transaction for sale of Alibaba shares by variable prepaid forward contract."

4. A summary of the issuance condition of bonds is as follows:

Company name / Name of bond	Date of issuance	Balance of issue amount ⁵	As of March 31, 2016		As of March 31, 2017		As of March 31, 2017		Interest rate (%)	Date of maturity
			(Millions of yen) ⁶	(Millions of yen) ⁶	(Thousands of U.S. dollars) ⁶					
SoftBank Group Corp.										
35th Unsecured Straight					¥ 9,995	\$ 89,090				
Bond	Jan. 25, 2011	¥ 10,000 million	¥ 9,988	(9,995)	(89,090)	1.66	Jan. 25, 2018			
36th Unsecured Straight			99,982							
Bond	Jun. 17, 2011	—	(99,982)	—	—	1.00	Jun. 17, 2016			
39th Unsecured Straight				99,956	890,953					
Bond	Sep. 24, 2012	¥100,000 million	99,852	(99,956)	(890,953)	0.74	Sep. 22, 2017			
40th Unsecured Straight				9,996	89,099					
Bond	Sep. 14, 2012	¥ 10,000 million	9,986	(9,996)	(89,099)	0.73	Sep. 14, 2017			
41st Unsecured Straight			298,957							
Bond	Mar. 12, 2013	—	(298,957)	—	—	1.47	Mar. 10, 2017			
42nd Unsecured Straight			69,938							
Bond	Mar. 1, 2013	—	(69,938)	—	—	1.47	Mar. 1, 2017			
43rd Unsecured Straight										
Bond	Jun. 20, 2013	¥400,000 million	397,795	398,813	3,554,800	1.74	Jun. 20, 2018			
44th Unsecured Straight										
Bond	Nov. 29, 2013	¥ 50,000 million	49,850	49,883	444,630	1.69	Nov. 27, 2020			
45th Unsecured Straight										
Bond	May 30, 2014	¥300,000 million	297,608	298,384	2,659,631	1.45	May 30, 2019			
46th Unsecured Straight										
Bond	Sep. 12, 2014	¥400,000 million	396,497	397,522	3,543,293	1.26	Sep. 12, 2019			
47th Unsecured Straight										
Bond	Jun. 18, 2015	¥100,000 million	98,919	99,178	884,018	1.36	Jun. 18, 2020			
48th Unsecured Straight										
Bond	Dec. 10, 2015	¥370,000 million	365,529	366,200	3,264,106	2.13	Dec. 9, 2022			
49th Unsecured Straight										
Bond	Apr. 20, 2016	¥ 20,000 million	—	19,919	177,547	1.94	Apr. 20, 2023			
50th Unsecured Straight										
Bond	Apr. 20, 2016	¥ 30,000 million	—	29,862	266,173	2.48	Apr. 20, 2026			
51st Unsecured Straight										
Bond	Mar. 16, 2017	¥400,000 million	—	394,989	3,520,715	2.03	Mar. 15, 2024			
52nd Unsecured Straight										
Bond	Mar. 8, 2017	¥ 50,000 million	—	49,777	443,685	2.03	Mar. 8, 2024			
USD-denominated Senior										
Notes due 2020	Apr. 23, 2013	\$ 2,485 million	277,330	276,791	2,467,163	4.50	Apr. 15, 2020			
USD-denominated Senior										
Notes due 2022	Jul. 28, 2015	\$ 1,000 million	110,982	110,770	987,343	5.38	Jul. 30, 2022			
USD-denominated Senior										
Notes due 2025	Jul. 28, 2015	\$ 1,000 million	110,921	110,628	986,077	6.00	Jul. 30, 2025			
Euro-denominated Senior										
Notes due 2020	Apr. 23, 2013	€ 625 million	78,951	74,263	661,940	4.63	Apr. 15, 2020			
Euro-denominated Senior										
Notes due 2022	Jul. 28, 2015	€ 500 million	62,834	59,094	526,731	4.00	Jul. 30, 2022			
Euro-denominated Senior										
Notes due 2025	Jul. 28, 2015	€ 1,250 million	157,167	147,681	1,316,347	4.75	Jul. 30, 2025			
Euro-denominated Senior										
Notes due 2027	Jul. 28, 2015	€ 500 million	62,797	58,995	525,849	5.25	Jul. 30, 2027			
1st Unsecured Subordinated										
Corporate Bond	Dec. 19, 2014	¥400,000 million	393,792	394,887	3,519,806	2.50	Dec. 17, 2021			
2nd Unsecured Subordinated										
Corporate Bond	Feb. 9, 2015	¥450,000 million	442,811	444,043	3,957,954	2.50	Feb. 9, 2022			
1st Unsecured Subordinated										
Bonds with interest deferrable clause and early redeemable option (with a subordination provision) ^{7,8}	Sep. 16, 2016	¥ 55,600 million	—	55,080	490,953	3.00	Sep. 13, 2041			
2nd Unsecured Subordinated										
Bonds with interest deferrable clause and early redeemable option (with a subordination provision) ^{7,9}	Sep. 16, 2016	¥ 15,400 million	—	15,251	135,939	3.50	Sep. 16, 2043			

Company name / Name of bond	Date of issuance	Balance of issue amount ⁵	As of March 31, 2016		As of March 31, 2017		As of March 31, 2017		Interest rate (%)	Date of maturity
			(Millions of yen) ⁶	(Millions of yen) ⁶	(Thousands of U.S. dollars) ⁶	(%)	(Thousands of U.S. dollars) ⁶	(%)		
3rd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) ^{7,10}	Sep. 30, 2016	¥400,000 million	—	392,478	3,498,333	3.00	Sep. 30, 2041			
Subtotal			3,892,486	4,364,435	38,902,175					
			(468,877)	(119,947)	(1,069,142)					
Sprint Corporation										
7.25% Notes due 2021	Sep. 11, 2013	\$ 2,250 million	250,800	250,207	2,230,208	7.25	Sep. 15, 2021			
7.875% Notes due 2023	Sep. 11, 2013	\$ 4,250 million	473,274	471,965	4,206,837	7.88	Sep. 15, 2023			
7.125% Notes due 2024	Dec. 12, 2013	\$ 2,500 million	278,258	277,466	2,473,179	7.13	Jun. 15, 2024			
7.625% Notes due 2025	Feb. 24, 2015	\$ 1,500 million	166,942	166,449	1,483,635	7.63	Feb. 15, 2025			
Subtotal			1,169,274	1,166,087	10,393,859					
Sprint Communications, Inc. ¹¹										
Export Development	Dec. 17, 2014	\$ 300 million	33,677	33,562	299,153	3.48	Dec. 17, 2019			
Canada Facility (Tranche 3) ^{12, 13}			—	—	—					
Export Development	Dec. 15, 2015		28,120	—	—	6.23	Dec. 15, 2017			
Canada Facility (Tranche 4) ¹⁴			—	—	—					
6% Senior Notes due 2016	Nov. 20, 2006		228,186 (228,186)	—	—	6.00	Dec. 1, 2016			
9.125% Senior Notes due 2017 ..	Mar. 1, 2012		117,175 (117,175)	—	—	9.13	Mar. 1, 2017			
8.375% Senior Notes due 2017 ..	Aug. 13, 2009	\$ 1,300 million	152,808	147,604 (147,604)	1,315,661 (1,315,661)	8.38	Aug. 15, 2017			
9% Guaranteed Notes due 2018	Nov. 9, 2011	\$ 3,000 million	367,908	355,457	3,168,348	9.00	Nov. 15, 2018			
7% Guaranteed Notes due 2020	Mar. 1, 2012	\$ 1,000 million	118,404	116,549	1,038,854	7.00	Mar. 1, 2020			
7% Senior Notes due 2020	Aug. 14, 2012	\$ 1,500 million	173,618	171,923	1,532,427	7.00	Aug. 15, 2020			
11.5% Senior Notes due 2021 ..	Nov. 9, 2011	\$ 1,000 million	140,716	135,814	1,210,571	11.50	Nov. 15, 2021			
9.25% Debentures due 2022 ¹⁵ ..	Apr. 15, 1992	\$ 200 million	25,979	25,382	226,241	9.25	Apr. 15, 2022			
6% Senior Notes due 2022	Nov. 14, 2012	\$ 2,280 million	254,072	253,323	2,257,983	6.00	Nov. 15, 2022			
Subtotal			1,640,663 (345,361)	1,239,614 (147,604)	11,049,238 (1,315,661)					
Sprint Capital Corporation ¹¹										
6.9% Senior Notes due 2019 ..	May 6, 1999	\$ 1,729 million	198,603	196,611	1,752,482	6.90	May 1, 2019			
6.875% Senior Notes due 2028 ..	Nov. 16, 1998	\$ 2,475 million	260,812	260,563	2,322,515	6.88	Nov. 15, 2028			
8.75% Senior Notes due 2032 ..	Mar. 14, 2002	\$ 2,000 million	240,571	239,029	2,130,574	8.75	Mar. 15, 2032			
Subtotal			699,986	696,203	6,205,571					
Clearwire Communications LLC ¹¹										
14.75% First-Priority Senior Secured Notes due 2016 ¹³ ..	Jan. 27, 2012		36,374 (36,374)	—	—	14.75	Dec. 1, 2016			
8.25% Exchangeable			73,749	71,761	639,638					
Notes due 2040	Dec. 8, 2010	\$ 629 million	(50,073)	(71,761)	(639,638)	8.25	Dec. 1, 2040			
Subtotal			110,123 (86,447)	71,761 (71,761)	639,638 (639,638)					
Other companies										
Straight Bond	May 25, 2012	¥ 35,200 million	100	35,200 (150)	313,753 (1,337)	0.04	May 25, 2017			
		Feb. 28, 2017								
Subtotal			100	35,200 (150)	313,753 (1,337)	0.70	Feb 28, 2024			
Total			¥7,512,632 (900,685)	¥7,573,300 (339,462)	\$67,504,234 (3,025,778)					

Notes:

5. Balance of issue amount is as of March 31, 2017.
6. Figures in parentheses as of March 31, 2016 and March 31, 2017 represent the current portion.
7. The interest rate stated above is at the time of issuance. The bond has a step-up coupon provision and its interest rate may increase in the future.

- 8. The bond has an early redeemable option at the Company's discretion from September 16, 2021 and each interest date after September 16, 2021.
- 9. The bond has an early redeemable option at the Company's discretion from September 16, 2023 and each interest date after September 16, 2023.
- 10. The bond has an early redeemable option at the Company's discretion from September 30, 2021 and each interest date after September 30, 2021.
- 11. Sprint Communications, Inc., Sprint Capital Corporation and Clearwire Communications LLC are Sprint Corporation's subsidiaries.
- 12. The interest rates are floating interest rates, and the above interest rates represent the rates as of March 31, 2017.
- 13. Collateral is pledged against these bonds. The details are described in "(5) Assets pledged as collateral."
- 14. The notes are redeemed early as of March 31, 2017. The interest rates are floating interest rates, and the above interest rates represent the rates at the time of redemption.

(2) Transaction for sale of Alibaba shares by variable prepaid forward contract

On June 10, 2016, West Raptor Holdings, LLC ("WRH LLC"), a wholly-owned subsidiary of the Company, entered into a variable prepaid forward contract to sell Alibaba shares with a newly formed trust, Mandatory Exchangeable Trust (the "Trust"), and received proceeds of ¥578,436 million (\$5.4 billion) as advances received on the sale.

The Trust, on the other hand, utilized Alibaba shares scheduled to be transferred from WRH LLC at the time of settlement under the contract and issued \$6.6 billion of Mandatory Exchangeable Trust Securities ("Trust Securities") which are mandatorily exchangeable into American depositary shares ("ADSs") of Alibaba. The proceeds from the sale received by WRH LLC from the Trust was \$5.4 billion, which is after certain amounts from the \$6.6 billion total of Trust Securities were deducted in order to purchase U.S. Treasury securities, which would fund distributions on the Trust Securities, and to cover expenses for the issuance of the Trust Securities.

The settlement of the Alibaba shares based on the variable prepaid forward contract is conducted concurrently with the exchange of Trust Securities. At the exchange date, which is expected to be the first scheduled trading day after June 1, 2019, Trust Securities are exchanged for a certain number of ADSs, determined by reference to the trading price of the ADSs at that time, and the number of Alibaba shares sold by the variable prepaid forward contract is determined by this number of ADSs. A cap and a floor are set for the number of shares settled, and the variable prepaid forward contract is classified as a hybrid financial instrument with embedded derivatives of collar transaction.

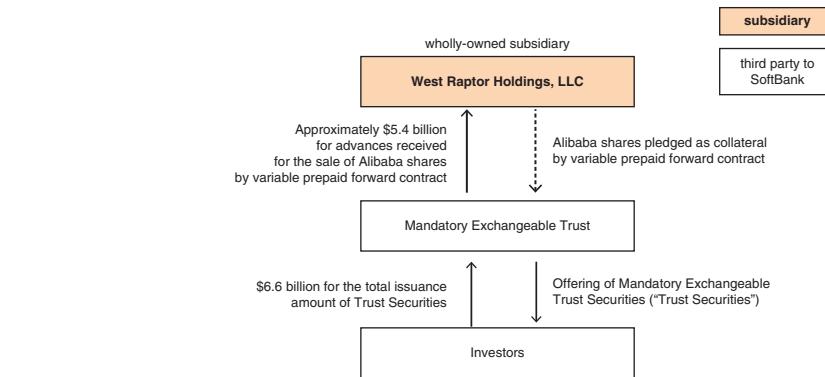
The Company accounts for the variable prepaid forward contract by bifurcating the main contracts and embedded derivatives. The Company received ¥578,436 million (\$5,155,860 thousand) and initially recognized ¥674,023 million (\$6,007,871 thousand) as financial liabilities relating to the sale of shares by variable prepaid forward contract and ¥95,587 million (\$852,010 thousand) as derivative assets. Subsequent to initial recognition, financial liabilities relating to the sale of shares through the variable prepaid forward contract are measured at amortized cost and embedded derivatives are measured at fair value; ¥715,448 million (\$6,377,110 thousand) is recognized as financial liabilities relating to the sale of shares through the variable prepaid forward contract in interest-bearing debt (non-current liabilities) and ¥143,935 million (\$1,282,958 thousand) is recognized as derivative liabilities in other financial liabilities (non-current liabilities) in the consolidated statement of financial position as of March 31, 2017; ¥232,729 million (\$2,074,418 thousand) is recognized as a derivative loss in the consolidated statement of income for the fiscal year ended March 31, 2017. The details are described in "(2) Financial risk management a. Market risk (b) Price risk" in "Note 25. Financial instruments."

WRH LLC has the option ("cash settlement option") to settle the variable prepaid forward contract by either delivering cash or a combination of cash and Alibaba shares. If WRH LLC elects the cash settlement option, the cash equivalent to the fair value of the number of shares for the settlement, which is determined by the transaction price of ADSs, will be paid.

Also, WRH LLC has the option ("early settlement option") to settle the variable prepaid forward contract prior to the scheduled settlement date. Settlement of the variable prepaid forward contract may be made prior to the scheduled settlement date if WRH LLC elects the early settlement option or under certain circumstances.

Alibaba shares held by WRH LLC are pledged as collateral. The Company applies the equity method to these shares and they are included in "Investments accounted for using the equity method" in the consolidated statement of financial position as of March 31, 2017. The carrying amount of Alibaba shares pledged as collateral by the Company is ¥154,440 million (\$1,376,593 thousand) as of March 31, 2017.

Outline of the transaction



Note:

In order to represent the main point of the transaction, the outline shows only the main components related to the transaction and the relationship between the Company and each company in a simplified manner.

(3) Financial covenants

a. Financial covenants on interest-bearing debts of SoftBank Group Corp.

SoftBank Group Corp.'s interest-bearing debt includes financial covenants and the major financial covenants are as follows:

- (a) The amount of SoftBank Group Corp.'s net assets at the end of the fiscal year must not fall below 75% of SoftBank Group Corp.'s net assets at the end of the previous year.
- (b) The consolidated statement of financial position of the Company at the end of the fiscal year must not show a net capital deficiency. The statement of financial position of SoftBank Corp. at the end of the fiscal year must not show a net capital deficiency.
- (c) In the Company's consolidated financial statements, operating income (loss) or net income (loss) attributable to the owner of the parent company must not result in losses for two consecutive years.
- (d) Adjusted net interest-bearing debts¹ or leverage ratios² designated in the loan agreement must not exceed certain respective amounts or numbers at the end of each annual reporting period and at the end of the second quarter. The threshold amounts of adjusted net interest-bearing debts and leverage ratios shall be softened when the balance of cash and cash equivalents and the fair value of particular listed shares held by SoftBank Group Corp. exceed certain amounts, respectively.

Notes:

- 1. Adjusted net interest-bearing debts:
Amounts deducting cash and cash equivalents from interest-bearing debts in the consolidated statement of financial position. Certain adjustments are made such as excluding certain listed subsidiaries such as Sprint from the subject.
- 2. Leverage ratio:
Adjusted net interest-bearing debt / adjusted EBITDA³
- 3. Adjusted EBITDA:
Certain adjustments are made to EBITDA such as excluding listed subsidiaries such as Sprint.

b. Financial covenants on interest-bearing debts of Sprint

Major covenants on the interest-bearing debt issued by Sprint are as follows:

- (a) Holders of a portion (\$24.1 billion) of interest-bearing debts of Sprint are provided with the right to require Sprint to repurchase the interest-bearing debts if there is a change of control and if there is a decline, to a certain extent, in ratings of the applicable interest-bearing debts by the Rating Services.
- (b) It is required that as of the last day of each quarter, Sprint's ratio of total indebtedness¹ to adjusted EBITDA² should not exceed a certain threshold level. Exceeding the ratio could result in the maturities being accelerated. The limit for the ratio was 6.00 as of March 31, 2017.

Notes:

- 1. Total indebtedness: the sum of Sprint's outstanding debt (excluding trade payables) and guarantee of indebtedness, with certain adjustments defined in contracts with lenders.
- 2. Adjusted EBITDA: Trailing four quarters EBITDA including adjustments defined in contract with lenders.

(4) Borrowings related to equity securities lending contract

The Company entered into a securities lending contract regarding stocks of certain subsidiaries. As of March 31, 2017, the amount of the received cash is recognized as short-term borrowings of ¥399,402 million (\$3,560,050 thousand) (as of March 31, 2016: ¥149,050 million) and included in interest-bearing debt.

(5) Assets pledged as collateral

Assets pledged as collateral for liabilities are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Cash and cash equivalents	¥ 496	¥ 325	\$ 2,897
Trade and other receivables	9,248	7,154	63,767
Other financial assets (current) ¹	31,131	4,397	39,192
Inventories	2,704	2,818	25,118
Property, plant and equipment	238,127	661,029	5,892,050
Investments accounted for using the equity method ² ..	—	154,440	1,376,593
Total	<u>¥281,706</u>	<u>¥830,163</u>	<u>\$7,399,617</u>

Liabilities related to these assets pledged as collateral are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Trade and other payables ¹	¥ 21,623	¥ 4,397	\$ 39,192
Interest-bearing debt			
Short-term borrowings	6,695	179	1,596
Current portion of long-term borrowings	82,031	204,426	1,822,141
Long-term borrowings	80,082	79,071	704,796
Financial liabilities relating to sale of shares by variable prepaid forward contract ²	—	715,448	6,377,110
Total	<u>¥190,431</u>	<u>¥1,003,521</u>	<u>\$8,944,835</u>

Other than the above, the following assets are pledged as collateral.

a. Sprint

As of March 31, 2016, approximately \$13.6 billion (before consolidation adjustments) in the assets of a subsidiary, Clearwire Communications LLC, is pledged as collateral for the \$0.3 billion corporate bond issued by Clearwire Communications LLC.

As of March 31, 2017, approximately \$74.4 billion (before consolidation adjustments) in the assets of Sprint is pledged as collateral for approximately the \$8.3 billion borrowing and corporate bonds.

b. Brightstar

As of March 31, 2017, approximately \$2.0 billion (before consolidation adjustments) (for the fiscal year ended March 31, 2016: \$2.8 billion) of the assets of Brightstar were pledged as collateral on the \$0.7 billion (as of March 31, 2016: \$0.7 billion) borrowing.

Notes:

1. These are trade payables for Brightstar; “Derivative deposits” included in “Other financial assets (current)” that are pledged as collateral.
2. The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract.”

(6) Assets with limited property rights

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Property, plant and equipment	¥109,602	¥ 80,847	\$720,626
Intangible assets	35,286	26,376	235,101
Other non-current assets	69	19	169
Total	<u>¥144,957</u>	<u>¥107,242</u>	<u>\$955,896</u>

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Interest-bearing debt			
Current portion of installment payables ...	¥ 41,538	¥36,580	\$326,054
Installment payables	<u>60,963</u>	<u>24,268</u>	<u>216,312</u>
Total	<u>¥102,501</u>	<u>¥60,848</u>	<u>\$542,366</u>

Other than the above, the lessor retains the property rights of leased assets in finance lease obligations. The details are described in “Note 12. Property, plant and equipment,” “Note 13. Goodwill and intangible assets” and “Note 14. Leases.”

(7) Components of increase in short-term interest-bearing debt, net

The components of “Increase in short-term interest-bearing debt, net” in the consolidated statement of cash flows are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net increase of short-term borrowings	¥118,135	¥322,216	\$2,872,056
Net increase of commercial paper	<u>10,000</u>	<u>38,000</u>	<u>338,711</u>
Total	<u>¥128,135</u>	<u>¥360,216</u>	<u>\$3,210,767</u>

(8) Components of proceeds from long-term interest-bearing debt

The components of “Proceeds from long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Proceeds from long-term borrowings	¥ 557,072	¥2,715,725	\$24,206,480
Proceeds from issuance of corporate bonds	1,053,258	1,006,000	8,966,931
Proceeds from sale-leaseback of newly acquired equipment	519,353	492,369	4,388,707
Proceeds from advances received for sale of shares by variable prepaid forward contract*	—	578,436	5,155,860
Total	<u>¥2,129,683</u>	<u>¥4,792,530</u>	<u>\$42,717,978</u>

Note:

* The amount was received as advances for sale of Alibaba shares by variable prepaid forward contract. The variable prepaid forward contract is a hybrid financial instrument. Regarding the proceeds of ¥578,436 million (\$5,155,860 thousand), financial liabilities relating to the sale of shares through the variable prepaid forward contract and derivatives are accounted for and recorded separately. The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract.”

(9) Components of repayment of long-term interest-bearing debt

The components of “Repayment of long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Repayment of long-term borrowings	¥ (684,397)	¥ (920,315)
Redemption of corporate bonds	(203,281)	(862,281)
Payment of lease obligations	(468,061)	(459,788)
Payment of installment payables	(49,029)	(40,683)
Redemption of preferred securities	(200,000)	—
Total	<u>¥(1,604,768)</u>	<u>¥(2,283,067)</u>
		<u>\$(20,350,004)</u>

20. Trade and other payables

The components of trade and other payables are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017
Operating payables	¥1,492,481	\$13,021,116
Other	128,714	1,306,837
Total	<u>¥1,621,195</u>	<u>\$14,327,953</u>

21. Other financial liabilities

The components of other financial liabilities are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017
Non-current		
Derivative financial liabilities	¥71,677	\$2,265,318
Other	23,987	294,883
Total	<u>¥95,664</u>	<u>\$2,560,201</u>

22. Other current liabilities and other non-current liabilities

The components of other current liabilities and other non-current liabilities are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017
Current		
Deferred revenue	¥295,129	\$1,954,764
Short-term accrued employee benefits	129,006	1,128,692
Accrued interest expense	84,761	715,135
Consumption tax payable and other	118,070	961,779
Other	67,999	579,643
Total	<u>¥694,965</u>	<u>\$5,340,013</u>
Non-current		
Deferred revenue	¥125,778	\$ 911,579
Unfavorable lease contracts	93,618	654,319
Other	119,469	1,088,269
Total	<u>¥338,865</u>	<u>\$2,654,167</u>

Unfavorable lease contracts were recognized as liabilities based on the estimated fair value of the unfavorable portion of future cash flows if, at the time of business combination of Sprint, the terms of operating lease contracts in which the acquiree is the lessee are unfavorable compared to market terms. Reversal of unfavorable lease contracts is deducted from operating lease expense.

23. Provisions

The changes in the provisions are as follows:

	(Millions of yen)					
	Asset retirement obligations	Restructuring provisions	Provision for loss on interest repayment	Provision for onerous contract	Other	Total
As of April 1, 2016	¥ 81,875	¥ 37,000	¥20,281	¥16,683	¥19,157	¥174,996
Recognition of provisions	7,535	9,542	—	2,330	4,070	23,477
Interest due to passage of time ..	4,916	2,006	—	—	700	7,622
Used	(12,041)	(15,972)	(3,391)	(4,430)	(5,533)	(41,367)
Reversal of provisions	—	(4,117)	—	—	(413)	(4,530)
Change in estimate ¹	32,528	1,690	—	—	556	34,774
Exchange differences	850	(252)	—	—	(192)	406
Other	(57)	—	—	—	(229)	(286)
As of March 31, 2017	<u>¥115,606</u>	<u>¥ 29,897</u>	<u>¥16,890</u>	<u>¥14,583</u>	<u>¥18,116</u>	<u>¥195,092</u>
Current liabilities	¥ 20,221	¥ 14,671	¥ 2,788	¥ 6,085	¥12,597	¥ 56,362
Non-current liabilities	95,385	15,226	14,102	8,498	5,519	138,730
Total	<u>¥115,606</u>	<u>¥ 29,897</u>	<u>¥16,890</u>	<u>¥14,583</u>	<u>¥18,116</u>	<u>¥195,092</u>

	(Thousands of U.S. dollars)					
	Asset retirement obligations	Restructuring provisions	Provision for loss on interest repayment	Provision for onerous contract	Other	Total
As of April 1, 2016	\$ 729,789	\$ 329,798	\$180,774	\$148,703	\$170,754	\$1,559,818
Recognition of provisions	67,163	85,052	—	20,768	36,278	209,261
Interest due to passage of time	43,819	17,880	—	—	6,239	67,938
Used	(107,327)	(142,366)	(30,226)	(39,486)	(49,318)	(368,723)
Reversal of provisions	—	(36,697)	—	—	(3,681)	(40,378)
Change in estimate ¹	289,937	15,064	—	—	4,956	309,957
Exchange differences	7,576	(2,246)	—	—	(1,711)	3,619
Other	(509)	—	—	—	(2,040)	(2,549)
As of March 31, 2017	<u>\$1,030,448</u>	<u>\$ 266,485</u>	<u>\$150,548</u>	<u>\$129,985</u>	<u>\$161,477</u>	<u>\$1,738,943</u>
Current liabilities	\$ 180,239	\$ 130,769	\$ 24,851	\$ 54,238	\$112,283	\$ 502,380
Non-current liabilities	850,209	135,716	125,697	75,747	49,194	1,236,563
Total	<u>\$1,030,448</u>	<u>\$ 266,485</u>	<u>\$150,548</u>	<u>\$129,985</u>	<u>\$161,477</u>	<u>\$1,738,943</u>

Notes:

1. Sprint reflected current market assessment of specific risk in the estimate of discount rate. As a result, the discount rate in Sprint decreased for the year ended March 31, 2017. With this change, the amount of "Provisions" and "Property, plant and equipment" in the consolidated statement of financial position as of March 31, 2017 increased by ¥21,351 million (\$202 million) and ¥13,920 million (\$131 million) respectively. Also, the amount of "Cost of sales" in the consolidated statement of income for the year ended March 31, 2017 increased by ¥5,185 million (\$49 million) and "Other operating loss" decreased by ¥2,246 million (\$22 million).
2. SoftBank Corp. considered the demand of communication traffic, efficient operation of communication equipment and equipment replacement. As a result, it has become highly probable that certain communications equipment will be disposed, and SoftBank Corp. recognized asset retirement obligations. With this change, the amount of "Provisions" and "Property, plant and equipment" in the consolidated statement of financial position as of March 31, 2017 increased by ¥13,802 million (\$123,023 thousand) and ¥11,418 million (\$101,774 thousand) respectively. Also, the amount of "Cost of sales" in the consolidated statement of income for the year ended March 31, 2017 increased by ¥2,387 million (\$21,276 thousand).

Asset retirement obligations

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal of equipment, such as part of base stations, certain offices (including the head office), data centers and network centers. The estimate is based on the assumption at present and is subject to changes depending on revised future assumptions.

Restructuring provision

The restructuring provision consists mainly of a network shutdown provision and backhaul² access provision.

(Network shutdown provision)

The network shutdown provision resulted from Sprint recognizing lease exit costs mainly related to the shutdown of the Nextel and Clearwire platform. The majority of the remaining network shutdown provision is expected to be utilized within 5-7 years. The amount and timing of these costs are estimated based upon current network plans which are subject to modification.

(Backhaul access provision)

The backhaul access provision reflects exit costs related to payments that will continue to be made under Sprint's backhaul access contracts for which it will no longer be receiving any economic benefit. The majority of the backhaul access provision relates to Sprint's network modernization activities and is expected to be utilized by December 31, 2018. The amount and timing of these costs are estimates based upon current network plans which are subject to modifications.

Note:

² Backhaul is an intermediary network that connects the cell towers to the local switching center.

Provision for loss on interest repayment

Provision for loss on interest repayment is recorded based on an amount representing future expected claims in order to prepare for future claims by debtors and others, for repayment of interest paid in excess of the rate permitted under the Interest Rate Restriction Act. The amount of claims for the interest repayment might fluctuate from changes in market environment and other factors.

Provision for onerous contract

SoftBank Corp. recognized provision for the excess of expected future cost of delivery for a contracted communication service over its contracted amount.

Most of the provision is expected to be used by March 31, 2019. The amount and the expected timing of payment are based on the current network plan and are subject to change.

24. Retirement benefits

The Company primarily has defined contribution pension plans for its employees.

(1) Defined contribution plans

Retirement benefit cost of defined contribution plans is as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Retirement benefit cost of defined contribution plans	¥10,678 _____	¥8,676 _____

(2) Defined benefit plans

(Japan)

SoftBank Corp. has frozen its defined benefit lump-sum plans since March 2007 and 2006. All of the employees who worked at SoftBank Corp. at the time when the defined benefit lump-sum plans were frozen are still maintained within the frozen defined benefit lump-sum plans.

SoftBank Corp. is responsible for providing the defined benefit lump-sum plans to recipients directly. Obligations for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until the benefits are paid to employees in the form of a lump sum payment at the time of retirement.

(U.S.)

Sprint has a defined benefit pension plan for certain employees. Sprint has frozen its defined benefit pension plan since December 2005. Obligations for the frozen defined benefit pension plan are recognized as defined benefit liabilities until the benefits are paid to employees at the time of retirement.

a. Changes in the present value of defined benefit obligations and the fair value of plan assets

Changes in the present value of defined benefit obligations and the fair value of plan assets are as follows:

For the fiscal year ended March 31, 2016

	(Millions of yen)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2015	¥13,667	¥ 114,615	¥ 128,282
Changes in the present value of defined benefit obligations:			
As of April 1, 2015	13,667	275,461	289,128
Business combination	2,024	—	2,024
Service cost	351	33	384
Interest cost	112	11,269	11,381
Remeasurements:			
Actuarial gains (losses) arising from changes in demographic assumptions	2	(7,405)	(7,403)
Actuarial gains (losses) arising from changes in financial assumptions	698	(3,872)	(3,174)
Experience adjustments	3	1,238	1,241
Benefits paid	(1,071)	(9,647)	(10,718)
Exchange differences	—	(17,098)	(17,098)
Other	(185)	(1,070)	(1,255)
As of March 31, 2016	15,601	248,909	264,510
Changes in the fair value of plan assets:			
As of April 1, 2015	—	(160,846)	(160,846)
Interest income	—	(6,597)	(6,597)
Remeasurements:			
Return on plan assets	—	9,196	9,196
Benefits paid	—	8,411	8,411
Employer contributions	—	(743)	(743)
Exchange differences	—	9,828	9,828
As of March 31, 2016	—	(140,751)	(140,751)
Defined benefit liabilities, net			
As of March 31, 2016	¥15,601	¥ 108,158	¥ 123,759

For the fiscal year ended March 31, 2017

	(Millions of yen)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2016	¥15,601	¥ 108,158	¥ 123,759
Changes in the present value of defined benefit obligations:			
As of April 1, 2016	15,601	248,909	264,510
Service cost	512	1	513
Interest cost	(5)	10,047	10,042
Remeasurements:			
Actuarial losses arising from changes in demographic assumptions	—	(3,687)	(3,687)
Actuarial losses arising from changes in financial assumptions	(89)	(54)	(143)
Experience adjustments	(2)	(201)	(203)
Benefits paid	(752)	(9,768)	(10,520)
Exchange differences	—	(625)	(625)
Other	(132)	(218)	(350)
As of March 31, 2017	15,133	244,404	259,537
Changes in the fair value of plan assets:			
As of April 1, 2016	—	(140,751)	(140,751)
Interest income	—	(5,786)	(5,786)
Remeasurements:			
Return on plan assets	—	(8,194)	(8,194)
Benefits paid	—	9,190	9,190
Employer contributions	—	(6,080)	(6,080)
Exchange differences	—	256	256
As of March 31, 2017	—	(151,365)	(151,365)
Defined benefit liabilities, net			
As of March 31, 2017	<u>¥15,133</u>	<u>¥ 93,039</u>	<u>¥ 108,172</u>
	(Thousands of U.S. dollars)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2016	\$139,059	\$ 964,061	\$ 1,103,120
Changes in the present value of defined benefit obligations:			
As of April 1, 2016	139,059	2,218,638	2,357,697
Service cost	4,564	9	4,573
Interest cost	(44)	89,553	89,509
Remeasurements:			
Actuarial losses arising from changes in demographic assumptions	—	(32,864)	(32,864)
Actuarial losses arising from changes in financial assumptions	(794)	(481)	(1,275)
Experience adjustments	(17)	(1,792)	(1,809)
Benefits paid	(6,703)	(87,067)	(93,770)
Exchange differences	—	(5,570)	(5,570)
Other	(1,178)	(1,942)	(3,120)
As of March 31, 2017	134,887	2,178,484	2,313,371
Changes in the fair value of plan assets:			
As of April 1, 2016	—	(1,254,577)	(1,254,577)
Interest income	—	(51,573)	(51,573)
Remeasurements:			
Return on plan assets	—	(73,037)	(73,037)
Benefits paid	—	81,915	81,915
Employer contributions	—	(54,194)	(54,194)
Exchange differences	—	2,281	2,281
As of March 31, 2017	—	(1,349,185)	(1,349,185)
Defined benefit liabilities, net			
As of March 31, 2017	<u>\$134,887</u>	<u>\$ 829,299</u>	<u>\$ 964,186</u>

b. Fair value of plan assets

Fair value of plan assets is as follows:

As of March 31, 2016

(U.S.)

	(Millions of yen)		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
U.S. equities	¥24,020	¥12,287	¥ 36,307
International equities (other than U.S.)	10,598	10,897	21,495
Fixed-income investments	—	45,224	45,224
Real estate investments	—	15,737	15,737
Other	8,287	13,701	21,988
Total	<u>¥42,905</u>	<u>¥97,846</u>	<u>¥140,751</u>

As of March 31, 2017

(U.S.)

	(Millions of yen)		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
U.S. equities	¥25,061	¥ 26,074	¥ 51,135
International equities (other than U.S.)	11,843	108	11,951
Fixed-income investments	—	47,653	47,653
Real estate investments	—	14,862	14,862
Other	11,962	13,802	25,764
Total	<u>¥48,866</u>	<u>¥102,499</u>	<u>¥151,365</u>

	(Thousands of U.S. dollars)		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
U.S. equities	\$223,380	\$232,409	\$ 455,789
International equities (other than U.S.)	105,562	963	106,525
Fixed-income investments	—	424,753	424,753
Real estate investments	—	132,472	132,472
Other	106,623	123,023	229,646
Total	<u>\$435,565</u>	<u>\$913,620</u>	<u>\$1,349,185</u>

The targeted investment allocation ratio is set based on an asset allocation policy for the investment portfolio of the pension plan to achieve a long-term nominal rate of return, net of fees, which exceeds the plan's long-term expected rate of return on investments for funding purposes.

The plan's long-term expected rate of return on investments for funding purposes is 7.75% as of March 31, 2017 (7.75% as of March 31, 2016). The current targeted investment allocation ratio is disclosed below. Actual allocations are allowed to deviate from target allocation percentages within a range for each asset class as defined in the investment policy.

Targeted investment allocation ratio (%)

	As of March 31, 2016	As of March 31, 2017
U.S. equities	38	38
International equities (other than U.S.)	16	16
Fixed-income investments	28	28
Real estate investments	9	9
Other	9	9

c. Actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations are as follows:

	As of March 31, 2016		As of March 31, 2017	
	Japan	U.S.	Japan	U.S.
Discount rate (%)	0.2	4.3	0.3	4.3

d. Sensitivity analysis

Sensitivity is analyzed at the end of the period based on the movement of reasonably estimable assumptions. The sensitivity analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

The effect of the movements in significant actuarial assumptions used to determine the defined benefit obligations is as follows:

As of March 31, 2016

	Changes in rate	Effect on defined benefit obligations		
		Japan	U.S.	Total
Discount rate ...	0.5% increase	Decrease of ¥604 million	Decrease of ¥16,902 million	Decrease of ¥17,506 million
	0.5% decrease	Increase of ¥648 million	Increase of ¥19,944 million	Increase of ¥20,592 million

As of March 31, 2017

	Changes in rate	Effect on defined benefit obligations		
		Japan	U.S.	Total
Discount rate ...	0.5% increase	Decrease of ¥538 million	Decrease of ¥16,380 million	Decrease of ¥16,918 million
	0.5% decrease	Increase of ¥575 million	Increase of ¥18,511 million	Increase of ¥19,086 million

	Changes in rate	Effect on defined benefit obligations		
		Japan	U.S.	Total
Discount rate ...	0.5% increase	Decrease of \$4,796 thousand	Decrease of \$146,002 thousand	Decrease of \$150,798 thousand
	0.5% decrease	Increase of \$5,125 thousand	Increase of \$164,997 thousand	Increase of \$170,122 thousand

e. Effects on future cash flows

(a) Funding for the plan and expected contributions to the plan for the next fiscal year

(U.S.)

The policy is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The amount to be contributed to the plan for the year ending March 31, 2018 is expected to be ¥4,936 million (\$43,997 thousand).

(b) Maturity analysis of the defined benefit obligation

(Japan)

As of March 31, 2017, the weighted-average duration of the defined benefit obligation is 8.9 years.

(U.S.)

As of March 31, 2017, the weighted-average duration of the defined benefit obligation is 15.2 years.

25. Financial instruments

(1) Capital management

Our policy is to realize and maintain optimum capital composition to maintain mid- and long-term sustainable growth and maximize our corporate value.

Major indicators used for our capital management are as follows:

- Equity capital
- Equity capital ratio

Note:

Equity capital is the amount of “Equity attributable to owners of the parent.” Equity capital ratio represents “Equity attributable to owners of the parent” divided by “Total liabilities and equity.”

Equity capital and the equity capital ratio are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
Equity capital	¥2,613,613	¥3,586,352	\$31,966,771
Equity capital ratio (%)	12.6	14.6	

The Company is not subject to regulatory capital requirements imposed by outside institutions other than general capital requirements under the Companies Act of Japan and other laws. Also, for details regarding our financial covenants related to interest-bearing debt, please see “(3) Financial covenants” in “Note 19. Interest-bearing debt.”

(2) Financial risk management

As we operate in a wide range of markets, the Company faces a variety of financial risks (foreign exchange risk, price risk, interest rate risk, credit risk, and liquidity risk) in its operations. The Company manages its risks based on established policies to prevent and reduce these financial risks.

Derivative transactions entered into by the Company are conducted and controlled based on the Company’s internal rules and procedures for derivative transactions and are limited to the extent of actual demands.

a. Market risk

(a) Foreign exchange risk

The Company is engaged in international businesses through investments, financial contributions and the establishment of joint ventures. The Company undertakes transactions denominated in foreign currencies with foreign parties and, through lending to and borrowings from foreign subsidiaries. Consequently, there is foreign exchange risk that arises from changes in currency rates mainly in the U.S. dollar, Indian Rupee, and British pound.

To manage this risk, the Company continuously monitors exchange rates and manages exchange rate exposures. The Company also uses foreign currency forward contracts to hedge the risk.

i. Foreign exchange sensitivity analysis

Exposure to foreign exchange risk on financial instruments related to U.S. dollars and Indian Rupees, our major foreign currencies, for subsidiaries whose functional currency is Japanese yen is as follows:

U.S. Dollar (Functional currency: Japanese yen)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Net exposure affecting income before income tax [in asset position]	¥86,102	¥468,193	\$4,173,215
Net exposure affecting other comprehensive income [in asset position]	83,466	194,966	\$1,737,820

Indian Rupee (Functional currency: Japanese yen)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Net exposure affecting income before income tax [in asset position]	¥214,290	¥116,169	\$1,035,467

Other than the tables presented above, major exposure to foreign exchange risk on subsidiaries whose functional currency is not Japanese yen is as follows:

U.S. Dollar (Functional currency: British pound)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Net exposure affecting income before income tax [in (liability) asset position]	¥(386)	¥87,649	\$781,255

Net exposure affecting income before income tax comprises the foreign exchange risk exposures from monetary financial instruments denominated in a foreign currency (including those used in internal transactions) whose exchange differences are recognized in profit or loss and the foreign exchange risk exposures from derivatives related to forecast transactions.

Net exposure affecting other comprehensive income comprises the foreign exchange risk exposures from available-for-sale financial assets whose exchange differences are recognized in other comprehensive income and foreign exchange risk exposures from derivatives (cash flow hedge) related to forecasted transactions.

The table below presents the effect of a 1% appreciation of the Japanese yen on income before income tax and other comprehensive income (before tax effect) regarding the financial instruments with the above foreign exchange risk exposure, assuming that all other factors are constant. The analysis does not include the effect of translating assets and liabilities of foreign operations into the presentation currency, which is detailed in “Note 29. Foreign currency exchange rates.”

U.S. Dollar

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Decrease in income before income tax	¥(861)	¥(4,682)	\$(41,733)
Decrease in other comprehensive income before tax effect	(835)	(1,950)	(17,381)

Indian Rupee

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Decrease in income before income tax	¥(2,143)	¥(1,162)	\$(10,357)

The table below presents the effect of a 1% appreciation of the British pound against the U.S. dollar on income before income tax:

U.S. Dollar

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Increase (decrease) in income before income tax	¥4	¥(876)	\$(7,808)

ii. Foreign currency exchange contracts

Foreign currency exchange contracts are entered into, to reduce exposure to foreign exchange risk on the amount to be paid or received in certain transactions denominated in foreign currencies.

The details of foreign currency exchange contracts are as follows:

Foreign currency exchange contracts to which hedge accounting is applied

	(Millions of yen)		(Thousands of U.S. dollars)	
	As of March 31, 2016		As of March 31, 2017	
	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value
Foreign currency forward contracts ..	¥ 571	¥ (38)	¥ 166	¥ (3) \$ 1,479 \$(27)
Currency swap contracts	877,373	¥(40,306)	877,373	(72,658) 7,820,421 (647,633)
Total	¥ 877,944	¥(40,344)	¥ 877,539	(72,661) \$ 7,821,900 \$(647,660)
	<u>(877,373)</u>	<u> </u>	<u>(877,373)</u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The above foreign currency exchange contracts are designated as cash flow hedges.

Foreign currency exchange contracts to which hedge accounting is not applied

	(Millions of yen)		(Thousands of U.S. dollars)	
	As of March 31, 2016		As of March 31, 2017	
	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value
Foreign currency forward contracts ..	¥273,476	¥ 9,445	¥ 818,424	¥ 2,213 \$ 7,294,982 \$(19,725)
Currency swap contracts	15,430	159	11,653	(19) 103,868 (169)
Foreign exchange margin transactions*	581,379	17,113	548,786	13,398 4,891,577 119,423
Total	¥870,285	¥26,717	¥1,378,863	¥15,592 \$12,290,427 \$138,979
	<u>(—)</u>	<u> </u>	<u>(—)</u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note:

- * Foreign exchange margin transactions are operated by the subsidiary, YJFX, Inc.'s foreign exchange margin transactions business.

(b) Price risk

For the purpose of business strategy, the Company holds securities traded in active markets, including listed stock, and is exposed to market price fluctuation risk.

To manage this risk, the Company continuously monitors the financial condition of security issuers and stock market fluctuations.

i. Price sensitivity analysis

The table below presents the effect of a 10% decrease in market price regarding the securities traded in active markets on income before income tax and other comprehensive income before tax effect, assuming that all other factors are constant.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Decrease in income before income tax	¥ —	¥(32,843)	\$(292,744)
Decrease in other comprehensive income before tax effect	¥(7,381)	¥ (7,884)	\$ (70,274)

Also, the Company entered into a variable prepaid forward contract which is settled by Alibaba shares held by the Company. The contract includes a collar transaction that a cap and floor are set for the number of shares settled. The collar transaction is classified as a derivative instrument and its fair value is affected by the price of Alibaba shares. Derivative gain and loss, which occurred depending on fluctuation of the price of Alibaba shares, are recognized through profit or loss.

Fair value of the collar transaction is composed of intrinsic value and time value. The effect of a 10% increase in the price of Alibaba shares on income before income tax due to fluctuation of intrinsic value is a loss of \$800,000 thousand, assuming that all other factors are constant. In case of consideration of time value, the impact of the loss is decreased.

Further, derivative gain and loss resulting from this collar transaction is fixed to a loss of \$900,000 thousand during three-year period from initial recognition date of the derivative instruments, in June 2016, to settlement date of Alibaba shares.

The details of the variable prepaid forward contract and the collar transaction are described in "(2) Transaction for sale of Alibaba shares by variable prepaid forward contract" in "Note 19 Interest-bearing debt."

ii. Option contracts

The details of option contracts are as follows:

Option contracts to which hedge accounting is not applied

	(Millions of yen)		(Thousands of U.S. dollars)	
	As of March 31, 2016		As of March 31, 2017	
	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value
Collar transaction	¥—	¥—	¥740,454 (740,454)	¥(143,934) (6,600,000)
Put option	—	—	56,095 (56,095)	(8,630) (500,000)
Stock acquisition rights ...	40,512 (11,082)	2,424	9,713 (9,713)	6,208 (86,576)
Total	¥40,512 (11,082)	¥2,424	¥806,262 (806,262)	¥(146,356) \$ 7,186,576 (7,186,576)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(c) Interest rate risk

The Company raises funds through issuing interest-bearing debt. Certain interest-bearing debt is issued with floating interest rates, and is exposed to interest rate risk.

Interest-bearing debt with floating interest rates has the risk of increased interest expenses due to rising interest rates. In order to prevent and reduce interest rate fluctuation risk, the Company maintains an appropriate mixture of fixed and floating interest rate debt. For certain borrowings and bonds with floating interest rates, the Company also utilizes derivative transactions, such as interest rate swaps, in order to hedge interest rate fluctuation risk, converting floating interests into fixed interests. For floating interest rate debt, the Company continuously monitors interest rate fluctuations.

i. Interest rate sensitivity analysis

The table below presents the effect of a 1% increase in interest rates regarding the floating interest rate debt on income before income tax in the consolidated statement of income, assuming that all other factors are constant. The analysis does not include floating interest rate debt whose interests are fixed by interest rate swaps and other derivative transactions.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended	Fiscal year ended	
	March 31, 2016	March 31, 2017	
Decrease in income before income tax	¥(25,788)	¥(39,412)	\$(351,297)

ii. Interest rate contracts

The details of interest rate contracts are as follows:

Interest rate contracts to which hedge accounting is applied

	(Millions of yen)				(Thousands of U.S. dollars)	
	As of		As of			
	March 31, 2016	March 31, 2017	March 31, 2017	March 31, 2017		
Interest rate swap	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	
	¥ 10,500	¥(75)	¥ 234,880	¥(250)	¥ 2,093,591	
	(10,500)		(224,880)		(2,004,457)	
					\$(2,228)	

The above interest rate swap contract is designated as a cash flow hedge.

Interest rate contracts to which hedge accounting is not applied

	(Millions of yen)				(Thousands of U.S. dollars)	
	As of		As of			
	March 31, 2016	March 31, 2017	March 31, 2017	March 31, 2017		
Interest rate cap	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	
	¥—	¥—	¥ 132,945	¥1,039	¥ 1,184,999	
			(132,945)		(1,184,999)	
					\$(9,261)	

b. Credit risk

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

In order to prevent and reduce the risk, the Company does not expose itself to significant concentrations of credit risk for such receivables and financial assets. To manage its credit risk, the Company performs due date controls and balance controls for each customer in accordance with its internal customer credit management rules and regularly monitors major customers' credit status.

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 and guaranteed obligations, represents the Company's maximum exposure to credit risk on financial assets. The value of collateral held and other credit enhancements are not included. The details of lending commitments and guaranteed obligations are described in "(1) Lending commitments" and "(2) Credit guarantees" in "Note 46. Contingency."

There were no financial or non-financial assets acquired as a result of foreclosure of collateral or enforcement of other credit enhancements during the years ended March 31, 2016 and 2017.

(a) Financial assets not impaired individually

The table below presents an aging analysis of financial assets not impaired individually. The amounts in the analysis are presented at the carrying amount before netting allowance for doubtful accounts.

As of March 31, 2016

	(Millions of yen)						Total	
	Past due							
	Before due	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year		
Trade and other receivables	¥1,780,714	¥116,450	¥21,484	¥14,427	¥10,180	¥13,666	¥1,956,921	
Other financial assets	298,838	2,288	823	1,562	1,973	660	306,144	
Total	<u>¥2,079,552</u>	<u>¥118,738</u>	<u>¥22,307</u>	<u>¥15,989</u>	<u>¥12,153</u>	<u>¥14,326</u>	2,263,065	
Allowance for doubtful accounts							(45,262)	
Total							<u>¥2,217,803</u>	

As of March 31, 2017

	(Millions of yen)						Total	
	Past due							
	Before due	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year		
Trade and other receivables	¥2,012,007	¥101,366	¥31,017	¥13,845	¥13,956	¥5,724	¥2,177,915	
Other financial assets	415,413	12	27	66	162	287	415,967	
Total	<u>¥2,427,420</u>	<u>¥101,378</u>	<u>¥31,044</u>	<u>¥13,911</u>	<u>¥14,118</u>	<u>¥6,011</u>	2,593,882	
Allowance for doubtful accounts							(60,156)	
Total							<u>¥2,533,726</u>	

	(Thousands of U.S. dollars)						Total	
	Past due							
	Before due	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year		
Trade and other receivables	\$17,933,925	\$903,521	\$276,468	\$123,407	\$124,396	\$51,021	\$19,412,738	
Other financial assets	3,702,763	107	241	588	1,444	2,558	3,707,701	
Total	<u>\$21,636,688</u>	<u>\$903,628</u>	<u>\$276,709</u>	<u>\$123,995</u>	<u>\$125,840</u>	<u>\$53,579</u>	23,120,439	
Allowance for doubtful accounts							(536,198)	
Total							<u>\$22,584,241</u>	

(b) Individually impaired financial assets

Individually impaired financial assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars) As of March 31, 2017
	As of March 31, 2016	As of March 31, 2017	
Trade and other receivables	¥ 3,174	¥ 7,137	\$ 63,615
Other financial assets	32,588	28,909	257,679
Allowance for doubtful accounts	(34,882)	(35,195)	(313,709)
Total	¥ 880	¥ 851	\$ 7,585

(c) Allowance for doubtful accounts

The table below presents changes in the allowance for doubtful accounts. The allowance for doubtful accounts is mainly for trade receivables to the customers and loans.

	(Millions of yen)		(Thousands of U.S. dollars) Fiscal year ended March 31, 2017
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Balance at the beginning of the period	¥ 82,185	¥ 80,144	\$ 714,360
Provisions	86,056	65,612	584,829
Utilized	(85,771)	(50,078)	(446,368)
Other	(2,326)	(327)	(2,914)
Balance at the end of the period	¥ 80,144	¥ 95,351	\$ 849,907

Provisions for and reversal of doubtful accounts are recorded in “Selling, general and administrative expenses” and “Other non-operating income (loss)” in the consolidated statement of income.

c. Liquidity risk

In order to prevent and reduce liquidity risk, the Company maintains access to diversified fundraising sources including both indirect financing, such as bank loans and leases, and direct financing, such as issuance of bonds and commercial paper and securitization, taking market conditions and its current/non-current debt ratios into consideration. As for fund management, the Company invests its funds in short-term deposits and a money management fund.

The Company also continuously monitors its forecasted and actual cash flows and liquid funds.

(a) Commitment lines of credit and other credit facilities

The Company has entered into commitment lines of credit and other credit facilities with various financial institutions to reduce liquidity risk. The Company’s credit facilities are as follows:

	(Millions of yen)		(Thousands of U.S. dollars) As of March 31, 2017
	As of March 31, 2016	As of March 31, 2017	
Credit facilities	¥3,035,457	¥4,085,912	\$36,419,574
Drawn	2,255,182	3,406,044	30,359,604
Undrawn	¥ 780,275	¥ 679,868	\$ 6,059,970

Note:

Certain commitments above contain financial covenants. Please see “(3) Financial covenants” in “Note 19. Interest-bearing debt” for details.

(b) Analysis of financial liabilities by maturities

The table below presents the analysis of financial liabilities (including derivatives) by maturities. The receivables and payables arising from derivative transactions are shown on a net basis:

As of March 31, 2016

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings ...	¥ 515,408	¥ 517,573	¥ 517,573	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	42,000	42,000	42,000	—	—	—	—	—
Long-term borrowings (including current portion)	2,528,725	2,553,233	744,977	608,689	461,394	470,216	264,730	3,227
Corporate bonds (including current portion)	7,512,632	7,482,796	891,917	294,754	738,040	1,041,354	643,402	3,873,329
Lease obligations	1,212,186	1,212,186	396,992	331,509	254,849	157,628	65,813	5,395
Installment payables	111,480	112,110	48,925	38,845	16,116	8,224	—	—
Trade and other payables	1,621,195	1,621,195	1,612,100	3,230	1,936	1,973	168	1,788
Other financial liabilities	26,069	26,069	2,083	2,840	3,533	1,459	1,264	14,890
Total	<u>13,569,695</u>	<u>13,567,162</u>	<u>4,256,567</u>	<u>1,279,867</u>	<u>1,475,868</u>	<u>1,680,854</u>	<u>975,377</u>	<u>3,898,629</u>
Derivative financial liabilities								
Other financial liabilities								
Foreign currency exchange contracts*	76,051	76,051	(1,286)	(5,475)	(5,118)	(4,706)	(2,468)	95,104
Interest rate swap contracts	75	75	—	69	—	—	6	—
Total	<u>¥ 76,126</u>	<u>¥ 76,126</u>	<u>¥ (1,286)</u>	<u>¥ (5,406)</u>	<u>¥ (5,118)</u>	<u>¥ (4,706)</u>	<u>¥ (2,462)</u>	<u>¥ 95,104</u>

Note:

* Contractual cash flow and breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign currency exchange contracts.

As of March 31, 2017

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings ...	¥ 667,664	¥ 668,506	¥ 668,506	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	80,000	80,000	80,000	—	—	—	—	—
Long-term borrowings (including current portion)	4,506,135	4,558,688	1,132,653	1,955,143	584,852	373,082	79,281	433,677
Corporate bonds (including current portion)	7,573,300	7,575,400	336,591	736,620	1,044,869	671,946	1,229,618	3,555,756
Lease obligations	1,245,890	1,245,890	438,284	351,248	243,853	153,596	56,388	2,521
Financial liability for variable prepaid forward contract	715,448	740,454	—	—	740,454	—	—	—
Installment payables	69,933	71,004	40,376	17,804	9,879	1,683	1,262	—
Trade and other payables ..	1,607,453	1,607,453	1,585,746	11,021	8,558	1,804	91	233
Other financial liabilities ...	40,419	40,419	7,336	15,309	4,725	413	158	12,478
Total	<u>16,506,242</u>	<u>16,587,814</u>	<u>4,289,492</u>	<u>3,087,145</u>	<u>2,637,190</u>	<u>1,202,524</u>	<u>1,366,798</u>	<u>4,004,665</u>
Derivative financial liabilities								
Other financial liabilities								
Foreign currency exchange contracts* ...	107,697	107,697	1,898	(4,108)	(3,689)	3,064	(2,627)	113,159
Option contracts	152,564	152,564	—	8,629	143,935	—	—	—
Interest rate contracts ...	250	250	22	—	—	5	223	—
Total	<u>¥ 260,511</u>	<u>¥ 260,511</u>	<u>¥ 1,920</u>	<u>¥ 4,521</u>	<u>¥ 140,246</u>	<u>¥ 3,069</u>	<u>¥ (2,404)</u>	<u>¥ 113,159</u>

(Thousands of U.S. dollars)

	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings ..	\$ 5,951,190	\$ 5,958,695	\$ 5,958,695	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper	713,076	713,076	713,076	—	—	—	—	—
Long-term borrowings (including current portion)	40,165,211	40,633,639	10,095,847	17,427,070	5,213,049	3,325,448	706,667	3,865,558
Corporate bonds (including current portion)	67,504,234	67,522,952	3,000,187	6,565,826	9,313,388	5,989,357	10,960,139	31,694,055
Lease obligations	11,105,179	11,105,179	3,906,622	3,130,832	2,173,572	1,369,070	502,612	22,471
Financial liability for variable prepaid forward contract	6,377,110	6,600,000	—	—	6,600,000	—	—	—
Installment payables	623,344	632,891	359,890	158,695	88,056	15,001	11,249	—
Trade and other payables ..	14,327,953	14,327,953	14,134,468	98,235	76,281	16,080	811	2,078
Other financial liabilities	360,272	360,272	65,389	136,456	42,116	3,682	1,408	111,221
Total	<u>147,127,569</u>	<u>147,854,657</u>	<u>38,234,174</u>	<u>27,517,114</u>	<u>23,506,462</u>	<u>10,718,638</u>	<u>12,182,886</u>	<u>35,695,383</u>
Derivative financial liabilities								
Other financial liabilities								
Foreign currency exchange contracts*	959,952	959,952	16,918	(36,616)	(32,882)	27,311	(23,416)	1,008,637
Option contracts	1,359,872	1,359,872	—	76,914	1,282,958	—	—	—
Interest rate contracts	2,228	2,228	196	—	—	44	1,988	—
Total	<u>\$ 2,322,052</u>	<u>\$ 2,322,052</u>	<u>\$ 17,114</u>	<u>\$ 40,298</u>	<u>\$ 1,250,076</u>	<u>\$ 27,355</u>	<u>\$ (21,428)</u>	<u>\$ 1,008,637</u>

Note:

* Contractual cash flows and the breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign currency exchange contracts.

In addition to the amounts presented above, the Company has lending commitments and guaranteed obligations, which are detailed in “(1) Lending commitments” and “(2) Credit guarantees” in “Note 46. Contingency.”

Average interest rates of the interest-bearing debts are described in “(1) Components of interest-bearing debt” in “Note 19. Interest-bearing debt.”

(3) Categories of financial instruments

Components of financial instruments (excluding cash and cash equivalents) by category are as follows:

As of March 31, 2016

	(Millions of yen)					
	Financial assets at FVTPL*	Derivatives designated as hedges	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Total
Financial assets						
Current assets						
Trade and other receivables	¥ —	¥ —	¥ —	¥ —	¥ 1,914,789	¥ 1,914,789
Other financial assets	37,136	—	23,487	100	92,135	152,858
Non-current assets						
Other financial assets	308,493	31,297	344,299	—	286,785	970,874
Total	<u>¥345,629</u>	<u>¥31,297</u>	<u>¥ 367,786</u>	<u>¥ 100</u>	<u>¥2,293,709</u>	<u>¥3,038,521</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt ..	¥ —	¥ —	¥ 2,646,609	¥ 2,646,609
Trade and other payables	—	—	1,621,195	1,621,195
Other financial liabilities	4,410	39	2,082	6,531
Non-current liabilities				
Interest-bearing debt ..	—	—	9,275,822	9,275,822
Other financial liabilities	—	71,677	23,987	95,664
Total	<u>¥ 4,410</u>	<u>¥71,716</u>	<u>¥13,569,695</u>	<u>¥13,645,821</u>

Note:

* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥306,070 million.

As of March 31, 2017

	(Millions of yen)				
	Financial assets at FVTPL ¹	Derivatives designated as hedges	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables
Financial assets					
Current assets					
Trade and other receivables	¥ —	¥ —	¥ —	¥ —	¥2,121,619
Other financial assets	23,373	—	574	276,120	494,622
Non-current assets					
Other financial assets	596,257	28,695	517,334	—	409,981
Total	<u>¥ 619,630</u>	<u>¥ 28,695</u>	<u>¥ 517,908</u>	<u>¥ 276,120</u>	<u>¥3,026,222</u>
	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total	
Financial liabilities					
Current liabilities					
Interest-bearing debt	¥ 43,164 ²	¥ —	¥ 2,650,929	¥ 2,694,093	
Trade and other payables	—	—	1,607,453	1,607,453	
Other financial liabilities	6,341	24	7,336	13,701	
Non-current liabilities					
Interest-bearing debt	—	—	12,164,277	12,164,277	
Other financial liabilities	152,564	101,582	33,083	287,229	
Total	<u>¥202,069</u>	<u>¥101,606</u>	<u>¥16,463,078</u>	<u>¥16,766,753</u>	

	(Thousands of U.S. dollars)				
	Financial assets at FVTPL*1	Derivatives designated as hedges	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables
Financial assets					
Current assets					
Trade and other receivables ..	\$ —	\$ —	\$ —	\$ —	\$ 18,910,946
Other financial assets	208,334	—	5,116	2,461,182	4,408,789
Non-current assets					
Other financial assets	5,314,707	255,771	4,611,231	—	3,654,346
Total	<u>\$ 5,523,041</u>	<u>\$ 255,771</u>	<u>\$ 4,616,347</u>	<u>\$ 2,461,182</u>	<u>\$ 39,830,422</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt	\$ 384,740 ²	—	\$ 23,628,924	\$ 24,013,664
Trade and other payables	—	—	14,327,953	14,327,953
Other financial liabilities	56,520	214	65,389	122,123
Non-current liabilities				
Interest-bearing debt	—	—	108,425,680	108,425,680
Other financial liabilities	1,359,872	905,446	294,883	2,560,201
Total	\$1,801,132	\$905,660	\$146,742,829	\$149,449,621

Notes:

1. Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥589,250 million (\$5,252,251 thousand).
2. Regarding Handset Sale-Leaseback Tranche 2 financing obligation that Sprint implemented in May 2016, the Company designated it as a financial liability that is measured at fair value through profit or loss. This is a transaction with MLS which is a joint venture of the Company. The terms and conditions of the transaction are negotiated and determined based on the market price and the content of transaction.

26. Fair value of financial instruments

(1) Categorization by level within the fair value hierarchy

Financial instruments that are measured at fair value on a recurring basis after initial recognition are classified into three levels of the fair value hierarchy based on the observability and significance of inputs used for the measurement.

The fair value hierarchy is defined as follows in descending order of level:

- Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value is measured using inputs other than Level 1 that are observable, either directly or indirectly.
- Level 3: Fair value is measured using unobservable inputs.

If the fair value measurement uses different levels of inputs, the fair value is categorized based on the lowest level of input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are recognized as if they have occurred at the beginning of each quarter.

There were no transfers between Level 1 and Level 2 during the fiscal years ended March 31, 2016 and 2017.

The table below presents financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy.

As of March 31, 2016

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	¥73,807	¥ —	¥549,480	¥623,287
Bonds	—	8,273	1,548	9,821
Derivative financial assets				
Foreign currency exchange contracts	—	62,424	—	62,424
Stock acquisition rights	—	—	2,424	2,424
Other	—	27,736	19,020	46,756
Total	<u>73,807</u>	<u>98,433</u>	<u>572,472</u>	<u>744,712</u>
Financial liabilities				
Derivative financial liabilities				
Foreign currency exchange contracts	—	76,051	—	76,051
Interest rate swap contracts	—	75	—	75
Total	<u>¥ —</u>	<u>¥76,126</u>	<u>¥ —</u>	<u>¥ 76,126</u>

As of March 31, 2017

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	¥407,271	¥ —	¥668,334	¥1,075,605
Bonds	—	7,837	1,132	8,969
Derivative financial assets				
Foreign currency exchange contracts	—	50,627	—	50,627
Option contracts	—	—	6,208	6,208
Interest rate contracts	—	1,039	—	1,039
Other	—	1,501	22,284	23,785
Total	<u>407,271</u>	<u>61,004</u>	<u>697,958</u>	<u>1,166,233</u>
Financial liabilities				
Interest-bearing borrowings	—	—	43,164	43,164
Derivative financial liabilities				
Foreign currency exchange contracts	—	107,697	—	107,697
Option contracts	—	152,564	—	152,564
Interest rate contracts	—	250	—	250
Total	<u>¥ —</u>	<u>¥260,511</u>	<u>¥ 43,164</u>	<u>¥ 303,675</u>

	(Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	\$3,630,190	\$ —	\$5,957,162	\$ 9,587,352
Bonds	—	69,855	10,090	79,945
Derivative financial assets				
Foreign currency exchange contracts	—	451,261	—	451,261
Option contracts	—	—	55,335	55,335
Interest rate contracts	—	9,260	—	9,260
Other	—	13,379	198,627	212,006
Total	<u>3,630,190</u>	<u>543,755</u>	<u>6,221,214</u>	<u>10,395,159</u>
Financial liabilities				
Interest-bearing borrowings	—	—	384,740	384,740
Derivative financial liabilities				
Foreign currency exchange contracts	—	959,952	—	959,952
Option contracts	—	1,359,871	—	1,359,871
Interest rate contracts	—	2,229	—	2,229
Total	<u>\$ —</u>	<u>\$2,322,052</u>	<u>\$ 384,740</u>	<u>\$ 2,706,792</u>

The major valuation techniques for financial instruments measured at fair value on a recurring basis are as follows:

a. Equity securities and bonds

Equity securities and bonds are measured using quoted prices in active markets for identical assets or liabilities if such prices are available, and are classified as Level 1. Where such quoted prices in active markets for identical assets or liabilities are not available, they are measured using quoted prices for identical assets or liabilities in markets that are not active, quoted prices of comparable companies and valuation techniques such as the discounted cash flow model. They are classified as Level 2 if all significant inputs such as quoted prices and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as Level 3.

b. Derivative financial assets and derivative financial liabilities

The fair value of derivative financial instruments is measured using valuation techniques such as the discounted cash flows model. Derivative financial instruments are classified as Level 2 if all significant inputs such as foreign currency exchange rates and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as Level 3.

c. Interest-bearing debt

The fair value of interest-bearing debt is measured using the discounted cash flows model. The model uses unobservable inputs, such as customer churn rates, customer upgrade probabilities, and the likelihood that Sprint will elect the Exchange Option¹ versus the termination option² upon customer upgrade, resulting in a Level 3 classification.

Notes:

1. The option to transfer the title in the new device to the borrower in exchange for the title in the original device upon customer upgrade, in order to continue the borrowings.
2. The option that Sprint terminates the borrowings.

(2) Fair value measurements of financial instruments that are categorized as Level 3

a. Valuation techniques and inputs

The following table shows information about the valuation techniques used and the significant unobservable inputs used in the Level 3 fair value measurements.

Equity securities

Valuation techniques	Unobservable inputs	Ranges of unobservable inputs	
		As of March 31, 2016	As of March 31, 2017
Price of recent investment	Discount for lack of marketability	10.0% – 45.0%	10.0% – 35.0%
	Control premium	5.0% – 10.0%	5.0% – 10.0%
Discounted cash flow	Cost of capital	16.9%	—
	Perpetual growth rate	5.2%	—
	Discount for lack of marketability	15.0%	—
	Discount for non-control interest	17.0%	—

b. Sensitivity Analysis

Of the above unobservable inputs, perpetual growth rate and control premiums have a positive correlation with the fair value of equity securities, whereas cost of capital, discount for non-controlling interest, and discount for lack of marketability have a negative correlation with the fair value of equity securities.

c. Valuation processes

Fair value is measured by our personnel in the treasury and accounting departments based on internal regulations, using the most appropriate valuation techniques and inputs that reflect the nature, characteristics and risks of the financial instruments subject to fair value. The fair value of financial instruments that require a high level of knowledge and experience for the valuation is measured by external specialists if the amount of such financial instruments is material. The result of the measurement conducted at the end of each quarter, including the valuation by the external specialists, is reported to the Company's Board of Directors after the analysis of fair value changes and other contents are reviewed and approved by the head of the department.

d. Roll forward of financial instruments categorized as Level 3

Roll forward of financial instruments categorized as Level 3 is as follows:

For the fiscal year ended March 31, 2016

Financial assets	(Millions of yen)			
	Equity securities	Bonds	Derivative financial assets	Other
As of April 1, 2015	¥242,754	¥ 3,258	¥1,144	¥12,528
Gains or losses				
Net income	89,308	(7,528)	1,704	—
Other comprehensive income	(18,629)	(314)	—	859
Purchases	247,508	1,292	363	6,271
Sales	(11,361)	(500)	—	(1,739)
Transfers to Level 1 due to listing	(8,206)	—	—	—
Transfers to Level 3*	17,067	6,812	—	—
Other	(8,961)	(1,472)	(787)	1,101
As of March 31, 2016	<u>¥549,480</u>	<u>¥ 1,548</u>	<u>¥2,424</u>	<u>¥19,020</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2016	¥ 85,536	¥(7,786)	¥1,704	¥ —

Note

* Equity securities are transferred from Level 1 to Level 3 and bonds are transferred from Level 2 to Level 3 as it became difficult to obtain their observable inputs. Also, impairment losses for these equity securities and bonds are recognized after transferred to Level 3. The details are described in Note 1 in "Note 40. Other non-operating income and loss."

For the fiscal year ended March 31, 2017

	(Millions of yen)			
	Equity securities	Bonds	Derivative financial assets	Other
Financial assets				
As of April 1, 2016	¥ 549,480	¥ 1,548	¥ 2,424	¥ 19,020
Gains or losses				
Net income	(154,374)	9	3,821	(1,291)
Other comprehensive income	12,871	13	(37)	12
Purchases	262,627	251	—	9,342
Sales	(4,435)	(640)	—	(3,692)
Transfers to Level 1 due to listing	(553)	—	—	—
Other	2,718	(49)	—	(1,107)
As of March 31, 2017	<u>¥ 668,334</u>	<u>¥ 1,132</u>	<u>¥ 6,208</u>	<u>¥ 22,284</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2017	<u>¥ (153,340)</u>	<u>¥ —</u>	<u>¥ 3,821</u>	<u>¥ (1,293)</u>
	(Millions of yen)			
Financial liabilities				
As of April 1, 2016	¥ —			
Gains or losses				
Net income	4,593			
Other comprehensive income	1,111			
Borrowings	115,116			
Payments and redemptions	(77,656)			
As of March 31, 2017	<u>¥ 43,164</u>			
Gains or losses recognized in net income on financial instruments held at March 31, 2017	<u>¥ 2,395</u>			
	(Thousands of U.S. dollars)			
Financial assets				
As of April 1, 2016	\$ 4,897,763	\$ 13,798	\$ 21,606	\$ 169,534
Gains or losses				
Net income	(1,376,006)	81	34,059	(11,508)
Other comprehensive income	114,725	116	(330)	107
Purchases	2,340,913	2,237	—	83,269
Sales	(39,531)	(5,705)	—	(32,908)
Transfers to Level 1 due to listing	(4,929)	—	—	—
Other	24,227	(437)	—	(9,867)
As of March 31, 2017	<u>\$ 5,957,162</u>	<u>\$ 10,090</u>	<u>\$ 55,335</u>	<u>\$ 198,627</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2017	<u>\$ (1,366,788)</u>	<u>—</u>	<u>\$ 34,059</u>	<u>\$ (11,525)</u>
	(Thousands of U.S. dollars)			
Financial liabilities				
As of April 1, 2016	\$ —			
Gains or losses				
Net income	40,939			
Other comprehensive income	9,903			
Borrowings	1,026,081			
Payments and redemptions	(692,183)			
As of March 31, 2017	<u>\$ 384,740</u>			
Gains or losses recognized in net income on financial instruments held at March 31, 2017	<u>\$ 21,348</u>			

Gains or losses recognized in profit or loss are included in “Derivative gain (loss),” “Gain (loss) from financial instruments at FVTPL,” and “Other non-operating income (loss)” in the consolidated statement of income. Gains or losses recognized in other comprehensive income, net of tax, are included in “Available-for-sale financial assets” and “Exchange differences on translating foreign operations” in the consolidated statement of comprehensive income.

(3) Carrying amounts and fair values of financial instruments

The table below presents carrying amounts and fair values of financial instruments.

	(Millions of yen)				(Thousands of U.S. dollars)	
	As of March 31, 2016		As of March 31, 2017		As of March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Interest-bearing debt						
Long-term borrowings	¥1,785,500	¥1,797,632	¥ 3,377,625	¥ 3,436,955	\$ 30,106,293	\$ 30,635,128
Corporate bonds	6,611,947	6,099,330	7,233,838	7,590,748	64,478,456	67,659,756
Lease obligations	815,194	817,057	807,606	818,686	7,198,556	7,297,317
Installment payables	63,181	64,280	29,760	30,908	265,265	275,497
Total	<u>¥9,275,822</u>	<u>¥8,778,299</u>	<u>¥11,448,829</u>	<u>¥11,877,297</u>	<u>\$102,048,570</u>	<u>\$105,867,698</u>

Financial instruments whose carrying amounts are reasonably similar to fair values are not included in the table above. Financial instruments that are measured at fair value on a recurring basis are also excluded because their fair values are the same as their carrying amounts.

The major valuation techniques for fair value measurements of the above financial liabilities 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 interests, and the measurement is categorized as Level 2. Fair values of the non-current portion of long-term borrowings with fixed rates are measured based on the discounted cash flow method using an interest rate including the credit spread that would be used for a borrowing with the same terms and maturity. Those borrowings are categorized as Level 3.

b. Corporate bonds

Fair values of the non-current portion of corporate bonds are mainly categorized as Level 1 or Level 2. When the fair value is measured using quoted prices in active markets for identical bonds, it is categorized as Level 1. When the fair value is measured using quoted prices that are observable in markets that are not active for identical bonds, it is categorized as Level 2. The fair value of corporate bond categorized as Level 3 is immaterial.

c. 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 considering the period until payment and credit risk, and are categorized as Level 2.

d. Installment payables

Fair values of the non-current portion of installment payables are measured based on the discounted cash flow method using an interest rate adjusted for the remaining repayment period and credit risks, and the measurement are categorized as Level 2.

27. Transfers of financial assets

The Company enters into securitization transactions involving trade and installment receivables.

The major securitization transactions involve the securitization of receivables related to wireless service charges due from subscribers and installment receivables recognized from the mobile handset sales business. For each transaction, the Company transferred receivables to financial institutions and acquired cash and subordinate interest in the transferred receivables for financing purposes. The receivables sold are not derecognized because in each transaction, the Company retains subordinate interest and, therefore, substantially retains all the risks and rewards of ownership of the transferred assets. Cash received from transferring the receivables are included in “Interest-bearing debt” under current liabilities and non-current liabilities.

The following table presents the carrying amount of financial assets and related liabilities that are transferred but do not meet the derecognition criteria, as well as the fair value where related liabilities have recourse only to the transferred assets:

	(Millions of yen)		(Thousands of U.S. dollars)	
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017	
Carrying amount of transferred assets	¥ 857,186	¥1,020,257	\$ 9,094,010	
Carrying amount of related liabilities	(624,563)	(735,205)	(6,553,213)	
(Fair value of financial assets and financial liabilities where related liabilities have recourse only to the transferred assets)				
Fair value of transferred assets	¥ 857,186	¥1,020,257	\$ 9,094,010	
Fair value of related liabilities	(624,096)	(735,880)	(6,559,230)	
Net position	¥ 233,090	¥ 284,377	\$ 2,534,780	

The difference between transferred assets and related liabilities is the subordinate interest which the Company retains on securitization.

28. Offsetting financial assets and liabilities

The following table presents the amount of financial assets and liabilities offset in the consolidated statement of financial position, as well as the amount of financial assets and liabilities that are under enforceable master netting agreements or similar contracts, but are not offset as they do not meet certain or all criteria of offsetting.

Rights to offset based on the enforceable master netting agreements or similar contracts are enforceable only in certain events such as bankruptcy or obligation default of the counterparty.

As of March 31, 2016

	(Millions of yen)				
	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Financial assets					
Trade and other receivables	¥114,777	¥(77,751)	¥37,026	¥(22,550)	¥14,476
Other financial assets	39,089	—	39,089	(36,094)	2,995
Total	¥153,866	¥(77,751)	¥76,115	¥(58,644)	¥17,471
 Financial liabilities					
Trade and other payables	¥173,966	¥(77,751)	¥ 96,215	¥(22,418)	¥ 73,797
Other financial liabilities	71,243	—	71,243	(36,227)	35,016
Total	¥245,209	¥(77,751)	¥167,458	¥(58,645)	¥108,813

As of March 31, 2017

	(Millions of yen)			
	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position
Financial assets				
Trade and other receivables	¥129,790	¥(90,319)	¥39,471	¥(26,134)
Other financial assets	31,736	(133)	31,603	(31,551)
Total	¥161,526	¥(90,452)	¥71,074	¥(57,685)
Financial liabilities				
Trade and other payables	¥221,274	¥(90,452)	¥130,822	¥(25,975)
Other financial liabilities	112,971	—	112,971	(31,710)
Total	¥334,245	¥(90,452)	¥243,793	¥(57,685)
	(Thousands of U.S. dollars)			
	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position
Financial assets				
Trade and other receivables	\$1,156,877	\$(805,054)	\$351,823	\$(232,944)
Other financial assets	282,877	(1,185)	281,692	(281,228)
Total	\$1,439,754	\$(806,239)	\$633,515	\$(514,172)
Financial liabilities				
Trade and other payables	\$1,972,314	\$(806,239)	\$1,166,075	\$(231,526)
Other financial liabilities	1,006,962	—	1,006,962	(282,646)
Total	\$2,979,276	\$(806,239)	\$2,173,037	\$(514,172)

29. Foreign currency exchange rates

Exchange rates of the major currencies used for translating the financial statements of foreign operations are as follows:

(1) Rate at the end of the period

	(Yen)	
	As of March 31, 2016	As of March 31, 2017
U.S. dollars	¥112.68	¥112.19
British pound	¥161.92	¥140.08

(2) Average rate for the quarter

For the fiscal year ended March 31, 2016

	(Yen)			
	Three months ended June 30, 2015	Three months ended September 30, 2015	Three months ended December 31, 2015	Three months ended March 31, 2016
U.S. dollars	¥121.34	¥121.91	¥121.07	¥116.95

For the fiscal year ended March 31, 2017

	(Yen)			
	Three months ended June 30, 2016	Three months ended September 30, 2016	Three months ended December 31, 2016	Three months ended March 31, 2017
U.S. dollars	¥109.07	¥102.91	¥108.72	¥113.76

(3) Foreign exchange sensitivity analysis for exchange differences on translating foreign operations

The table below presents the effect of a 1% appreciation of the Japanese yen against the U.S. dollar, British pound and Chinese yuan, which are the main foreign currencies of the Company, regarding the translation of assets, liabilities, and interests in net assets in foreign operations into the presentation currency, assuming that all other factors are constant.

Impact of exchange differences on translating foreign operations (decrease in equity)

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
U.S. dollar	¥(28,673)	¥(31,910)	\$(284,428)
British pound	—	(34,325)	(305,954)
Chinese yuan	(12,016)	(13,362)	(119,102)

30. Equity

(1) Common stock

a. Shares authorized

The number of shares authorized to be issued is as follows:

	(Thousands of shares)	
	March 31, 2016	March 31, 2017
Ordinary shares	3,600,000	3,600,000

b. Shares issued

Changes in the number of shares issued are as follows:

	(Thousands of shares)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	1,200,660	1,200,660
Increase during the year	—	—
Decrease during the year ³	—	(100,000)
Balance at the end of the year	<u>1,200,660</u>	<u>1,100,660</u>

Notes:

- Shares issued by the Company is common stock with no par value.
- Shares issued have been fully paid.
- The Company retired 100,000 thousand shares of treasury stock on October 31, 2016.

(2) Capital surplus

Capital surplus of the Company includes additional paid-in capital, which is legal capital surplus. Under the Companies Act of Japan (the “Companies Act”), at least 50% of the proceeds upon issuance of

equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.

For the fiscal year ended March 31, 2016

The Company acquired an additional 24.1% shares of Supercell, a subsidiary of the Company, from existing shareholders and the Company's ownership in Supercell became 77.8%. In connection with this transaction, ¥120,847 million is deducted from capital surplus as "Changes in interests in subsidiaries."

(3) Retained earnings

Retained earnings of the Company include the reserve legally required as legal retained earnings. The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Treasury stock

The Companies Act provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Changes in treasury stock are as follows:

	(Thousands of shares)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	11,463	53,760
Increase during the year	42,873	58,073
Decrease during the year	<u>(576)</u>	<u>(100,455)</u>
Balance at the end of the year	<u>53,760</u>	<u>11,378</u>

Notes:

1. The number of shares of treasury stock acquired based on the resolution passed at the Board of Directors' meeting for the fiscal year ended March 31, 2017 was 58,069 thousand, and total acquisition cost was ¥350,826 million (\$3,127,070 thousand). (The number of shares of treasury stock acquired based on the resolution passed at the Board of Directors' meeting for the fiscal year ended March 31, 2016 was 42,867 thousand, and total acquisition cost was ¥269,173 million.)
2. Based on the resolution passed at the Board of Directors' meeting held on October 7, 2016, the Company retired its treasury stock of 100,000 thousand shares on October 31, 2016. As a result, "Retained earnings" and "Treasury stock" are decreased by ¥595,195 million (\$5,305,241 thousand).

(5) Accumulated other comprehensive income

The changes in the accumulated other comprehensive income are as follows:

	(Millions of yen)				
	Remeasurements of defined benefit plan	Available-for-sale financial assets	Cash flow hedges	Exchange differences on translating foreign operations	Total
As of April 1, 2015	¥ —	¥ 14,524	¥ (7,345)	¥ 533,207	¥ 540,386
Other comprehensive income (attributable to owners of the parent)	342	18,070	(32,743)	(263,977)	(278,308)
Transfer to retained earnings	<u>(342)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(342)</u>
As of March 31, 2016	<u>—</u>	<u>32,594</u>	<u>(40,088)</u>	<u>269,230</u>	<u>261,736</u>
Other comprehensive income (attributable to owners of the parent)	10,140	(20,611)	(4,789)	(25,090)	(40,350)
Transfer to retained earnings	<u>(10,140)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,140)</u>
As of March 31, 2017	<u>¥ —</u>	<u>¥ 11,983</u>	<u>¥(44,877)</u>	<u>¥ 244,140</u>	<u>¥ 211,246</u>

	(Thousands of U.S. dollars)				
	Remeasurements of defined benefit plan	Available-for-sale financial assets	Cash flow hedges	Exchange differences on translating foreign operations	Total
As of March 31, 2016	\$ —	\$ 290,525	\$(357,322)	\$2,399,768	\$2,332,971
Other comprehensive income (attributable to owners of the parent) ...	90,382	(183,715)	(42,687)	(223,638)	(359,658)
Transfer to retained earnings	<u>(90,382)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(90,382)</u>
As of March 31, 2017	<u>\$ —</u>	<u>\$ 106,810</u>	<u>\$(400,009)</u>	<u>\$2,176,130</u>	<u>\$1,882,931</u>

Note:

The above amount is presented net of tax effect. The amount of income taxes on each item in other comprehensive income is described in "Note 41. Other comprehensive income."

31. Dividends

In accordance with the Companies Act, SoftBank Group Corp. has prescribed in its articles of incorporation that semiannual interim dividends may be paid once a year upon resolution by the Board of Directors.

Dividends paid are as follows:

For the fiscal year ended March 31, 2016

Resolution	Class of shares	Dividends per share	Total dividends (Millions of yen)	Record date	Effective date
		(Yen)			
Shareholders' meeting held on June 19, 2015	Common stock	¥20	¥23,784	March 31, 2015	June 22, 2015
Board of Directors' meeting held on October 22, 2015	Common stock	20	23,477	September 30, 2015	December 14, 2015

For the fiscal year ended March 31, 2017

Resolution	Class of shares	Dividends per share	Total dividends		Record date	Effective date
		(Yen)	(USD)	(Millions of yen)		
Shareholders' meeting held on June 22, 2016	Common stock	¥21	\$0.19	¥24,085	\$214,680	March 31, 2016
Board of directors' meeting held on October 27, 2016 ...	Common stock	22	0.20	23,957	213,540	September 30, December 12, 2016

Dividends which will become effective during the fiscal year ending March 31, 2018 are as follows:

Resolution	Class of shares	Dividends per share	Total dividends		Record date	Effective date
		(Yen)	(USD)	(Millions of yen)		
Shareholders' meeting held on June 21, 2017	Common stock	¥22	\$0.20	¥23,964	\$213,602	March 31, 2017

32. Share-based payment transactions

The Company grants stock options, restricted stock units and phantom stock as share-based payment awards.

Share-based payment awards are granted to the Company's directors, employees and other service providers, based on the terms resolved at the Company's shareholders' meeting or Board of Directors' meeting.

Share-based payment awards are accounted for as equity-settled share-based payments and cash-settled share-based payments. Expense and liability recognized from share-based payment awards are as follows:

Expense arising from share-based payment

	(Millions of yen)	(Thousands of U.S. dollars)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Equity-settled	¥10,661	¥13,301	\$118,558
Cash-settled	6,900	7,877	70,211
Total	<u>¥17,561</u>	<u>¥21,178</u>	<u>\$188,769</u>

Liability arising from share-based payment

	(Millions of yen)	(Thousands of U.S. dollars)	
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Liability arising from share-based payment	¥9,151	¥8,162	\$72,752
Liability vested in the above	—	—	—

(1) Stock option plan

a. Details of the stock option plan

The Company grants stock options as equity-settled share-based payment and cash-settled share-based payment. The details of the Company's stock option plan for the years ended March 31, 2016 and 2017 are as follows:

(a) SoftBank Group Corp.

SoftBank Group Corp. grants stock options to its directors and employees. Shares granted by the exercise of stock options are those issued by SoftBank Group Corp.

Year issued / Name	Grant date	Due date for exercise
2010 – 6th Stock Acquisition Rights ¹	August 27, 2010	June 30, 2017
2013 – 7th Stock Acquisition Rights ²	July 31, 2013	June 30, 2021
2016 July Stock Acquisition Rights ³	July 28, 2016	July 31, 2022
2017 February Stock Acquisition Rights ³	February 27, 2017	February 28, 2023

Notes:

1. Vesting condition

A person entitled to the vested stock acquisition rights ("entitled person") is able to exercise these rights only when all the following conditions are satisfied:

- a. total free cash flows in the consolidated statement of cash flows for the years ended in March 2010, 2011 and 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act exceed ¥1.0 trillion;
- b. net interest-bearing debt in the consolidated balance sheet for the year ended in March 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act is less than ¥0.97 trillion; and,
- c. total operating income in the consolidated statement of income for the years ended in March 2011 and 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act exceeds ¥1.1 trillion.

The amount of the stock acquisition rights exercisable by an entitled person is limited as prescribed in "a" through "d" below. Fractional points, if any, of the exercisable stock acquisition rights are rounded down.

- a. from July 1, 2012 through June 30, 2013: 25% of the allocated amount of stock acquisition rights
- b. from July 1, 2013 through June 30, 2014: 50% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" above
- c. from July 1, 2014 through June 30, 2015: 75% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" and "b" above
- d. from July 1, 2015 through June 30, 2017: 100% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" through "c" above

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

2. Vesting condition

The stock acquisition rights expired as the rights were unable to meet the vesting condition. The vesting condition is as follows;

A person entitled to vested stock acquisition rights (“entitled person”) is able to exercise these rights only when operating income in the consolidated statement of income for the year ended in March 2016 in the Annual Securities Report to be filed by SoftBank Group Corp. based on the Financial Instruments and Exchange Act in June 2016 (“target index”) exceeds ¥1.2 trillion (“target amount”). SoftBank Group Corp. may change the target index or target amount within a reasonable range due to changes in accounting policies or other factors, if necessary.

The amount of the stock acquisition rights exercisable in the period “a” through “c” below by an entitled person who was granted and allocated stock acquisition rights of 10,000 or more in total, is limited as below. Fractional points, if any, of the exercisable stock acquisition rights are rounded down.

- a. from July 1, 2016 to June 30, 2017: 25% of the allocated amount of stock acquisition rights
- b. from July 1, 2017 to June 30, 2018: 50% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” above
- c. from July 1, 2018 to June 30, 2021: 100% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” and “b” above

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

3. Vesting condition

Stock options vest when the service period requirements are met, and the vesting period is 2 years.

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

(b) Sprint

Sprint grants stock options to its directors, employees and other service providers. Shares granted by the exercise of stock options are those issued by Sprint Corporation.

Year issued / Name	Grant date	Due date for exercise
Nextel Incentive Equity Plan	From May 24, 2004 through May 26, 2005	From May 24, 2014 through May 26, 2015
1997 Long-term Incentive Program	From February 8, 2005 through February 27, 2007	From February 8, 2015 through February 27, 2017
2007 Omnibus Incentive Plan	From July 9, 2007 through May 31, 2015	From July 9, 2017 through May 31, 2025
2015 Omnibus Incentive Plan	From August 25, 2015 through February 2, 2017	From August 25, 2025 through February 2, 2027

Note:

Vesting condition

Generally, stock options vest when service period requirements are met. The vesting period is generally 3 years and vests each period equally.

(c) Supercell

Supercell grants stock options to its employees. Shares granted by the exercise of stock options are those issued by Supercell Oy. Also, in July 2016, Supercell was excluded from the scope of consolidation.

Year issued / Name	Grant date	Due date for exercise
Supercell Oy Share option program	From March 31, 2011 through April 1, 2014	From September 17, 2014 through March 31, 2021

Note:

Vesting condition

Stock options vest when service period requirements are met. The vesting period is within 4 years. 25% of options vest after 1 year from the conclusion of the share payment contract or the beginning of service. The residual options vest each month equally over the next 3 years.

(d) Brightstar

Brightstar grants stock options as equity-settled share-based payments and cash-settled share-based payments to its directors, employees and other service providers.

Year issued / Name	Grant date	Due date for exercise
Brightstar Global Group Inc. 2006 Stock Incentive Plan ¹	From July 12, 2006 through January 21, 2014	From July 12, 2016 through January 21, 2024
Brightstar Global Group Inc. 2016 Stock Incentive Plan ²	March 15, 2016	From January 1, 2017 through February 28, 2017

Notes:

1. Vesting condition

Generally, stock options vest when the service period requirements are met. Rights vest equally over a 4 year period. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as equity-settled share-based payments. Shares granted by the exercise of stock options are those issued by Brightstar Global Group Inc.

2. Vesting condition

Stock options vest when the service period requirements are met. The vesting period is within 1 year. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as cash-settled share-based payments.

(e) Yahoo Japan Corporation

Yahoo Japan Corporation grants stock options to its directors and employees. Shares granted by the exercise of stock options are those issued by Yahoo Japan Corporation.

Year issued / Name	Grant date	Due date for exercise
2006 ¹	From September 6, 2006 through February 7, 2007	From August 23, 2016 through January 24, 2017
2007 ¹	From May 8, 2007 through February 13, 2008	From April 24, 2017 through January 30, 2018
2008 ¹	From May 9, 2008 through February 10, 2009	From April 25, 2018 through January 27, 2019
2009 ¹	From May 12, 2009 through February 10, 2010	From April 28, 2019 through January 27, 2020
2010 ¹	From May 11, 2010 through February 8, 2011	From April 27, 2020 through January 25, 2021
2011 ¹	From June 3, 2011 through February 17, 2012	From May 20, 2021 through February 3, 2022
2012 1 st 2 nd ²	From May 16, 2012 through March 1, 2013	From May 2, 2022 through February 28, 2023
2013 1 st ³ 2 nd ⁴	From May 17, 2013 through November 19, 2013	From May 16, 2023 through November 18, 2023
2014 1 st ⁴	May 26, 2014	May 25, 2024

Notes:

1. Vesting condition

Rights are mainly starting to vest in stages after 2 years from the grant date. One-half of the total grant vests after 2 years from the grant date, and one fourth grant vests per year for the subsequent 2 years. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

2. Vesting condition

Rights vest according to the amount of operating income achieved as specified in either (i) or (ii) below in the period from the fiscal year ended in March 2014 through the fiscal year ending in March 2019.

(i) If the operating income exceeds ¥250 billion

Period of achievement: By fiscal year March 2016	Exercisable ratio: 20%
Period of achievement: By fiscal year March 2017	Exercisable ratio: 14%
Period of achievement: By fiscal year March 2018	Exercisable ratio: 8%
Period of achievement: By fiscal year March 2019	Exercisable ratio: 2%

(ii) If the operating income exceeds ¥330 billion

Period of achievement: By fiscal year March 2016	Exercisable ratio: 80%
Period of achievement: By fiscal year March 2017	Exercisable ratio: 56%
Period of achievement: By fiscal year March 2018	Exercisable ratio: 32%
Period of achievement: By fiscal year March 2019	Exercisable ratio: 8%

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

3. Vesting condition

Rights vest according to the amount of operating income achieved as specified in either (i) or (ii) below in the period from the fiscal year ended in March 2014 through the fiscal year ending in March 2019.

(i)	If the operating income exceeds ¥250 billion	Exercisable ratio: 20%
(ii)	If the operating income exceeds ¥330 billion	Exercisable ratio: 80%

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

4. Vesting condition

Rights vest once the operating income for the fiscal year exceeds ¥330 billion in either of the period from the fiscal year ended in March 2015 through the fiscal year ending in March 2019. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

b. Fair value of stock options granted during the period

Weighted-average fair value and fair value measurement at the measurement date of the stock options granted during the period are as follows:

(a) SoftBank Group Corp.

The weighted-average fair value at the measurement date of the stock options granted during the period is ¥1,318 (\$11.75).

Fair value is measured as follows:

Year issued / Name	Fiscal year ended March 31, 2017			
	2016 July stock acquisition rights		2017 February stock acquisition rights	
	Black-Scholes model		Black-Scholes model	
	(Yen)	(USD)	(Yen)	(USD)
Key inputs and assumptions:				
Weighted-average stock price	¥ 5,366	\$ 47.83	¥ 8,393	\$ 74.81
Weighted-average exercise price ..	¥ 6,159	\$ 54.90	¥ 8,891	\$ 79.25
Volatility of stock price*		39.87%		38.38%
Estimated residual period		4 years		4 years
Estimated dividend	¥41/per share	\$0.37/per share	¥44/per share	\$0.39/per share
Risk-free interest rate		(0.38)%		(0.15)%

Note:

* Volatility of the stock price is calculated based on the performance of the stock price for the most recent period depending on the period to maturity.

(b) Sprint

The weighted-average fair value at the measurement date of the stock options granted during the period is \$2.23.

Fair value is measured as follows:

Year issued / Name	Fiscal year ended March 31, 2017	
	2015 Omnibus incentive plan	
	Black-Scholes model	
Key inputs and assumptions:		
Weighted-average stock price		\$3.79
Weighted-average exercise price		\$3.72
Volatility of stock price*		64.47%
Estimated residual period		6 years
Estimated dividend		—
Risk-free interest rate		1.48%

Note:

* Volatility of stock price is calculated based on an implied volatility, measured by the stock price and option price of Sprint at the calculation date.

c. Changes in stock options during the period and the condition of stock options at the period end
 Changes in stock options during the period and the condition of stock options at the period end are as follows:

(a) SoftBank Group Corp.

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)	Weighted-average exercise price (USD)
Beginning balance—Unexercised	11,495,500	¥4,516	689,700	¥2,625	\$23.40
Granted	—	—	4,364,000	6,218	55.42
Forfeited	(10,229,800)	4,750	(12,000)	4,098	36.53
Exercised	(576,000)	2,625	(455,300)	2,625	23.40
Ending balance—Unexercised	689,700	2,625	4,586,400	6,040	53.84
Ending balance—Exercisable	689,700	¥2,625	227,400	¥2,625	\$23.40

(b) Sprint

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (USD)	Number of shares	Weighted-average exercise price (USD)
Beginning balance—Unexercised	39,861,827	\$ 5.34	40,742,546	\$4.69
Granted	12,290,437	4.66	12,075,685	3.72
Forfeited	(6,735,629)	5.42	(3,410,819)	4.62
Exercised	(1,439,758)	2.43	(11,653,873)	3.93
Matured	(3,234,331)	12.06	(574,253)	7.96
Ending balance—Unexercised	40,742,546	4.69	37,179,286	4.57
Ending balance—Exercisable	20,866,540	\$ 4.10	16,852,255	4.74

The unexercised options as of March 31, 2017 are as follows:

Range of exercise price (USD)	Number of shares	Weighted-average exercise price (USD)	Weighted-average remaining contract period (year)
\$0.00-\$3.00	2,923,458	\$2.08	5.25
3.01-4.00	13,050,212	3.43	7.58
4.01-5.00	12,947,337	4.65	7.36
5.01-6.00	3,859,625	5.61	6.47
6.01-7.00	756,646	6.21	9.42
7.01-10.00	3,642,008	8.92	7.31
Total	37,179,286	\$4.57	7.22

(c) Supercell

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (EUR)	Number of shares	Weighted-average exercise price (EUR)
Beginning balance—Unexercised	1,854,701	€5.24	1,062,495	€ 5.78
Granted	—	—	—	—
Forfeited	(462,279)	5.47	(220,164)	3.85
Exercised	(329,927)	3.17	(139,385)	17.91
Decrease due to loss of control*	—	—	(702,946)	3.98
Ending balance—Unexercised	1,062,495	5.78	—	—
Ending balance—Exercisable	318,972	€4.34	—	€ —

Note:

* In July 2016, Supercell was excluded from the scope of consolidation.

(d) Brightstar

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (USD)	Number of shares	Weighted-average exercise price (USD)
Beginning balance—Unexercised	1,464,993	\$27.51	609,920	\$14.00
Granted	366,772	5.45	—	—
Repurchased*	(621,367)	28.85	—	—
Forfeited	(600,478)	26.37	(10,000)	33.25
Matured	—	—	(376,483)	6.06
Ending balance—Unexercised	<u>609,920</u>	<u>14.00</u>	<u>223,437</u>	<u>26.53</u>
Ending balance—Exercisable	<u>206,898</u>	<u>\$26.33</u>	<u>217,812</u>	<u>\$26.46</u>

Note:

* Brightstar Corp. repurchased outstanding stock options held by existing employees for cash consideration of \$1.00 per stock option in December 2015.

The unexercised options as of March 31, 2017, are as follows:

Range of exercise price (USD)	Number of shares	Weighted-average exercise price (USD)	Weighted-average remaining contract period (year)
\$15.00	34,000	\$15.00	2.06
20.00	8,500	20.00	0.32
29.00	<u>180,937</u>	<u>29.00</u>	<u>5.76</u>
Total	<u>223,437</u>	<u>\$26.53</u>	<u>4.99</u>

(e) Yahoo Japan Corporation

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen) (USD)
Beginning balance—Unexercised	65,586,700	¥429	63,973,500	¥429 \$3.82
Granted	—	—	—	—
Forfeited	(1,260,700)	450	(2,088,700)	445 3.97
Exercised	(346,400)	331	(286,200)	347 3.09
Matured	(6,100)	680	(343,300)	471 4.20
Ending balance—Unexercised	<u>63,973,500</u>	<u>429</u>	<u>61,255,300</u>	<u>429</u> <u>3.82</u>
Ending balance—Exercisable	<u>3,522,500</u>	<u>¥360</u>	<u>2,899,300</u>	<u>¥346</u> <u>\$3.08</u>

The unexercised options as of March 31, 2017 are as follows:

Range of exercise price (Yen)	Range of exercise price (USD)	Number of shares	Weighted-average exercise price (Yen)	Weighted-average exercise price (USD)	Weighted-average remaining contract period (year)
¥201-¥300	\$1.79-\$2.67	841,200	¥270	\$2.41	4.4
301-400	2.68-3.56	24,797,500	324	2.89	5.8
401-500	3.57-4.46	10,962,200	486	4.33	5.9
501-600	4.47-5.35	<u>24,654,400</u>	<u>514</u>	<u>4.58</u>	<u>6.6</u>
Total		<u>61,255,300</u>	<u>¥429</u>	<u>\$3.82</u>	<u>6.1</u>

d. Stock options exercised during the period

Weighted-average stock prices at the date exercised, for those stock options that were exercised during the period are as follows:

(a) SoftBank Group Corp.

Fiscal year ended March 31, 2016			Fiscal year ended March 31, 2017			
Year issued/ Name	Number of shares exercised	Weighted-average stock price at exercise (Yen)	Year issued / Name	Number of shares exercised	Weighted-average stock price at exercise (Yen)	Weighted-average stock price at exercise (USD)
2010—6th Stock Acquisition Rights ..	576,000	¥7,021	2010—6th Stock Acquisition Rights	455,300	¥7,291	\$64.99

(b) Sprint

Fiscal year ended March 31, 2016			Fiscal year ended March 31, 2017		
Year issued/ Name	Number of shares exercised	Weighted-average stock price at exercise (USD)	Year issued / Name	Number of shares exercised	Weighted-average stock price at exercise (USD)
2007 Omnibus Incentive Plan	1,439,758	\$4.41	2007 Omnibus Incentive Plan	11,566,044	\$7.33
			2015 Omnibus Incentive Plan	87,829	\$7.50

(c) Yahoo Japan Corporation

Fiscal year ended March 31, 2016			Fiscal year ended March 31, 2017			
Year issued/ Name	The number of shares exercised	Weighted-average stock price at exercise (Yen)	Year issued / Name	The number of shares exercised	Weighted-average stock price at exercise (Yen)	Weighted-average stock price at exercise (USD)
2006	9,900	¥550	2006	31,600	¥491	\$4.38
2007	34,400	530	2007	51,200	525	4.68
2008	49,900	523	2008	22,900	505	4.50
2009	46,000	505	2009	37,300	510	4.55
2010	80,500	508	2010	58,000	521	4.64
2011	116,500	504	2011	69,100	501	4.47
2012	9,200	500	2012	16,100	501	4.47

Note:

Weighted-average stock price at exercise is not calculated for the Supercell Stock option plan since Supercell Oy shares are not publicly traded.

(2) Restricted stock unit plan

The Company adopts restricted stock unit (“RSU”) plans where the Company grants stocks, the transfer of which is restricted for a certain period until vested, and is accounted for as equity-settled share-based payment.

The details of the Company’s RSU plans for the years ended March 31, 2016 and 2017 are as follows:

a. Sprint

Sprint grants shares of Sprint Corporation as RSUs to its directors, employees and other service providers. The fair value of the RSU is generally measured based on the closing price of the stock on the date of grant. RSU generally has performance and service requirements or service requirements only, with vesting periods ranging from one to three years.

During the year ended March 31, 2017, Sprint granted performance-based RSUs that will be earned upon the achievement of certain market conditions, which are based on the Sprint share price. The fair value of these market-based RSUs is estimated at the date of grant using the Monte Carlo valuation methodology, which incorporates into the valuation the possibility that the market condition may not be satisfied. These market-based RSUs will vest 50% over four years from the grant date and 50% over five years from the grant date.

The number of RSUs granted for the fiscal year ended March 31, 2017 was 54,729,219 units. The weighted-average fair value of RSUs granted for the fiscal year ended March 31, 2017 was \$5.64 per unit.

b. Galaxy Investment Holdings, Inc.

Galaxy Investment Holdings, Inc. grants RSUs to its director with the option to settle either by Sprint Corporation shares held by Galaxy Investment Holdings, Inc. or cash. As Galaxy Investment Holdings, Inc. has the option to settle by cash instead of Sprint Corporation shares, this RSU grant has been accounted for as an equity-settled share-based payment. The fair value of the RSUs is measured based on the stock price as of the date of the grant.

RSU vests equally each year over four years, with continuous service required through each vesting date.

c. Supercell

Supercell grants shares of Supercell Oy as RSU to its employees. The RSU plan is accounted for as an equity-settled share-based payment even though Supercell has the option to settle some of the RSU in cash when the options are exercised instead of Supercell Oy shares. RSU granted for the fiscal year ended March 31, 2017 was 12,000 units. The fair value of the RSU is intrinsic value measured using the discount cash flow method or guideline public companies method. The weighted-average fair value of the RSU granted for the fiscal year ended March 31, 2017 was €102.35 per unit.

RSU vests equally each year over four years, with continuous service required through each vesting date. Also, in July 2016, Supercell was excluded from the scope of consideration.

(3) Phantom stock

The Company adopts phantom stock awards where the Company pays in cash based on the stock price at the vesting date, and they are accounted for as cash-settled share-based payments.

The details of phantom stock for the fiscal years ended March 31, 2016 and 2017 are as follows:

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc.

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc. granted phantom stock, which is based on the shares of SoftBank Group Corp., to their directors, employees, and other service providers. It requires one to have continued employment from the grant date through the vesting date. The amount of settlement at the vesting date is determined based on the share per unit. The details of vesting conditions are as follows:

The number of units and vesting conditions as of March 31, 2017

unit	Vesting condition
3,278,641	The initial vesting date is four years from the first date of service. A quarter of the total vests on the initial vesting date and quarter of the total vests every two years thereafter.
740,691	It vests fully when five years pass from the first date of the service period.
2,206,900	Vesting periods are mainly four or five years from the first date of service, or service provided, and vests over those periods.

33. Net sales

The components of net sales are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Domestic Telecommunications segment			
Telecom service revenue	¥2,395,925	¥2,413,429	\$21,511,980
Products and other sales	710,930	743,396	6,626,223
Total	3,106,855	3,156,825	28,138,203
Sprint segment			
Telecom service revenue	3,501,532	3,120,616	27,815,456
Products and other sales	186,966	338,526	3,017,435
Total	3,688,498	3,459,142	30,832,891
Yahoo Japan segment			
Net sales from rendering of services	461,420	519,350	4,629,200
Net sales from sale of goods	181,460	322,231	2,872,190
Total	642,880	841,581	7,501,390
Distribution segment	1,345,856	1,228,051	10,946,172
ARM segment	—	112,901	1,006,337
Other	97,688	102,504	913,665
Total	<u>¥8,881,777</u>	<u>¥8,901,004</u>	<u>\$79,338,658</u>

34. Cost of sales and selling, general and administrative expenses

The components of cost of sales and selling, general and administrative expenses are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Cost of goods sold	¥(2,370,094)	¥(2,433,370)	\$(21,689,723)
Depreciation and amortization	(1,373,467)	(1,465,609)	(13,063,633)
Sales commissions and sales promotion expenses	(1,073,036)	(954,998)	(8,512,327)
Employees and directors benefit cost	(558,433)	(569,414)	(5,075,443)
Operating lease expenses	(471,057)	(494,579)	(4,408,405)
Telecommunications equipment usage fees	(513,411)	(429,176)	(3,825,439)
Service outsourcing expenses	(282,074)	(290,681)	(2,590,971)
Other	(1,251,487)	(1,111,662)	(9,908,745)
Total	<u>¥(7,893,059)</u>	<u>¥(7,749,489)</u>	<u>\$69,074,686</u>

“Depreciation and amortization” includes disposal of “Property, plant and equipment” and “Intangible assets” as well as amortization of long-term prepaid expenses which are recorded in “Other non-current assets” in the consolidated statement of financial position.

35. Other operating loss

The components of other operating income and loss are as follows:

	(Millions of yen)		(Thousands of U.S. dollar)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Sprint segment:			
Gain on spectrum license exchange ¹	¥ —	¥ 36,385	\$ 324,316
Loss on disposal of property, plant, and equipment ²	(37,032)	(55,727)	(496,720)
Loss on contract termination ³	—	(15,399)	(137,258)
U.S. state tax charge	—	(10,600)	(94,483)
Legal reserves	(23,437)	(4,209)	(37,517)
Severance costs associated with reduction in the workforce	(26,079)	(2,277)	(20,296)
Impairment loss on non-current assets ⁴	(19,881)	—	—
Other	(10,271)	(8,201)	(73,099)
Yahoo Japan segment:			
Loss on disaster ⁵	—	(13,006)	(115,928)
Other	—	2,269	20,225
Distribution segment:			
Impairment loss on goodwill ⁶	—	(30,260)	(269,721)
Impairment loss on non-current assets ⁷	(13,633)	—	—
Other	(2,833)	—	—
ARM segment:			
Acquisition-related costs ⁸	—	(25,780)	(229,789)
Company-wide:			
Expense resulting from resignation of director ⁹	—	(8,847)	(78,857)
Other:			
Impairment loss on assets ¹⁰	—	(8,051)	(71,763)
Other	(6,086)	—	—
Total	¥(139,252)	¥(143,703)	\$1,280,890

Notes:

1. License exchange gain resulting from the exchange of certain spectrum licenses, which is recorded as FCC licenses in intangible assets, with other carriers (non-cash transaction).
2. Loss mainly resulting from the write-off of leased devices associated with lease cancellations prior to scheduled customer lease terms where customers did not return the devices to Sprint. In fiscal year ended March 31, 2016, ¥6,684 million of loss was recognized upon the sale of devices to Mobile Leasing Solutions, LLC under the Handset Sale-Leaseback transaction. Regarding the Handset Sale-Leaseback transaction, the details are described in "Note 14. Leases."
3. Loss mainly resulting from termination of wholesale contracts with NTELUS Holdings Corp.
4. Impairments are primarily related to cell site construction costs that are no longer expected to be used as a result of changes in Sprint's network plans.
5. In February 2017, a fire incident occurred at a logistics center of ASKUL, namely, ASKUL Logi PARK Tokyo Metropolitan. The fire inflicted damage on ASKUL's non-current assets and inventories resulting in a temporary operation shutdown. The loss from the fire incident consists of ¥10,230 million (\$91,185 thousand) of damage on non-current assets, ¥2,510 million (\$22,373 thousand) of destroyed inventories, and ¥266 million (\$2,371 thousand) of related costs.
6. Goodwill of Brightstar had been allocated in its entirety to Brightstar (a group of cash-generating units), which had bundled five cash-generating units (Brightstar's US and Canada region, Latin America region, Asia & Oceania region, SoftBank Commerce & Service Corp., and Europe and Africa region); however, in March 2017, its goodwill was reallocated to Brightstar, which bundled four cash-generating units, except for SoftBank Commerce & Service Corp., due to the decision to reorganize the Distribution segment. As impairment indicators existed, the impairment test was conducted on goodwill and intangible assets with indefinite useful lives. As a result, the recoverable amount of goodwill was less than its carrying amount, and therefore, ¥30,260 million (\$269,721 thousand) of impairment loss on goodwill was recorded as "Other operating loss." Value in use was used as the recoverable amount and calculated by discounting the management-approved estimated future cash flow plan of the four cash-generating units by 10.97%-16.17%, the weighted-average capital cost before tax.
7. As a result of revising the business plan of the Brightstar's Latin America region, the recoverable amount became negative and, therefore, the carrying amount related to the cash-generating unit was reduced to ¥0. Impairment loss on property, plant, and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in use was used as the recoverable amount and calculated by discounting management approved estimated future cashflow plan by 22.11%, weighted average capital cost before tax.
8. Expenses arising from the business combination of ARM. The details of the business combination are described in "(3) ARM" in "Note 5. Business combinations."
9. Expenses resulting from the resignation of Nikesh Arora from his position as a director. The details are described in "(2) Remuneration for major executives" in "Note 45. Related party transactions."

10. As a result of revising the business plan of SoftBank Robotics Corp., the recoverable amount was less than its carrying amount, and therefore the related carrying amount of assets was reduced to its recoverable amount of ¥ 3,471 million (\$30,939 thousand) determined based on its value in use.

36. Finance cost

The components of finance cost are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	
Interest expense*	¥(440,744)	¥(467,311)	\$(4,165,353)

Note:

* Interest expense was mainly from financial liabilities measured at amortized cost.

37. Gain on sales of shares of associates

For the fiscal year ended March 31, 2017

The Company sold a portion of its Alibaba shares to Alibaba, Gamlight Pte Ltd, a wholly-owned subsidiary of GIC Private Limited, and Aranda Investments Pte. Ltd., a wholly-owned subsidiary of Temasek Holdings Private Limited on June 13, 2016, and to Alibaba Partnership* on July 11, 2016. As a result of the transactions, ¥234,418 million (\$2,089,473 thousand) was recorded as a gain on sales of shares of associates.

The aggregate amount of its sale was ¥359,704 million (\$3.4 billion), of which the sale price for Alibaba was ¥212,920 million (\$2.0 billion). The sale price was determined by negotiation with reference to the market price of Alibaba shares.

Note:

* Alibaba Partnership is not an associate of Alibaba.

38. Derivative gain and loss

For the fiscal year ended March 31, 2017

Derivative loss of ¥232,729 million (\$2,074,418 thousand) was recorded related to a collar transaction included in a variable prepaid forward contract. The details of the variable prepaid forward contract are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” in “Note 19. Interest-bearing debt.”

39. Gain and loss from financial instruments at FVTPL

For the fiscal year ended March 31, 2017

Loss from financial instruments at FVTPL mainly consists of changes in fair value of preferred stock investments, including embedded derivatives, such as ANI Technologies Pvt. Ltd and Jasper Infotech Private Limited in India, designated as financial assets at FVTPL.

40. Other non-operating income and loss

The components of other non-operating income and loss are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Foreign currency exchange gain and loss	¥(41,414)	53,336	\$ 475,408
Impairment loss on securities ¹	(32,759)	(6,098)	(54,354)
Dilution gain from changes in equity interest ²	14,903	77,540	691,149
Loss relating to loss of control ³	—	(79,278)	(706,641)
Impairment loss on assets classified as held for sale ⁴	—	(42,540)	(379,178)
Provision of allowance for doubtful accounts ¹	(21,253)	(60)	(535)
Other	16,531	4,519	40,280
Total	¥(63,992)	¥ 7,419	\$ 66,129

Notes:

- Shares and loans related to investments of PT Trikomsel Oke Tbk. in Indonesia were impaired as the investment amounts and the loans amount were not expected to be collected. As a result, impairment loss on securities and provision of allowance for doubtful accounts totaling ¥38,185 million were recorded for the fiscal year ended March 31, 2016.
- Gain arising from changes in Alibaba's equity interest held by the Company mainly due to the exercise of stock options issued by Alibaba and the allocation of new shares to a third party.
- On February 24, 2017, the Company entered into an agreement with Foxconn Technology Group in Taiwan to establish a joint venture through its wholly-owned subsidiary, SOFTBANK GROUP CAPITAL APAC PTE. LTD. SOFTBANK GROUP CAPITAL APAC PTE. LTD. accordingly issued new ordinary shares to Foxconn (Far East) Limited on March 3, 2017, and changed its name to Foxconn Ventures Pte. Ltd. as of the same date. As a result of the transaction, the percentage of voting rights of Foxconn Ventures Pte. Ltd. held by the Company was reduced to 45.5% and the entity has become an equity method associate and no longer qualified as a consolidated subsidiary of the Company from March 3, 2017. The loss relating to the loss of control resulting from the transaction was ¥79,278 million (\$706,641 thousand). Of this amount, the amount that was transferred from accumulated other comprehensive income to net loss due to the loss of control was ¥131,529 million (\$1,172,377 thousand) and the gain from remeasurement relating to applying the equity method was ¥52,251 million (\$465,737 thousand).
- The Company transferred a portion of its GungHo shares to assets classified as held for sale as the Company tendered in a Tender Offer by GungHo in the three month period ended June 30, 2016. Accordingly, the carrying amounts of the shares were reduced to the fair values after deducting expenses arising from the sale (Tender Offer price), and ¥42,540 million (\$379,178 thousand) was recorded as an impairment loss on assets classified as held for sale. As a result of the transaction, GungHo is no longer qualified as an equity method associate in the three month period ended September 30, 2016. The details are described in "(1) GungHo" in "Note 42. Discontinued operations."

41. Other comprehensive income

The table below presents the amount arising during the year, reclassification adjustments to profit or loss and the income tax effect of each item in other comprehensive income.

For the fiscal year ended March 31, 2016

	(Millions of yen)				
	Amount arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	¥ 140	¥ —	¥ 140	¥ 202	¥ 342
Total	140	—	140	202	342
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets ..	(32,338)	32,685	347	(5,253)	(4,906)
Cash flow hedges	(91,449)	59,223	(32,226)	234	(31,992)
Exchange differences on translating foreign operations	(328,860)	—	(328,860)	39,125	(289,735)
Share of other comprehensive income of associates	38,760	(450)	38,310	(10,668)	27,642
Total	(413,887)	91,458	(322,429)	23,438	(298,991)
Total other comprehensive income	¥(413,747)	¥91,458	¥(322,289)	¥ 23,640	¥(298,649)

For the fiscal year ended March 31, 2017

	(Millions of yen)				
	Amount arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	¥ 12,227	¥ —	¥ 12,227	¥ (27)	¥ 12,200
Total	<u>12,227</u>	<u>—</u>	<u>12,227</u>	<u>(27)</u>	<u>12,200</u>
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	21,204	908	22,112	(16,484)	5,628
Cash flow hedges	(32,479)	24,930	(7,549)	95	(7,454)
Exchange differences on translating foreign operations	(185,792)	175,002	(10,790)	(9,710)	(20,500)
Share of other comprehensive income of associates	<u>(41,130)</u>	<u>190</u>	<u>(40,940)</u>	<u>10,537</u>	<u>(30,403)</u>
Total	<u>(238,197)</u>	<u>201,030</u>	<u>(37,167)</u>	<u>(15,562)</u>	<u>(52,729)</u>
Total other comprehensive income	<u>¥(225,970)</u>	<u>¥201,030</u>	<u>¥(24,940)</u>	<u>¥(15,589)</u>	<u>¥(40,529)</u>
	(Thousands of U.S. dollars)				
	Amount arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	\$ 108,985	\$ —	\$ 108,985	\$ (241)	\$ 108,744
Total	<u>108,985</u>	<u>—</u>	<u>108,985</u>	<u>(241)</u>	<u>108,744</u>
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	189,002	8,093	197,095	(146,929)	50,166
Cash flow hedges	(289,500)	222,212	(67,288)	847	(66,441)
Exchange differences on translating foreign operations	(1,656,048)	1,559,872	(96,176)	(86,550)	(182,726)
Share of other comprehensive income of associates	<u>(366,611)</u>	<u>1,694</u>	<u>(364,917)</u>	<u>93,921</u>	<u>(270,996)</u>
Total	<u>(2,123,157)</u>	<u>1,791,871</u>	<u>(331,286)</u>	<u>(138,711)</u>	<u>(469,997)</u>
Total other comprehensive income	<u>\$ (2,014,172)</u>	<u>\$ 1,791,871</u>	<u>\$ (222,301)</u>	<u>\$ (138,952)</u>	<u>\$ (361,253)</u>

42. Discontinued operations

(1) GungHo

SoftBank Group Corp. entered into an agreement to tender in the Tender Offer for 188,235,200 shares, a portion of the common shares of GungHo held by SoftBank Group Corp., on April 28, 2015. The Tender Offer was completed on June 1, 2015 and 188,235,200 common shares of GungHo held by Softbank Group Corp. were transferred to GungHo for ¥80,000 million.

An agreement between Heartis G.K. (“Heartis”) and Son Holdings Inc. to extinguish the pledge on 100,000,000 shares, out of the common shares of GungHo held by Heartis, was executed and the Agreement on Exercise of Voting Rights* for the 100,000,000 shares was terminated effective on June 1, 2015.

As a result of the transactions, GungHo was no longer qualified as a subsidiary and became an equity method associate on June 1, 2015.

Operating results related to GungHo from April 1, 2015 to June 1, 2015 are presented as discontinued operations separately from continuing operations in the consolidated statement of income.

Note:

* Heartis (Taizo Son's asset management company, the second largest shareholder of GungHo, and Taizo Son, chairman of GungHo is the representative director), and Masayoshi Son, chairman and CEO of SoftBank Group Corp., entered into a Memorandum of Understanding (the "MOU") on Exercise of Voting Rights for Deferment of Execution of Pledges, on April 1, 2013. Under the MOU, all of GungHo common shares held by Heartis were pledged to Son Holdings, Masayoshi Son's asset management company and in order to defer the execution of pledges, Heartis agreed to act on behalf of Masayoshi Son at the shareholders' meeting of GungHo, for the voting rights related to 213,080,000 shares (ownership ratio: 18.50%) out of the common shares of GungHo held by Heartis. In addition, the title of Taizo Son was changed from chairman of GungHo to director of GungHo, effective on March 22, 2016.

Also, regarding a portion of the Company's GungHo shares, the Company tendered in the Tender Offer by GungHo from June 23, 2016. The Tender Offer was completed on July 21, 2016 and 245,592,400 shares of its GungHo shares had sold by the Tender Offer. As a result of the transaction, GungHo is no longer qualified as an equity method associate on August 16, 2016.

The operating results and cash flows from discontinued operations are as follows:

a. Operating results from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Revenue	¥ 26,604	¥—	\$—
Expense	(17,404)	—	—
Income before income tax from discontinued operations ..	9,200	—	—
Income taxes	(3,568)	—	—
Income after income tax from discontinued operations ...	5,632	—	—
Loss relating to loss of control in discontinued operations	(12,739)	—	—
Deferred tax expenses for investment temporary differences	139	—	—
Net loss from discontinued operations	¥ (6,968)	¥—	\$—

In addition, the above net income from discontinued operations includes amortization expenses that are related to intangible assets recognized at the acquisition date.

b. Cash flows from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net cash provided by operating activities	¥16,051	¥—	\$—
Net cash used in investing activities	(735)	—	—
Net cash used in financing activities	(86)	—	—
Total	¥15,230	¥—	\$—

(2) Supercell

The Company entered into a definitive agreement with Tencent Holdings Limited and its affiliate (the "Tencent affiliate"), Supercell and other parties on June 21, 2016 to sell all of its shares of Supercell to the Tencent affiliate. The shares were transferred on July 29, 2016, and as of the date of transfer of the shares, Supercell was excluded from the scope of consolidation.

Operating results related to Supercell for the fiscal year ended March 31, 2016 and 2017, are presented separately from continuing operations, as discontinued operations, in the consolidated statements of income.

The operating results and cash flows from discontinued operations are as follows:

a. Operating results from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Revenue	¥ 271,772	¥ 80,735	\$ 719,627
Expense	(185,169)	(46,075)	(410,687)
Income before income tax from discontinued operations ..	86,603	34,660	308,940
Income taxes	(17,878)	(6,414)	(57,171)
Income after income tax from discontinued operations ..	68,725	28,246	251,769
Gain on sales of discontinued operations	—	636,216	5,670,880
Income taxes recognized from sales of discontinued operations	—	(109,663)	(977,476)
Net income from discontinued operations	¥ 68,725	¥ 554,799	\$4,945,173

In addition, the above net income from discontinued operations includes amortization expenses that are related to intangible assets recognized at the acquisition date.

b. Cash flows from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net cash provided by operating activities	¥107,071	¥ 44,065	\$ 392,771
Net cash provided by (used in) investing activities	17,055	(166)	(1,480)
Net cash used in financing activities	(32,578)	(17,557)	(156,493)
Total	¥ 91,548	¥ 26,342	\$ 234,798

43. Earnings per share

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

(1) Basic earnings per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income used in the calculation of basic earnings per share			
Net income attributable to owners of the parent			
Continuing operations	¥ 435,957	¥ 877,902	\$ 7,825,136
Net income attributable to owners of the parent			
Discontinued operations	38,215	548,406	4,888,190
Total	¥ 474,172	¥1,426,308	12,713,326
	(Thousands of shares)		
Weighted-average number of ordinary shares	1,178,098	1,108,237	
	(Yen)		(USD)
Basic earnings per share			
Continuing operations	¥ 370.05	¥ 792.16	\$ 7.06
Discontinued operations	32.44	494.85	4.41
Total	¥ 402.49	¥ 1,287.01	\$ 11.47

(2) Diluted earnings per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income used in the calculation of diluted earnings per share			
Continuing operations			
Net income from continuing operations used in the calculation of basic earnings per share	¥ 435,957	¥ 877,902	\$ 7,825,136
Effect of dilutive securities issued by subsidiaries and associates	(16,475)	(11,299)	(100,713)
Sub total	<u>419,482</u>	<u>866,603</u>	<u>7,724,423</u>
Discontinued operations			
Net income from discontinued operations used in the calculation of basic earnings per share	38,215	548,406	4,888,190
Sub total	<u>38,215</u>	<u>548,406</u>	<u>4,888,190</u>
Total	<u>¥ 457,697</u>	<u>¥1,415,009</u>	<u>\$12,612,613</u>
	(Thousands of shares)		
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	1,178,098	1,108,237	
Weighted-average number of ordinary shares			
Adjustments:			
Warrants and corporate bonds with stock acquisition rights	556	1,018	
Total	<u>1,178,654</u>	<u>1,109,255</u>	
	(Yen)		(USD)
Diluted earnings per share			
Continuing operations	¥ 355.90	¥ 781.25	\$ 6.96
Discontinued operations	32.42	494.39	4.41
Total	<u>¥ 388.32</u>	<u>¥ 1,275.64</u>	<u>\$ 11.37</u>

44. Supplemental information to the consolidated statement of cash flows

(1) Scope of purchase of property, plant and equipment and intangible assets

“Purchase of property, plant and equipment, and intangible assets” includes cash outflows from long-term prepaid expenses that are included in “Other non-current assets” in the consolidated statement of financial position.

(2) Presentation of cash flows regarding financing leases

For the purchase of telecommunication equipment through financing leases, the Company purchases, assembles, installs and inspects the equipment due to the nature of the equipment. Then the Company sells the equipment to lease companies for sale-leaseback purposes and recognizes it as a leased asset.

The cash outflows from the purchase of the equipment from vendors are included in “Purchase of property, plant and equipment, and intangible assets” under cash flows from investing activities, and the cash inflows from the sale of the equipment to lease companies are included in “Proceeds from long-term interest-bearing debt” under cash flows from financing activities.

(3) Gain on sales of discontinued operations

For the fiscal year ended March 31, 2017

Gain on sales of subsidiaries is arising from sale of Supercell shares. The details are described in “(2) Supercell” in “Note 42. Discontinued operations.”

(4) Income taxes paid and income taxes refunded

For the fiscal year ended March 31, 2016

Payment of withholding income tax related to dividends within the group companies of ¥904,688 million is included in “Income taxes paid,” and refund of the withholding income tax of ¥611,199 million is included in “Income taxes refunded.”

For the fiscal year ended March 31, 2017

Payment of withholding income tax related to dividends within the group companies of ¥85,048 million (\$758,071 thousand) is included in “Income taxes paid,” and refund of the withholding income tax of ¥293,489 million (\$2,616,000 thousand) is included in “Income taxes refunded.”

(5) Proceeds from sales of property, plant and equipment, and intangible assets

For the fiscal year ended March 31, 2016

Proceeds of ¥137,593 million which Sprint received from Mobile Leasing Solutions, LLC through a handset sale-leaseback transaction in December 2015 are included in “Proceeds from sales of property, plant and equipment, and intangible assets.” The details are described in “(3) Handset sale-leaseback” in “Note 14. Leases.”

(6) Proceeds from sales and redemption of investments

For the fiscal year ended March 31, 2017

Proceeds related to sales of Alibaba shares of ¥359,704 million (\$3.4 billion) are included. The details are described in “Note 37. Gain on sales of shares of associates.”

(7) Decrease and increase from loss of control over subsidiaries

For the fiscal year ended March 31, 2016

Decrease from loss of control over subsidiaries is the amount of cash and cash equivalents held by GungHo at the time of loss of control.

For the fiscal year ended March 31, 2017

The relation between proceeds received for sale of Supercell shares and increase from loss of control over subsidiaries and components of assets and liabilities at the date of loss of control over Supercell are as follows:

a. The relation between proceeds received for sale of Supercell shares and increase from loss of control over subsidiaries

	(Millions of yen)	(Thousands of U.S. dollars)
Proceeds received for sale	¥769,844	\$6,861,966
The amount of receivables for sale	(19,693)	(175,533)
Cash and cash equivalents held at the time of loss of control	(27,143)	(241,938)
Effect of exchange rate changes from the date of loss of control*	(884)	(7,879)
Increase from loss of control over subsidiaries	<u>¥722,124</u>	<u>\$6,436,616</u>

Note:

* Effect of exchange rate changes from the date of loss of control to the date of payment on the amount of receivable for sale as of the date of loss of control.

b. The components of assets and liabilities as of the date of loss of control

	(Millions of yen)	(Thousands of U.S. dollars)
	At the date of loss of control (July 29, 2016)	At the date of loss of control (July 29, 2016)
The components of assets:		
Current assets	¥125,523	\$1,118,843
Game titles	47,636	424,601
Goodwill	84,487	753,071
Other non-current assets	6,077	54,167
The components of liabilities:		
Deferred revenue (current)	96,919	863,883
Other current liabilities	5,593	49,853
Non-current liabilities	23,778	211,944

(8) Payments for purchase of subsidiaries' interests from non-controlling interests

For the fiscal year ended March 31, 2016

“Payments for purchase of subsidiaries’ interests from non-controlling interests” is mainly due to the additional purchase of shares of Supercell and Sprint from existing shareholders.

(9) Significant non-cash transactions

Significant non-cash investing and financing activities are as follows:

	(Millions of yen)	(Thousands of U.S. dollars)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Transfer of leased devices from inventories to property, plant and equipment	¥389,480	¥317,180	\$2,827,168
Embedded derivative included in a variable prepaid forward contract*	—	95,587	852,010

Note:

* The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” in “Note 19. Interest-bearing debt.”

In addition to the above, ASKUL Corporation has become a subsidiary of the Company for the fiscal year ended March 31, 2016 and the transaction related to this business combination is classified as a non-cash transaction because it was conducted by ASKUL Corporation’s acquisition of its own treasury stock. The details are described in “Note 5. Business combinations.”

45. Related party transactions

(1) Related party transactions and balances

Related party transactions of the Company were as follows:

For the fiscal year ended March 31, 2016

Name of the company or individual	Nature of relationship	Nature of transaction	(Millions of yen)	
			Amount of transaction	Balance at period-end
Masayoshi Son (Son Asset Management LLC and 3 other companies)	Chairman & CEO of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	¥10,061	¥ —
		Advance payment for temporary expense	253	22
		Payment of equipment usage ¹	42	—
		Guarantee deposits received	—	178
Taizo Son (Heartis GK and 6 other companies) ²	Relative of Chairman & CEO of SoftBank Group Corp. and related entities of which the relative holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	225	—
		Payment of outsourcing fees ³	95	12
		Provision of ordinary services ³	19	2
Yun Ma (Alipay Singapore E-Commerce Pte Ltd ⁴)	Director of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Payment of outsourcing fees ³	727	727
Kazuhiko Fujihara ⁵	Director	Exercise of stock acquisition rights	98	—

Notes:

1. Equipment usage fees are determined based on the ratio of usage.
2. Relative of Chairman & CEO Masayoshi Son, Taizo Son holds more than one-half of the voting rights of these companies.
3. The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.
4. Yun Ma, director of SoftBank Group Corp., holds over half of voting rights of this company.
5. Retired from the position of director as of June 19, 2015.

For the fiscal year ended March 31, 2017

Name of the company or individual	Nature of relationship	Nature of transaction	(Millions of yen)	
			Amount of transaction	Balance at period-end
Masayoshi Son (Son Asset Management LLC and 4 other companies)	Chairman & CEO of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	¥11,026	¥ —
		Advance payment for temporary expense	233	23
		Payment of equipment usage ¹	43	—
		Guarantee deposits refunded (net for its received)	4	175
Nikesh Arora	Director ²	Purchase of the Company's associates shares ³	10,744	—
		Dividend paid from SoftBank Group Corp.	200	—
		Dividend paid from SoftBank Group Corp.	43	—
Taizo Son (Heartis GK and 2 other companies) ⁴	Relative of Chairman & CEO of SoftBank Group Corp. and related entities of which the relative holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	43	—
		Payment of outsourcing fees ⁵	14	—
(Thousands of U.S. dollars)				
Name of the company or individual	Nature of relationship	Nature of transaction	Amount of transaction	Balance at period-end
Masayoshi Son (Son Asset Management LLC and 4 other companies)	Chairman & CEO of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	\$98,280	\$ —
		Advance payment for temporary expense	2,077	205
		Payment of equipment usage ¹	383	—
		Guarantee deposits refunded (net for its received)	36	1,560
Nikesh Arora	Director ²	Purchase of the Company's associates shares ³	95,766	—
		Dividend paid from SoftBank Group Corp.	1,783	—
		Dividend paid from SoftBank Group Corp.	383	—
Taizo Son (Heartis GK and 2 other companies) ⁴	Relative of Chairman & CEO of SoftBank Group Corp. and related entities of which the relative holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	383	—
		Payment of outsourcing fees ⁵	125	—

Notes:

1. Equipment usage fees are determined based on the ratio of usage.
2. Retired from the position of Representative Director, President & COO as of June 22, 2016.
3. At the time of retirement of the officer, the Company purchased the shares of associate companies which were granted to him in December 2014. Purchase price by the Company was determined based on negotiation with reference to the recent transaction price.
4. Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights of these companies.
5. The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.

(2) Remuneration for major executives

Remuneration for major executives is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Short-term benefits	¥ 7,038	¥ 2,093	\$ 18,656
Share-based payments	5,821	4,860	43,319
Expenses resulting from the resignation of director	—	8,847	78,857
Retirement benefits	4	9	81
Total	<u>¥12,863</u>	<u>¥15,809</u>	<u>\$140,913</u>

Notes:

1. Remuneration for major executives represents remuneration for the directors of SoftBank Group Corp. (including external directors) and the directors at the significant subsidiaries. Marcelo Claure, CEO of Sprint, and Simon Segars, CEO of ARM, are the directors at the significant subsidiaries. Simon Segars became the director at the significant subsidiaries because the Company had completed to acquire 100% of ownership of ARM on September 5, 2016.
2. The amount of remuneration to Nikesh Arora, which is included in the table above is as follows:

For the fiscal year ended March 31, 2016: ¥8,042 million

(Short-term benefits of ¥5,375 million and share-based compensation of ¥2,667 million)

For the fiscal year ended March 31, 2017: ¥10,346 million (\$92,219 thousand)

(Short-term benefits of ¥303 million (\$2,701 thousand), share-based compensation of ¥1,196 million (\$10,660 thousand), and resignation expense of ¥8,847 million (\$78,857 thousand))

Nikesh Arora retired from the position of director of SoftBank Group Corp. at the closing of the Annual General Meeting of Shareholders held on June 22, 2016.

Resignation expenses consist of expenses in which payment amounts are defined and expenses in which payment amounts are to be defined depending on the future share price of SoftBank Group Corp. shares. Expenses based on the share price will be settled in two installments, scheduled on June 2017 and March 2018. Payment amount will be determined based on the share price of June 2017 and March 2018. The Company measured the expenses based on the SoftBank Group Corp. share price as of June 30, 2016, and recorded the entire expenses for the three-month period ended June 30, 2016. The expenses will be remeasured every quarter end based on the stock price of SoftBank Group Corp. until the determination of payment amount, and the changes will be recognized through profit and loss. The expenses were ¥3,830 million (\$34,139 thousand) for the fiscal year ended March 31, 2017.

In addition to the above resignation expenses, the Company purchased the shares of associate companies from Nikesh Arora, which were previously granted to him in December 2014. The details are described in "(1) Related party transactions and balances."

46. Contingency

(1) Lending commitments

The details of lending commitments, which are mainly related to cashing service incidental to the credit card business, are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
Lending commitments	¥196,937	¥313,688	\$2,796,042
Funded	9,355	13,967	124,494
Unfunded	<u>¥187,582</u>	<u>¥299,721</u>	<u>\$2,671,548</u>

Also, maturities of unfunded lending commitments are within 1 year because they are payable on demand.

(2) Credit guarantees

Guarantees that the Company provides when loans are taken from affiliate financial institutions to individuals regarding the credit guarantee business are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	
Total amount of financial guarantee contract	¥13,822	¥16,632	\$148,249
Guarantee balance	10,418	12,997	115,848

Also, maturities of guarantee balance for credit guarantee are within 1 year because they are payable on demand.

(3) Litigation

SoftBank Group Corp. and certain subsidiaries are currently party to a number of pending legal and administrative proceedings. As it is difficult to reasonably estimate the final results of such matters, reserves 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. Litigation in which SoftBank Corp. is involved as a party

(a) On April 30, 2015, SoftBank Corp. 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 communication network connecting approximately 27,000 sites (postal offices, etc.) existing countrywide to a new network, the 5th PNET.

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

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

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

In this lawsuit, JPiT alleges that SoftBank Corp. 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 SoftBank Corp. and NRI for such alleged damages.

SoftBank Corp. intends to fully contest JPiT’s claims in this lawsuit.

The order to consolidate lawsuit (b) above with lawsuit (a) above was made on July 29, 2015. SoftBank Corp. modified the amount of claim from approximately ¥14.9 billion to approximately ¥20.4 billion on November 13, 2015, and also modified the amount of claim from approximately ¥20.4 billion to approximately ¥22.3 billion on October 12, 2016, as a result of a review of the remuneration etc. with respect to additional services regarding the lawsuit (a) above.

b. Legal and administrative proceedings to which Sprint and its subsidiaries are party

(a) In March 2009, a stockholder brought suit, Bennett v. Sprint Nextel Corp., in the U.S. District Court for the District of Kansas (the “Bennett case”), alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing to adequately disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a settlement in August 2015, which did not have a material impact on our financial statements. Five stockholder derivative suits related to the Bennett case were filed against Sprint Communications and certain present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was moved to federal court, and was stayed by the court pending resolution of the motion to

dismiss the Bennett case; the second, Randolph v. Forsee, filed on July 15, 2010, in the state court in Kansas, was moved to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et. al., was filed in federal court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and Sprint has reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs' attorneys fees in an immaterial amount. The court approved the settlement, but reduced the plaintiff's attorneys fees; the attorneys fees issue is on appeal.

(b) On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications had fraudulently failed to collect and pay more than \$100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also seeks recovery of triple damages under the State False Claims Act, as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute requires Sprint Communications to collect and remit the disputed taxes. Sprint Communications' petition for certiorari to the US Supreme Court on grounds of federal preemption was denied. Through the year ended March 31, 2017, Sprint Communications accrued approximately \$200 million in association with this matter. The parties are now engaged in discovery in the trial court. Sprint Communications will continue to defend this matter vigorously.

Eight related stockholder derivative suits have been filed against Sprint Communications and certain current and former officers and directors. Each suit alleges generally that the individual defendants breached their fiduciary duties to Sprint Communications and its stockholders by allegedly permitting, and failing to disclose, the actions alleged in the suit filed by the New York Attorney General. One suit, filed by the Louisiana Municipal Police Employees Retirement System, was dismissed by a federal court. Two suits were filed in state court in Johnson County, Kansas, and one of those suits was dismissed as premature and five suits are pending in federal court in Kansas. The remaining Kansas suits have been stayed pending resolution of the New York Attorney General's suit.

(c) Sprint Communications is also a defendant in a complaint filed by several stockholders of Clearwire Corporation asserting claims for breach of fiduciary duty by Sprint Communications and related claims and otherwise challenging the Clearwire acquisition. ACP Master, LTD., et al. v. Sprint Nextel Corp., et al., was filed on April 26, 2013, in Chancery Court in Delaware. Plaintiffs in the ACP Master, LTD. suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock. A trial related to those cases took place in October 2016 and November 2016; the parties have submitted their post-trial briefing, and oral argument was held on April 25, 2017. Sprint Communications, Inc. is awaiting a decision on such cases.

(d) Sprint is currently involved in numerous court actions alleging that Sprint is infringing various patents. Most of these cases effectively seek only monetary damages. A small number of these cases are brought by companies that sell products and seek injunctive relief as well. These cases have progressed to various degrees and a small number may go to trial if they are not otherwise resolved. Adverse resolution of these cases could require Sprint to pay significant damages, cease certain activities, or cease selling the relevant products and services. In many circumstances, Sprint would be indemnified for monetary losses that it incurs with respect to the actions of its suppliers or service providers.

(e) In October 2013, the FCC Enforcement Bureau began to issue notices of apparent liability ("NALs") to other Lifeline providers, imposing fines for intracarrier duplicate accounts identified by the government during its audit function. Those audits also identified a small percentage of potentially duplicative intracarrier accounts related to Sprint's Assurance Wireless business. No NAL has yet been issued with respect to Sprint, and Sprint does not know if one will be issued.

Further, Sprint is not able to reasonably estimate the amount of any claim for penalties that might be asserted.

(f) Various other suits, inquiries, proceedings, and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against Sprint or its subsidiaries. During the year ended March 31, 2017, Sprint recorded a \$103 million charge associated with a state tax matter. If Sprint's interpretation of certain laws or regulations, including those related to various federal or state matters, such as sales, use or property taxes, or other charges, were found to be mistaken, it could result in payments by Sprint.

c. Legal and administrative proceedings to which Brightstar Corp. and its subsidiaries are party

Brightstar Corp. and its subsidiaries are party to various legal and administrative proceedings globally and particularly in Latin American countries, including disputes relating to tax, labor, contract, and other currently pending matters. This litigation mainly consists of five administrative proceedings initiated by tax authorities in Brazil against the subsidiary of Brightstar Corp. involving failure by such entity to pay a portion of taxes owed due to, e.g., differences in understanding between such entity and the tax authorities, for which such authorities have claimed an aggregate of \$120 million. One of these five administrative proceedings has been filed; however, a subsidiary of Brightstar Corp. has filed an Annulment Action in October 2015 requesting that the case be returned to the administrative level.

47. Purchase commitments

(1) Conditional commitments on investment in WorldVu Satellites Limited (“OneWeb”) and Intelsat S.A. (“Intelsat”) and a conditional service purchase commitment with OneWeb

The Company had investments of \$0.68 billion and \$1.73 billion in OneWeb and Intelsat, respectively, as of March 31, 2017. Such investments are intended to support the construction of satellite communication systems and operations to provide affordable, high-speed, low-latency Internet to rural and remote communities around the world.

In accordance with a share purchase agreement between the Company and OneWeb with a total investment amount of \$1 billion, the Company invested \$0.32 billion in the fiscal year ended March 31, 2017, and further invested \$0.15 billion in April 2017. With respect to the remaining conditional investment commitment of \$0.53 billion, the Company will invest such amount upon OneWeb obtaining certain financing and approvals from relevant regulatory authorities.

The total investment of \$1.73 billion in Intelsat was subject to the consummation of the merger between OneWeb and Intelsat (the “Merger”) and the receipt of approvals from relevant regulatory authorities. As Intelsat was unable to reach an agreement with certain existing Intelsat bondholders on the terms of proposed debt exchange offers, which was a condition to the Merger, the Company’s conditional investment commitment in Intelsat terminated and, consequently, the Company will no longer be investing in Intelsat.

In addition, the Company has a conditional purchase commitment of \$4 billion for satellite communication service capacity to the OneWeb group as of March 31, 2017. The minimum payment of \$4 billion is subject to OneWeb achieving certain service levels, which are set forth in two stages and include, among other things, the positioning of a particular number of satellites on prescribed orbital planes in operation. An initial payment of \$0.5 billion will be made within 12 months of OneWeb completing the first service level, and the remaining \$3.5 billion will be paid within 48 months of OneWeb completing the second service level.

(2) Commitment to acquire Fortress Investment Group LLC (“Fortress”)

The Company will acquire 100% of the outstanding shares of Fortress for approximately \$3.3 billion. The closing of the acquisition is subject to the satisfaction of customary conditions, such as certain regulatory approvals. The Company is planning to bring in partners for a portion of the investment following the closing of this acquisition.

With regard to the acquisition above, on June 12, 2017, the Company entered into a new credit agreement in relation to a 5 year \$1.4 billion term loan facility and 4.5 year \$90 million revolving facility with financial institutions. The shares of Fortress and the shares of subsidiaries (a holding company) that will hold the shares of Fortress will be pledged as collateral of the new credit agreement.

(3) Other

Except for the above (1) and (2), the Company had commitments to purchase services and goods of ¥1,613,695 million (\$14,383,590 thousand) as of March 31, 2017 (March 31, 2016: ¥1,496,500 million).

Purchase commitments are mainly outstanding contracts related to purchases of telecommunications equipment, purchases of mobile handsets, connection with other telecommunications operators, and investments.

48. Subsequent events

(1) Investment in Xiaoju Kuaizhi Inc. (“Kuaizhi”)

An overseas subsidiary of SoftBank Group Corp. made a total investment of \$5.0 billion in Kuaizhi, the operator of a taxi allocation service in China, as of May 26, 2017. Kuaizhi is not classified as a subsidiary or an associate of the Company after the investment.

The impact of this agreement on the operating results as of March 31, 2018, has not been determined at present.

(2) SoftBank Vision Fund’s First Major Closing

SoftBank Vision Fund (the “Fund”) established by an overseas subsidiary of the Company completed its first major closing on May 20, 2017 with \$93.2 billion of committed capital (“Initial Closing”). In addition to SoftBank Group Corp., the investors in the Fund (the “Limited Partners”) also include the Public Investment Fund of the Kingdom of Saudi Arabia, the Mubadala Investment Company of the United Arab Emirates, Apple, Foxconn Technology Group, Qualcomm Incorporated and Sharp Corporation, or their respective affiliates. The final closing of the Fund is expected to occur no later than six months following the Initial Closing. Under the Initial Closing, SoftBank Group Corp. has committed a maximum of \$28 billion of capital, which includes the In-kind Contribution (defined below), and the other Limited Partners have committed a maximum aggregate amount of \$65.2 billion of capital for the Fund.

a. Summary of the Fund

The arrival of the Singularity, the point at which Artificial Intelligence (AI) exceeds human intelligence, will redefine every industry, and is expected to greatly expand existing business opportunities and to create new ones. The Fund has been established to firmly grasp these business opportunities. The Fund will invest mainly in companies that have superior technologies or business models, and are expected to experience strong growth.

The Company will pursue maximizing returns in the Fund, while maintaining its own sustainable growth, as an investor in the Fund for a minimum of twelve years’ duration.

An overseas subsidiary of the Company will manage the Fund as its general partner, and it will be advised by another overseas subsidiary in the U.K. following that entity’s registration with the UK Financial Conduct Authority, (the “Investment Management Company”). The investment decisions of the Fund will be made based on the decisions of the Investment Committee, which is expected to be established at the Investment Management Company, and since the Company has control as stipulated in IFRS 10 “Consolidated Financial Statements” over the Fund through these subsidiaries, the Fund will be consolidated by the Company.

Therefore, the results of operations, assets and liabilities of the Fund will be included in the Company’s consolidated financial statements. The portfolio companies that the Company is deemed to control under IFRS are treated as subsidiaries of the Company and their results of operations, assets and liabilities are included in the consolidated financial statements of the Company. In principle, other investments in the Fund are measured at fair value at the end of each quarter, and the change is recognized in profit or loss.

b. Transfer of the partial shares of ARM

The Company will contribute approximately 24.99% of the total number of issued shares of ARM (the “ARM Shares”) to the Fund, by an in-kind contribution (the “In-kind Contribution”) in satisfaction of approximately \$8.2 billion of the Company’s \$28 billion commitment to the Fund.

When the Fund draws down a portion of its committed capital from its Limited Partners (a “Capital Call”), the Company will be obligated to contribute a portion of the ARM Shares with a value equivalent to the amount of the Capital Call issued to the Company. After (and to the extent that) the aggregate amount of Capital Call issued to the Company exceeds approximately \$8.2 billion, the aggregate value of the In-kind Contribution, the Company will contribute cash in satisfaction of Capital Calls. The In-kind Contribution will be effected through the transfer of ARM shares to the Fund, subject to the satisfaction of preconditions related to regulatory approvals prescribed in the Fund documents. Such conditions include clearance from the Committee on Foreign Investments in the United States in respect of the transfer of the ARM Shares. Pending delivery of the ARM Shares to the Fund following satisfaction of such conditions, a relevant portion of the ARM Shares will be pledged in favor of the Fund.

After the completion of the In-kind Contribution of ARM Shares, ARM will continue to be a consolidated subsidiary of the Company.

c. Impact on the Consolidated Financial Results

The impact from the Transactions on the consolidated financial results for the fiscal year ending March 31, 2018 has not yet been determined.

49. Approval of consolidated financial statements

The consolidated financial statements have been approved by the Company's CEO, Masayoshi Son, as of June 21, 2017.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SoftBank Group Corp.:

We have audited the accompanying consolidated statement of financial position of SoftBank Group Corp. (formerly, SoftBank Corp.) and its subsidiaries (the “Company”) as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Group Corp. (formerly, SoftBank Corp.) and its subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

As discussed in Note 46 (1) to the consolidated financial statements, the Company executed a series of capital raising transactions which involve monetizing a portion of the ordinary shares of Alibaba Group Holding Limited held by its wholly owned subsidiary, SB China Holdings Pte Ltd.

As discussed in Note 46 (3) to the consolidated financial statements, the Company entered into a definitive agreement to sell all of its shares of Supercell Oy held by its subsidiaries, Kahon 3 Oy and SoftBank Group Capital Limited.

Our opinion is not modified in respect of these matters.

/s/ DELOITTE TOUCHE TOHMATSU LLC
Tokyo, Japan
June 22, 2016

Consolidated Financial Statements

a. Consolidated Statement of Financial Position

Notes		(Millions of yen)		
		As of March 31, 2015	As of March 31, 2016	
ASSETS				
Current assets				
Cash and cash equivalents	7	¥ 3,258,653	¥ 2,569,607	
Trade and other receivables	8,25	1,895,648	1,914,789	
Other financial assets	9,25	197,068	152,858	
Inventories	10	351,152	359,464	
Other current assets	11	255,399	553,551	
Total current assets		5,957,920	5,550,269	
Non-current assets				
Property, plant and equipment	12	4,317,448	4,183,507	
Goodwill	13	1,663,363	1,609,789	
Intangible assets	13	6,903,582	6,439,145	
Investments accounted for using the equity method	16	1,102,456	1,588,270	
Other financial assets	9,25	662,463	970,874	
Deferred tax assets	18	235,488	172,864	
Other non-current assets	11	191,449	192,474	
Total non-current assets		15,076,249	15,156,923	
Total assets		<u>¥21,034,169</u>	<u>¥20,707,192</u>	

	Notes	(Millions of yen)		
		As of March 31, 2015	As of March 31, 2016	
LIABILITIES AND EQUITY				
Current liabilities				
Interest-bearing debt	19,25	¥ 1,817,415	¥ 2,646,609	
Trade and other payables	20,25	1,863,480	1,621,195	
Other financial liabilities	21,25	12,917	6,531	
Income taxes payables		184,175	140,351	
Provisions	23	54,998	56,120	
Other current liabilities	22	739,501	694,965	
Total current liabilities		4,672,486	5,165,771	
Non-current liabilities				
Interest-bearing debt	19,25	9,789,829	9,275,822	
Other financial liabilities	21,25	27,142	95,664	
Defined benefit liabilities	24	128,282	123,759	
Provisions	23	155,705	118,876	
Deferred tax liabilities	18	2,052,615	2,083,164	
Other non-current liabilities	22	354,933	338,865	
Total non-current liabilities		12,508,506	12,036,150	
Total liabilities		17,180,992	17,201,921	
Equity				
Equity attributable to owners of the parent				
Common stock	30	238,772	238,772	
Capital surplus	30	374,845	261,234	
Retained earnings	30	1,740,686	2,166,623	
Treasury stock	30	(48,383)	(314,752)	
Accumulated other comprehensive income	30	540,386	261,736	
Total equity attributable to owners of the parent		2,846,306	2,613,613	
Non-controlling interests		1,006,871	891,658	
Total equity		3,853,177	3,505,271	
Total liabilities and equity		¥21,034,169	¥20,707,192	

b. Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Notes	(Millions of yen)	
		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Continuing operations			
Net sales	33	¥ 8,504,135	¥ 9,153,549
Cost of sales	34	(5,247,977)	(5,626,652)
Gross profit		3,256,158	3,526,897
Selling, general and administrative expenses	34	(2,309,770)	(2,447,598)
Gain from remeasurement relating to business combination	6	—	59,441
Other operating loss	35	(27,668)	(139,252)
Operating income		918,720	999,488
Finance cost	36	(366,500)	(440,744)
Income on equity method investments	16	76,614	375,397
Dilution gain from changes in equity interest	37	599,815	14,903
Other non-operating income (loss)	26,38	(15,614)	56,720
Income before income tax		1,213,035	1,005,764
Income taxes	18	(470,317)	(440,555)
Net income from continuing operations		742,718	565,209
Discontinued operations			
Net income (loss) from discontinued operations	40	20,964	(6,968)
Net income		¥ 763,682	¥ 558,241
Net income attributable to			
Owners of the parent		¥ 668,361	¥ 474,172
Non-controlling interests		95,321	84,069
		¥ 763,682	¥ 558,241
		Fiscal year ended March 31, 2015	
		Fiscal year ended March 31, 2016	
		(Yen)	
Earnings per share attributable to owners of the parent			
Basic earnings per share			
Continuing operations	41	¥ 562.68	¥ 411.22
Discontinued operations	41	(0.48)	(8.73)
Total basic earnings per share	41	¥ 562.20	¥ 402.49
Diluted earnings per share			
Continuing operations	41	¥ 559.23	¥ 397.05
Discontinued operations	41	(0.48)	(8.73)
Total diluted earnings per share	41	¥ 558.75	¥ 388.32

Consolidated Statement of Comprehensive Income

	Notes	(Millions of yen)	
		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income		¥ 763,682	¥ 558,241
Other comprehensive income (loss), net of tax			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plan	24,39	(59,377)	342
Total items that will not be reclassified to profit or loss		(59,377)	342
Items that may be reclassified subsequently to profit or loss			
Available-for-sale financial assets	25,39	3,726	(4,906)
Cash flow hedges	25,39	12,862	(31,992)
Exchange differences on translating foreign operations	29,39	409,596	(289,735)
Share of other comprehensive income of associates	16,39	(2,227)	27,642
Total items that may be reclassified subsequently to profit or loss		423,957	(298,991)
Total other comprehensive income (loss), net of tax		364,580	(298,649)
Total comprehensive income		<u>¥1,128,262</u>	<u>¥ 259,592</u>
Total comprehensive income attributable to			
Owners of the parent		¥ 991,671	¥ 195,864
Non-controlling interests		136,591	63,728
		<u>¥1,128,262</u>	<u>¥ 259,592</u>

Note:

* Income taxes related to the components of other comprehensive income are described in "Note 39. Other comprehensive income and loss."

c. Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2015

	(Millions of yen)								
	Equity attributable to owners of the parent								
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2014		¥238,772	¥405,045	¥1,168,266	¥(51,492)	¥169,850	¥1,930,441	¥ 899,941	¥2,830,382
Comprehensive income									
Net income		—	—	668,361	—	—	668,361	95,321	763,682
Other comprehensive income		—	—	—	—	323,310	323,310	41,270	364,580
Total comprehensive income		—	—	668,361	—	323,310	991,671	136,591	1,128,262
Transactions with owners and other transactions									
Cash dividends	31	—	—	(47,547)	—	—	(47,547)	(37,612)	(85,159)
Transfer of accumulated other comprehensive income to retained earnings		—	—	(47,226)	—	47,226	—	—	—
Purchase and disposal of treasury stock		—	—	(1,168)	3,109	—	1,941	—	1,941
Changes from business combination		—	—	—	—	—	—	4,218	4,218
Changes in interests in subsidiaries	30	—	(33,162)	—	—	—	(33,162)	11,110	(22,052)
Share-based payment transactions		—	2,962	—	—	—	2,962	(7,094)	(4,132)
Other		—	—	—	—	—	—	(283)	(283)
Total transactions with owners and other transactions		—	(30,200)	(95,941)	3,109	47,226	(75,806)	(29,661)	(105,467)
As of March 31, 2015		<u>¥238,772</u>	<u>¥374,845</u>	<u>¥1,740,686</u>	<u>¥(48,383)</u>	<u>¥540,386</u>	<u>¥2,846,306</u>	<u>¥1,006,871</u>	<u>¥3,853,177</u>

For the fiscal year ended March 31, 2016

	(Millions of yen)								
	Equity attributable to owners of the parent								
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
As of April 1, 2015		¥238,772	¥ 374,845	¥1,740,686	¥ (48,383)	¥ 540,386	¥2,846,306	¥1,006,871	¥3,853,177
Comprehensive income									
Net income		—	—	474,172	—	—	474,172	84,069	558,241
Other comprehensive loss		—	—	—	—	(278,308)	(278,308)	(20,341)	(298,649)
Total comprehensive income	.....	—	—	474,172	—	(278,308)	195,864	63,728	259,592
Transactions with owners and other transactions									
Cash dividends	31	—	—	(47,261)	—	—	(47,261)	(46,719)	(93,980)
Transfer of accumulated other comprehensive income to retained earnings		—	—	342	—	(342)	—	—	—
Purchase and disposal of treasury stock	30	—	—	(1,316)	(266,369)	—	(267,685)	—	(267,685)
Changes from business combination	6	—	—	—	—	—	—	54,409	54,409
Changes from loss of control		—	—	—	—	—	—	(96,060)	(96,060)
Changes in interests in subsidiaries	30	—	(128,912)	—	—	—	(128,912)	(94,567)	(223,479)
Changes in associates' interests in their subsidiaries		—	15,736	—	—	—	15,736	—	15,736
Share-based payment transactions		—	(3,457)	—	—	—	(3,457)	5,943	2,486
Other		—	3,022	—	—	—	3,022	(1,947)	1,075
Total transactions with owners and other transactions	.....	—	(113,611)	(48,235)	(266,369)	(342)	(428,557)	(178,941)	(607,498)
As of March 31, 2016	...	¥238,772	¥ 261,234	¥2,166,623	¥(314,752)	¥ 261,736	¥2,613,613	¥ 891,658	¥3,505,271

d. Consolidated Statement of Cash Flows

	Notes	(Millions of yen)	
		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities			
Net income		¥ 763,682	¥ 558,241
Depreciation and amortization		1,122,531	1,401,329
Gain from remeasurement relating to business combination		—	(59,441)
Finance cost		366,505	440,745
Income on equity method investments		(76,614)	(375,397)
Dilution gain from changes in equity interest		(599,815)	(14,903)
Other non-operating loss (income)		15,582	(56,854)
Income taxes		513,363	443,984
Increase in trade and other receivables		(85,357)	(50,740)
Increase in inventories		(178,353)	(404,933)
Increase (decrease) in trade and other payables		27,809	(698)
Other		93,538	91,656
Subtotal		1,962,871	1,972,989
Interest and dividends received		5,642	12,072
Interest paid		(407,665)	(461,217)
Income taxes paid	42	(489,584)	(1,230,087)
Income taxes refund	42	83,910	646,429
Net cash provided by operating activities		1,155,174	940,186
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets	42	(1,397,856)	(1,360,960)
Proceeds from sales of property, plant and equipment, and intangible assets	14,42	41,468	150,956
Payments for acquisition of investments		(287,801)	(407,754)
Proceeds from sales/redemption of investments		133,888	58,161
Decrease from acquisition of control over subsidiaries	6	(47,862)	(61,670)
Decrease from loss of control over subsidiaries	42	—	(63,070)
Payments for acquisition of marketable securities for short-term trading		(281,620)	(94,349)
Proceeds from sales/redemption of marketable securities for short-term trading		280,661	189,844
Other		(108,149)	(62,840)
Net cash used in investing activities		(1,667,271)	(1,651,682)
Cash flows from financing activities			
Increase in short-term interest-bearing debt, net	19	108,541	128,135
Proceeds from long-term interest-bearing debt	19,42	2,715,501	2,129,683
Repayment of long-term interest-bearing debt	19	(984,783)	(1,604,768)
Payment for purchase of subsidiaries' interests from non-controlling interests	42	(52,883)	(267,276)
Purchase of treasury stock		(42)	(269,214)
Cash dividends paid		(47,519)	(47,219)
Cash dividends paid to non-controlling interests		(37,834)	(47,497)
Other		18,942	21,426
Net cash provided by financing activities		1,719,923	43,270
Effect of exchange rate changes on cash and cash equivalents			
Increase (decrease) in cash and cash equivalents		1,295,163	(689,046)
Cash and cash equivalents at the beginning of the year	7	1,963,490	3,258,653
Cash and cash equivalents at the end of the year	7	¥ 3,258,653	¥ 2,569,607

Notes to Consolidated Financial Statements

1. Reporting entity

SoftBank Group Corp. is a corporation domiciled in Japan. The registered address of SoftBank Group Corp.'s head office is disclosed on our website (<http://www.softbank.jp/>). These consolidated financial statements are composed of SoftBank Group Corp. and its subsidiaries ("the Company"). The Company engages in various businesses in the information industry, with its base in the Domestic Telecommunications segment, the Sprint segment, the Yahoo Japan segment, and the Distribution segment. The details are described in "(1) Description of reportable segments" in "Note 5. Segment information."

SoftBank Corp. changed its company name to SoftBank Group Corp. effective on July 1, 2015.

SoftBank Mobile Corp., SoftBank BB Corp., SoftBank Telecom Corp., and Ymobile Corporation, which were subsidiaries of the Company, conducted an absorption type merger with SoftBank Mobile Corp. being the surviving company, effective on April 1, 2015. SoftBank Mobile Corp. changed its company name to SoftBank Corp. on July 1, 2015.

2. Basis of preparation of consolidated financial statements

(1) Compliance with IFRSs

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(2) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain items, such as financial instruments, that are measured at fair value as described in "Note 3. Significant accounting policies."

(3) Presentation currency and unit of currency

These consolidated financial statements have been presented in Japanese yen, which is the currency of the primary economic environment of SoftBank Group Corp. ("functional currency"), and are rounded to the nearest million yen.

(4) Changes in presentation

(Consolidated statement of income)

Continuing operations and discontinued operations are presented separately for the fiscal year ended March 31, 2016. In order to reflect the change, the presentation has been reclassified similarly for the fiscal year ended March 31, 2015. The details are described in "Note 40. Discontinued operations."

(Consolidated statement of cash flows)

a. "Increase in inventories" which was included in "Other" in net cash provided by operating activities for the fiscal year ended March 31, 2015 is separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥(178,353) million which was included in "Other" in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as "Increase in inventories."

b. "Income taxes refund" which were included in "Income taxes paid" in net cash provided by operating activities for the fiscal year ended March 31, 2015 are separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥83,910 million which was included in "Income taxes paid" in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as "Income taxes refund."

c. "Proceeds from sales of property, plant and equipment, and intangible assets" which were included in "Other" in net cash used in investing activities for the fiscal year ended March 31, 2015 are separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥41,468 million which was included in "Other" in net cash used in investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as "Proceeds from sales of property, plant and equipment, and intangible assets."

d. “Purchase of treasury stock” which was included in “Other” in net cash provided by financing activities for the fiscal year ended March 31, 2015 is separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥(42) million which was included in “Other” in net cash provided by financing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as “Purchase of treasury stock.”

(5) New standards and interpretations not yet adopted by the Company

New standards and interpretations which are newly established or amended before the approval date of the consolidated financial statements, not yet adopted by the Company and which may have potential impacts are as follows. The Company is currently evaluating the potential impacts.

Standard / interpretation	Mandatory adoption (From the year beginning)	To be adopted by the Group	Outline of the new / revised standards
IFRS 9 Financial Instruments	January 1, 2018	From the fiscal year ending March 31, 2019	IFRS 9 replaces a part of the previous IAS 39. Main revisions are: to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement; to revise the treatment of changes in fair values of financial liabilities measured at fair values; to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.
IFRS 15 Revenue from contracts with customers	January 1, 2018	From the fiscal year ending March 31, 2019	IFRS 15 replaces the previous IAS 11 and IAS 18. Main revisions are: to require revenue recognition by the following five steps: a. identify the contract with the customer b. identify the performance obligations in the contract c. determine the transaction price d. allocate the transaction price to each performance obligation in the contract e. recognize revenue when (or as) a performance obligation is satisfied to revise the treatment for contract costs, license and guarantee of products; and to increase the disclosure related to revenue recognition.
IFRS 16 Leases	January 1, 2019	From the fiscal year ending March 31, 2020	IFRS 16 replaces the previous IAS 17 and IFRIC 4. Main revisions are: Revision to apply a control model to the identification of leases and distinguishing between leases and service contracts; and Revision to eliminate lease classification and recognition of assets and liabilities for all leases by the lessee.
IAS 7 (Amendment) Statement of cash flows	January 1, 2017	From the fiscal year ending March 31, 2018	Requirement for additional disclosure related to changes in liabilities arising from financing activities.

(6) Definition of company name and abbreviation used in the notes

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

Company name / Abbreviation	Definition
“SoftBank Group Corp.”*	SoftBank Group Corp. (stand-alone basis)
The “Company”	SoftBank Group Corp. and its subsidiaries
Each of the following abbreviations indicates the respective company, and its subsidiaries, if any.	
“Sprint”	Sprint Corporation
“Sprint Communications”	Sprint Communications, Inc.
“Brightstar”	Brightstar Global Group Inc.
“Clearwire”	Clearwire Corporation
“Supercell”	Supercell Oy
“Alibaba”	Alibaba Group Holding Limited
“GungHo”	GungHo Online Entertainment, Inc.
“WCP”	Wireless City Planning Inc.

Note:

* The company name “SoftBank Group Corp.” is used consistently in the notes, including the information with regard to the transactions that occurred before the change.

3. Significant accounting policies

Accounting policies the Company has adopted have been applied consistently to all periods presented in these consolidated financial statements.

(1) Basis of consolidation

a. Subsidiaries

A subsidiary is an entity that is controlled by SoftBank Group Corp.

The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries’ financial statements are consolidated from the date when control is acquired (“acquisition date”) until the date when the control is lost.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

Non-controlling interests consist of those interests at the acquisition date and any adjustments for subsequent changes in those interests.

Total comprehensive income of subsidiaries is generally attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intragroup balances and transactions and unrealized gain or loss arising from intragroup transactions are eliminated on consolidation.

Changes in the Company’s ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company’s interests and the non-controlling interests are adjusted to reflect the changes in their interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the parent.

When SoftBank Group Corp. loses control of a subsidiary, a gain or loss is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the net carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary when a control is lost.

Any amounts previously recognized in accumulated other comprehensive income in relation to the former subsidiaries are reclassified to profit or loss.

b. Associates and joint ventures

An associate is an entity over which SoftBank Group Corp. has significant influence in the financial and operating policy decisions but does not have control or joint control.

A joint venture is an investment which parties including SoftBank Group Corp. have joint control based on the contractual arrangement that requires unanimous consent related to significant decisions of the business activities and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The investment is adjusted thereafter to recognize the Company's interest of the profit or loss and other comprehensive income from the date of acquisition to the date of loss of significant influence.

However, regarding preferred stock investment in associates, when the feature of preferred stock is substantively different from common stock, it is not accounted for using the equity method, and it is designated as financial assets at fair value through profit or loss ("financial assets at FVTPL"). Please refer to "(4) Financial instruments" under "Note 3. Significant accounting policies" for details.

When the losses of an associate and a joint venture exceed the Company's interest in the associate and the joint venture, long-term interests that, in substance, form a part of the net investment in the company are decreased to zero, and no additional loss is recognized except when the Company incurs legal or constructive obligations to or makes payments on behalf of the associate and the joint venture.

Unrealized gains or losses on intercompany transactions with associates and joint ventures are added to or deducted from the carrying amount of the investments only to the extent of the Company's interests in the associates and the joint ventures.

Any excess in the cost of acquisition of an associate and a joint venture over the Company's interest of 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.

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

The Company applies the equity method to the financial statements of Alibaba, an associate of the Company, on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba due to the contract with Alibaba. Adjustments are made for significant transactions or events that occurred during the intervening period and which were publicly announced by Alibaba.

(2) Business combinations

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

The consideration transferred in a business combination is measured as the sum of the assets transferred by the Company, liabilities assumed by the Company from the former owners of the acquiree, and the fair value at the acquisition date of the equity interests issued by the Company. 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 Company 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 Company 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 Company’s previously held interest in the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss.

Amounts 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 recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the fiscal year, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The Company 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 in business combinations that occurred before the date of transition to IFRSs is carried over at the carrying amount under the previous accounting principles (Japanese Generally Accepted Accounting Principles, “JGAAP”) as of the date of transition to IFRSs, and recorded by that amount after an impairment test.

(3) Foreign currency translation

a. Transactions denominated in foreign currencies

The financial statements of each company are prepared in their functional currency. Transactions in currencies other than the entity’s functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into the functional currency at the rates prevailing at the end of the fiscal year. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was measured.

Exchange differences arising from translation are recognized in profit or loss, except for exchange differences arising from non-monetary available-for-sale financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

b. Foreign operations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company’s foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) are translated into Japanese yen using exchange rates prevailing at the end of the fiscal year.

Income, expenses and cash flows are translated into Japanese yen by using the average exchange rates for each quarter. When the translated amounts do not approximate the amounts translated by the exchange rates at the dates of the transactions, the exchange rates at the transaction dates are used for the translation.

The exchange rates used in the translation are described in “Note 29. Foreign exchange rates.”

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income and cumulative differences are included in accumulated other comprehensive income.

These cumulative differences are reclassified from equity to profit or loss when the Company loses control or significant influence over the foreign operation.

(4) Financial instruments

a. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract provision of the instrument.

Financial assets and financial liabilities are measured at fair value at initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities other than financial assets at FVTPL and financial liabilities at fair value through profit or loss (“financial liabilities at FVTPL”) are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of 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 FVTPL,” “held-to-maturity investments,” “loans and receivables,” or “available-for-sale financial assets.” The classification depends on the nature and purpose of the financial assets and is determined at initial recognition.

All purchase and sales of financial assets made in a regular way are recognized and derecognized on a trade date basis. The purchase and sales made in a regular way refer to acquiring or disposing financial assets under a contract that requires the delivery of assets within a time frame established by regulation or convention in the marketplace.

(a) Financial assets at FVTPL

Financial assets are classified as “financial assets at FVTPL” when they are held for trading purposes or designated as financial assets at FVTPL.

Financial assets other than derivatives, which are mainly acquired to be sold in the short-term, are classified as held for trading purposes.

The Company designates a financial asset as a financial asset at FVTPL upon initial recognition, if:

- the financial assets are managed in accordance with the Company’s documented risk management policy or investment strategy; and
- its performance is reviewed on the fair value basis by the Company’s management to make decisions about the investment plan.

Also, if the Company is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated and accounted for as financial assets at FVTPL.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Gains or losses arising from changes in fair value, dividend income and interest income are recognized in profit or loss. Fair value of financial assets at FVTPL is measured in the manner described in “(1) Categorization by level within the fair value hierarchy” in “Note 26. Fair value of financial instruments.”

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as “held-to-maturity investments.”

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

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables.”

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

(d) Available-for-sale financial assets

Non-derivative financial assets are classified as “available-for-sale financial assets,” if:

- they are designated as “available-for-sale financial assets”; or
- they are classified neither as “financial assets at FVTPL,” “held-to-maturity investments,” nor as “loans and receivables.”

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. Fair value of available-for-sale financial assets is measured in the manner described in “(1) Categorization by level within the fair value hierarchy” in “Note 26. Fair value of financial instruments.” Exchange differences arising on monetary financial assets classified as available-for-sale financial assets, interest income calculated using the effective interest method relating to available-for-sale financial assets and dividends received are recognized in profit or loss.

(e) Impairment of financial assets

Among financial assets other than those at FVTPL, available-for-sale equity instruments are assessed for any objective evidence of impairment at the end of the fiscal year and at the end of each quarter, and the other assets are assessed for any objective evidence of impairment at the end of the fiscal year. Financial assets are impaired when there is objective evidence that loss events occurred subsequent to initial recognition of the financial assets and when estimated negative future cash flows of the financial assets from those events can be reasonably estimated.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value below the cost is considered to be objective evidence of impairment. In addition, objective evidence of impairment of all financial assets could include:

- significant financial difficulty of the issuer or borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;
- high possibilities of borrowers’ bankruptcy or entering financial reorganization; or
- disappearance of an active market for the financial assets.

The Company assesses the existence of objective evidence of impairment individually for separately significant assets or collectively for assets with no individual significance.

When there is objective evidence of impairment on loans and receivables or held-to-maturity investments, the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, is recognized in profit or loss as an impairment loss. The impairment loss is recognized through the use of an allowance account, and the carrying amount of a loan and receivable is written off against the allowance account when it is considered uncollectible.

The carrying amount of held-to-maturity investments is reduced by the impairment loss directly. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset does not exceed what the amortized cost would have been, had the impairment not been recognized.

When there is objective evidence that an available-for-sale financial asset is impaired, previously recognized accumulated other comprehensive income is transferred to profit or loss. Impairment losses on equity instruments classified as available-for-sale financial assets are not reversed.

(f) Derecognition of financial assets

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

c. Non-derivative financial liabilities

The Company's non-derivative financial liabilities include interest-bearing debt and trade and other payables. These financial liabilities are measured at amortized cost using the effective interest method, subsequent to initial recognition.

The Company derecognizes financial liabilities when the Company's obligations are discharged, canceled or expired.

d. Derivatives and hedge accounting

(a) Derivatives

The Company is engaged in derivative transactions, including foreign currency forward contracts and currency swaps in order to manage its exposure to foreign exchange rate and interest rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair values at the end of fiscal year. Changes in the fair value of derivative are recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. Derivative financial assets not designated as hedging instruments are classified into "financial assets at FVTPL" and derivative financial liabilities not designated as hedging instruments are classified into "financial liabilities at FVTPL."

(b) Hedge accounting

The Company designates certain derivative transactions as hedging instruments and accounts for them as cash flow hedges.

At the inception of the hedge, the Company 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 Company 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.

The effective portion of changes in the fair value of derivatives that are designated and qualifying as cash flow hedges is recognized in other comprehensive income and accumulated in equity.

Accumulated other comprehensive income is transferred to profit or loss through a line item relating to the hedged item in the consolidated statement of income, in the periods when the cash flows from the hedged item affect profit or loss. Any ineffective portion of changes in 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 Company removes the associated gains or losses previously recognized in accumulated other comprehensive income and includes them in the initial amount of the cost of the non-financial asset or non-financial liability (basis adjustment).

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised or when hedge no longer meets the criteria for hedge accounting.

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remains in equity and is reclassified to 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 reclassified immediately to profit or loss.

(c) Embedded derivatives

Derivatives embedded in non-derivative host contracts (“embedded derivatives”) are separated from the host contracts and accounted for as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the whole financial instruments, including embedded derivatives, are not measured at FVTPL. If the Company is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated and accounted for as financial assets at FVTPL.

e. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amounts are presented in the consolidated statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value.

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories mainly consist of mobile handsets 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 mainly calculated 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.

(7) Property, plant and equipment

Property, plant and equipment are measured on a historical cost basis, 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.

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

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

Buildings and structures

Buildings	12 - 50 years
Other	5 - 15 years

Telecommunications equipment

Wireless equipment, switching equipment and other network equipment	5 - 30 years
Towers	15 - 42 years
Other	5 - 40 years

Furniture, fixtures and equipment

Leased mobile devices	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 an accounting estimate.

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.

(8) Goodwill

Please refer to “(2) Business combinations” in “Note 3. Significant accounting policies” 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 cash-generating units or groups of cash-generating units to which goodwill has been allocated, and annually regardless of any indication of impairment. Impairment is described in “(11) Impairment of property, plant and equipment, intangible assets and goodwill” in “Note 3. Significant accounting policies.”

The Company’s policy for goodwill arising from the acquisition of an associate is described in “(1) Basis of consolidation” in “Note 3. Significant accounting policies.”

(9) Intangible assets

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

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

There are intangible assets with finite useful lives and intangible assets with indefinite useful lives.

The intangible assets with finite useful lives are amortized over the estimated useful lives. Amortization of the customer relationships is mainly 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 wireless equipment	5 - 10 years
Other	3 - 5 years
Customer relationships	4 - 24 years
Favorable lease contracts	3 - 23 years
Game titles	5 years
Trademarks (with finite useful lives)	34 years
Spectrum migration costs	18 years
Other	4 - 20 years

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 an accounting estimate.

Favorable lease contracts are recognized as intangible assets based on the estimated fair value of the favorable portion of future cash flows if, at the time of business combinations, the terms of operating lease contracts in which the acquiree is the lessee are favorable compared to market terms.

Spectrum migration costs are the amounts that the Company incurred in connection with the costs arising from the migration of the existing users from the 900 MHz band, which SoftBank Corp. acquired, to the other frequency spectrum based on the termination campaign. Useful lives are estimated based on the actual utilization of the frequency spectrum in the past.

Intangible assets with indefinite useful lives are as follows:

- Licenses using specific frequency spectrum granted by the U.S. Federal Communications Commission (“FCC licenses”)
- Trademarks (with indefinite useful lives)

As long as the Company acts within the requirements of the regulatory authorities, the renewal and extension of FCC licenses are reasonably certain at minimal cost. Therefore, it is determined that FCC licenses have indefinite useful lives.

The Company determined that “Sprint,” “Boost Mobile” and other trademarks have indefinite useful lives as they can be legally used continuously as long as the business continues and management’s current plans are to offer service under these trademarks for the foreseeable future.

The intangible assets with indefinite useful lives and the intangible assets that are not yet available for use are not amortized. The impairment of these assets is described in “(11) Impairment of property, plant and equipment, intangible assets and goodwill” in “Note 3. Significant accounting policies.”

(10) Leases

The assessment of whether an arrangement is a lease or contains a lease is made on a basis of all the facts and circumstances at the inception of the arrangement.

Leases are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the lessee. All other leases are classified as operating leases. It is determined that all the risks and rewards of ownership of assets are transferred to the lessee when the lease terms account for most of the economic useful lives of the assets, or the present values of the total minimum lease payments are almost equal to the fair values of the assets. The lease terms are the total of the non-cancelable period and the period which is deemed to be reasonably certain that the renewal option will be exercised at the inception of the leases.

a. Finance leases

(The Company as lessee)

At inception, the Company initially recognizes finance leases as assets and the lease obligation at the amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Subsequent to initial recognition, the accounting policy for assets held under finance leases is consistent with that of assets that are owned. Lease payments are apportioned between finance cost and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

b. Operating leases

(The Company as lessee)

Gross operating lease payments are recognized as expenses on a straight-line basis over the relevant lease terms.

(The Company as lessor)

Gross operating lease incomes are recognized as revenues on a straight-line basis over the relevant lease terms.

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

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

At the end of the fiscal year, the Company 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 Company 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.

The intangible assets with indefinite useful lives and the intangible assets that are not yet available for use are tested for impairment annually 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 Company evaluates whether there is any indication that an impairment loss recognized in prior years for assets other than goodwill has decreased or extinguished. If such 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 that 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

At the end of the fiscal year and at the end of each quarter, the Company determines whether there is any indication that goodwill may be impaired.

Goodwill is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies arising from the business combination, and it is tested for impairment annually regardless of any indication of impairment, and when there is an indication that the cash-generating unit or groups of cash-generating units may be impaired. If, at the time of the impairment test, the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or groups of cash-generating units and then to the other assets pro rata based on the carrying amount of each asset in the unit or groups of cash-generating units.

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

(12) Retirement benefits

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Company primarily adopts defined contribution pension plans.

SoftBank Corp. has frozen its defined benefit lump-sum plans since March 2006 and 2007. Liabilities for the frozen defined benefit lump-sum plans 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.

Sprint has frozen its defined benefit pension plans since December 2005. Liabilities for the defined benefit pension plans are recognized as defined benefit liabilities until they are paid as pensions after the time of retirement of employees.

a. Defined contribution plans

Contributions paid for defined contribution plans are recognized as expenses in the period in which the employees render the related service. Contributions payable are recognized as liabilities.

b. 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 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 re-measurements of the net defined benefit liability (asset). Service cost and net interest are recognized in net profit or loss. Net interest is determined using the discount rate described above.

The liabilities for the frozen defined benefit plans are calculated on the basis of retirement benefits vested at the time the plans were frozen. Therefore, service cost is not incurred for those defined benefit plans.

The Company's remeasurements, which comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest), are recognized in other comprehensive income and transferred to retained earnings immediately from accumulated other comprehensive income.

(13) Provisions

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

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 Company recognizes asset retirement obligations, restructuring provision, provision for loss on interest repayment, and provision for onerous contract as provisions.

Restructuring provisions are recognized when the Company has a detailed formal plan for the restructuring and has raised a valid expectation to those who will be affected that the Company will carry out the restructuring by starting to implement the plan or announcing the main features of the plan.

Restructuring provisions are mainly related to network shutdown and backhaul access contracts. The details of the restructuring provision are described in "Note 23. Provisions."

Provision for loss on interest repayment is recorded based on an amount representing future expected claims in order to prepare for future claims by debtors and other, for repayment of interest paid in excess of the rate permitted under the Interest Rate Restriction Act.

(14) Treasury stock

When the Company acquires its own equity share capital ("treasury stock"), the consideration paid, including any directly attributable increments costs (net of income taxes), is deducted from equity. No gain or loss is recognized on the purchase, sale, or cancellation of the treasury stock. The difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(15) Share-based payments

The Company grants stock options and restricted stock unit awards as equity-settled share-based compensation and cash-settled share-based compensation.

Equity-settled share-based compensation is measured at fair value at the grant date. The fair value of stock options is calculated using the Black-Scholes model and other, and the fair value of restricted stock units is calculated using the share price at the date of grant.

The fair value determined at the grant date is expensed over the vesting period, based on the estimate of stock options or restricted stock units that will eventually vest, with a corresponding increase in equity.

The Company regularly reviews the assumptions made and revises estimates of the number of stock options or restricted stock units that are expected to vest, when necessary.

Cash-settled share-based compensation is accounted for as liabilities and is measured initially at the fair value of the award. The fair value of the liabilities is remeasured on each closing date and the settlement date, and changes in fair values are recognized in profit or loss.

(16) Revenue

The Company's accounting policy for revenue recognition by major categories is as follows:

Domestic Telecommunications segment and Sprint segment

a. Mobile Communications service and sales of mobile handsets

The Company provides mobile telecommunications services, which consist of voice communications and data transmission to subscribers, and also sells mobile handsets and accessories to customers.

In the Mobile Communications service, revenues are mainly generated from basic monthly charges, telecom service (“revenues from the mobile telecommunications service”) and other fees. Also, revenues from the sale of mobile handsets (“revenues from the sale of mobile handsets”) are generated from the sale of mobile handsets and accessories to subscribers or dealers.

The business flow of the above transactions consists of “Indirect sales,” where the Company sells mobile handsets to dealers and enters into telecommunications services contracts with subscribers through dealers, and “Direct sales,” where the Company sells mobile handsets to subscribers and enters into telecommunications services contracts directly with subscribers. The revenues are recognized respectively as follows:

(a) Indirect sales

Revenues from the sale of mobile handsets are recognized when mobile handsets are delivered to dealers, which is when risk and economic value are deemed to be transferred. Commission fees paid to dealers related to the sales of mobile handsets are deducted from revenues.

The mobile telecommunications services are recognized as revenue when services are provided to subscribers. Discounts are deducted from revenues from monthly mobile telecommunications services as a discount of mobile telecommunications charges.

Activation fees are deferred upon entering into the contract and recognized as revenues over the estimated average contract period. Upgrade fees are recognized as revenues over the estimated average usage period of handsets with the subscribers. Direct costs related to activation are deferred to the extent of the activation fees and upgrade fees and are amortized over the respective same period.

(b) Direct sales

In direct transactions, as the revenue from the sales of mobile handsets and the mobile telecommunications services, including the fees, are considered to be one transaction, the total amount of revenues is allocated to mobile handsets and telecommunications service on the basis of fair value ratio.

When handsets are sold in installments, revenue from the sales of mobile handsets is recognized based on the fair value ratio when handsets are delivered to the subscribers. When handsets are sold in lump-sum payment, the maximum amount of revenues to be recognized by the sale of mobile handsets is set by the amounts to be received from subscribers at the sales of mobile handsets. The amount of revenue allocated to the mobile telecommunications services is recognized when the service is provided to the subscribers.

b. Fixed-line Telecommunications service

In the Fixed-line Telecommunications service, revenues are generated mainly from voice communications and digital data transmission services, Internet provider charges, ADSL service fees, IP telephony service fees, and the usage of the network (“revenues from fixed-line telecommunications service”).

Revenues from fixed-line telecommunications services are recognized as revenues when services are provided to subscribers, based upon fixed monthly charges plus the usage of the network.

Yahoo Japan segment

In the Yahoo Japan segment, revenues are generated mainly from sponsored search advertising, display advertising, e-commerce related commission fees, revenue from membership and product sales.

Sponsored search advertising revenue is recognized when a visitor of the website clicks the advertisement. Display advertising comprises premium advertising, Yahoo! Display Ad Network (“YDN”) and other. Revenue from premium advertising is recognized over a period in which related advertisement is displayed. Revenue from YDN is recognized when a visitor of the website clicks the advertisement on the page with the related content. Revenue from e-commerce related commission fees is recognized when the transaction occurs. Revenue from membership fees is recognized over an effective period of the membership. Revenue from product sales is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither

continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably.

Distribution segment

In the Distribution segment, revenues are generated mainly from distribution of mobile handsets to telecommunication service providers and retailers overseas, and sales of PC software, peripherals, and mobile handsets accessories in Japan. Revenue in the Distribution segment is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably. For transactions conducted by the Company on behalf of third parties, revenue is presented on net basis by excluding payment to third parties from the total consideration received from customers.

(17) Sales commission fees

The Company pays sales commission fees when dealers sell the Company's mobile handsets to subscribers or acquire and retain engagement of telecommunications service between the Company and subscribers. Commission fees related to the sales of mobile handsets are deducted from the revenues from the sales of mobile handsets. Commission fees related to the acquisition and retention of engagement of telecommunications service are recognized as selling, general and administrative expenses.

(18) Income tax

Income tax expense is composed of current and deferred taxes, and recognized in profit or loss, except for taxes related to business combinations and taxes related to items that are recognized in other comprehensive income or directly in equity.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized. The recoverability of deferred tax assets is reassessed at the end of the fiscal year.

Deferred tax assets are not recognized for temporary differences from initial recognition of assets and liabilities that do not arise from business combinations and that do not impact accounting profit or taxable income.

Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will reverse in the foreseeable future and when there will be sufficient taxable profits against which the temporary differences can be utilized.

Deferred tax liabilities are basically recognized for taxable temporary differences, except for:

- temporary differences arising from the initial recognition of assets and liabilities, and related transactions other than business combinations, that affect neither the accounting profit nor the taxable profit;
- taxable temporary differences arising from the initial recognition of goodwill; and
- taxable temporary differences associated with investments in subsidiaries and associates, where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(19) Earnings per share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted-average number of ordinary shares (after adjusting for treasury stocks) outstanding for the period.

Diluted earnings per share assume full conversion of the issued potential stocks having a dilutive effect, with an adjustment for net income attributable to owners of the parent and the weighted-average number of ordinary shares (after adjusting for treasury stocks) outstanding for the period.

4. Significant judgments and estimates

In preparing consolidated financial statements under IFRSs, management makes judgments, estimates, and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue, and expenses. These estimates and underlying assumptions are based on management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of its estimates or assumptions, however, actual results in the future may differ from those estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in the future periods. Significant judgments, estimates and assumptions that affect the amounts recognized in the Company's consolidated financial statements are as follows:

- judgments of whether an entity is controlled by the Company in the decision making on the scope of consolidation ((1) in "Note 3. Significant accounting policies" and "Note 15. Major subsidiaries");
- significant judgments for the determination of joint ventures ((1) in "Note 3. Significant accounting policies" and (3) in "Note 14. Leases");
- estimates for impairment of investments accounted for using the equity method ((1) in "Note 3. Significant accounting policies" and "Note 38. Other non-operating income and loss");
- estimates of fair value of assets acquired and the liabilities assumed in a business combination ((2) in "Note 3. Significant accounting policies" and "Note 6. Business combinations");
- fair value measurement of financial assets at FVTPL and available-for-sale financial assets ((4) in "Note 3. Significant accounting policies," (1) (2) in "Note 26. Fair value of financial instruments" and "Note 38. Other non-operating income and loss");
- estimates for impairment of financial assets measured at amortized cost ((4) in "Note 3. Significant accounting policies" and "Note 38. Other non-operating income and loss");
- estimates of residual value and useful life of property, plant and equipment and intangible assets ((7) and (9) in "Note 3. Significant accounting policies");
- judgments and estimates for accounting treatment of contracts including leases ((10) in "Note 3. Significant accounting policies" and "Note 14. Leases");
- estimates for impairment of property, plant and equipment, intangible assets and goodwill ((11) in "Note 3. Significant accounting policies," "Note 13. Goodwill and intangible assets" and "Note 35. Other operating income and loss");
- measurement of defined benefit obligation ((12) in "Note 3. Significant accounting policies" and (2) in "Note 24. Retirement benefits");
- judgments and estimates for recognition and measurement on provisions ((13) in "Note 3. Significant accounting policies" and "Note 23. Provisions");
- assessment of recoverability of deferred tax assets ((18) in "Note 3. Significant accounting policies" and (4) in "Note 18. Income taxes"); and
- recognition of liabilities and expenses related to contingencies ("Note 35. Other operating income and loss" and (b) (3) b. in "Note 44. Contingency").

5. Segment information

(1) Description of reportable segments

The Company's reportable segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by the Company's board of directors in order to make decisions about the allocation of the resources and assess its performance.

For the fiscal year ended March 31, 2015, the Company had four segments, the Mobile Communications segment, the Sprint segment, the Fixed-line Telecommunications segment, and the Internet segment. However, from the fiscal year ended March 31, 2016, in line with the transformation from a strong

Japanese business with global assets to a global business that will strive to create sustainable growth over the long term, the Company changed its segments to four reportable segments, such as the Domestic telecommunications segment, the Sprint segment, the Yahoo Japan segment, and the Distribution segment.

The Domestic Telecommunications segment provides, mainly through SoftBank Corp. (formerly SoftBank Mobile Corp.), mobile communications services, sale of mobile devices, telecommunication services such as fixed-line telephone and data communications services for corporate customers, and broadband services for retail customers in Japan.

The Sprint segment provides, through Sprint, mobile communications services, sale and lease of mobile devices, sale of mobile device accessories, and fixed-line telecommunications services in the U.S.

The Yahoo Japan segment provides, mainly through Yahoo Japan Corporation, Internet-based advertising business, e-commerce business, and membership services.

The Distribution segment provides, mainly through Brightstar, distribution of mobile devices overseas, and through SoftBank Commerce & Service Corp., sale of mobile device accessories, PC software and peripherals in Japan.

The reportable segments for the fiscal year ended March 31, 2015 are presented based on the revised reportable segments.

(2) Net sales and income of reportable segments

Accounting policies for reportable segments are the same as the policies described in “Note 3. Significant accounting policies.”

Income of reportable segments is defined as “Operating income.”

The Company had defined the income of reportable segments as the amount after deducting “Cost of sales” and “Selling, general and administrative expenses” from “Net sales” until the fiscal year ended March 31, 2015. In connection with the revision of the segments, the Company defined its income of reportable segments as “Operating income” from the fiscal year ended March 31, 2016.

Income of reportable segments for the fiscal year ended March 31, 2015 is also defined as “Operating income.”

Intersegment transaction prices are determined under the same general business conditions as applied for external customers.

The following is the information about the Company’s net sales and income by reportable segment.

The Company also discloses EBITDA (i.e., segment income and loss after addition of depreciation and amortization) and Adjusted EBITDA (i.e., EBITDA after deduction of gain from remeasurement relating to business combination and other operating income and loss) by each reportable segment.

Financial cost, income and loss on equity method investments, dilution gain from changes in equity interest, and other non-operating income and loss are not managed by each reportable segment and therefore these income and losses are excluded from the segment performance.

For the fiscal year ended March 31, 2015

	(Millions of yen)							
	Reportable segments							
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Total	Other ¹	Reconciliations ²	Consolidated
Net sales								
Customers	¥2,985,644		¥3,594,167	¥420,385	¥1,170,437	¥8,170,633	¥333,502	¥ —
Intersegment	33,749		205,854	6,936	54,679	301,218	22,579	(323,797)
Total	¥3,019,393		¥3,800,021	¥427,321	¥1,225,116	¥8,471,851	¥356,081	¥(323,797)
Segment income (Operating income)	640,498		66,859	193,529	4,952	905,838	54,341	(41,459)
Reconciliation from segment income to adjusted EBITDA								
Segment income	640,498		66,859	193,529	4,952	905,838	54,341	(41,459)
Depreciation and amortization	453,728		579,152	18,364	10,248	1,061,492	32,243	1,510
EBITDA	1,094,226		646,011	211,893	15,200	1,967,330	86,584	(39,949)
Other operating (income) loss	21,271		7,029	—	(607)	27,693	(25)	—
Adjusted EBITDA	¥1,115,497		¥ 653,040	¥211,893	¥ 14,593	¥1,995,023	¥ 86,559	¥ (39,949)
								¥2,041,633

For the fiscal year ended March 31, 2016

	(Millions of yen)							
	Reportable segments							
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Total	Other ¹	Reconciliations ²	Consolidated
Net sales								
Customers	¥3,106,855		¥3,688,498	¥642,880	¥1,345,856	¥8,784,089	¥369,460	¥ —
Intersegment	37,795		183,149	9,151	74,560	304,655	21,280	(325,935)
Total	¥3,144,650		¥3,871,647	¥652,031	¥1,420,416	¥9,088,744	¥390,740	¥(325,935)
Segment income (loss) (Operating income (loss))	688,389		61,485	222,787	(1,284)	971,377	73,271	(45,160)
Reconciliation from segment income to adjusted EBITDA								
Segment income (loss)	688,389		61,485	222,787	(1,284)	971,377	73,271	(45,160)
Depreciation and amortization	474,948		842,110	32,695	10,268	1,360,021	34,944	1,636
EBITDA	1,163,337		903,595	255,482	8,984	2,331,398	108,215	(43,524)
Gain from remeasurement relating to business combination	—		—	(59,441)	—	(59,441)	—	(59,441)
Other operating loss ³	—		79,668	—	16,466	96,134	6,086	—
Adjusted EBITDA	¥1,163,337		¥ 983,263	¥196,041	¥ 25,450	¥2,368,091	¥114,301	¥ (43,524)
								¥2,438,868

Notes:

1. Information on the business segments which are not included in the reportable segments is classified in “Other.” “Other” includes mainly online game-related business by Supercell.
2. “Reconciliations” includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the Internet, communication, and media fields overseas, are included in the corporate general expenses.
3. “Other operating loss” in the Sprint segment does not include ¥37,032 million of “Loss on disposal of property, plant and equipment” recognized as “Other operating loss” in the consolidated statement of income for the fiscal year ended March 31, 2016. The details are described in “Note 35. Other operating income and loss.”
4. Discontinued operations are not included. The details are described in “Note 40. Discontinued operations.”

(3) Geographical information

a. Net sales to external customers

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Japan	¥3,695,641	¥4,104,379
U.S.	4,047,308	4,273,112
Other	761,186	776,058
Total	<u>¥8,504,135</u>	<u>¥9,153,549</u>

Sales are categorized based on the location of external customers.

b. Non-current assets (excluding financial assets and deferred tax assets)

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Japan	¥ 4,174,037	¥ 4,212,343
U.S.	8,661,261	8,019,523
Other	240,544	193,049
Total	<u>¥13,075,842</u>	<u>¥12,424,915</u>

6. Business combinations

For the fiscal year ended March 31, 2016

(1) ASKUL Corporation

a. Overview of consolidation

ASKUL Corporation, the Company's associate which primarily conducts mail order services for office supplies, became the Company's subsidiary on August 27, 2015 as a result of ASKUL Corporation's acquisition of its own treasury stock as resolved by its Board of Directors on May 19, 2015. As a result of ASKUL Corporation's acquisition of its own treasury stock, the ownership ratio of ASKUL Corporation's voting rights held by the Company rose from 41.7% (as of May 20, 2015) to 44.4% (as of August 27, 2015). The Company did not yet hold the majority of the voting rights of ASKUL Corporation, however, considering relevant facts such as the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation's past shareholders meetings, the Company determined that it substantially has control of ASKUL Corporation as a consolidated subsidiary.

b. Summary of the acquiree

Name ASKUL Corporation
Business description Mail-order business for office supplies, such as stationery, other products and services

c. Acquisition date

August 27, 2015

d. Consideration transferred and its components

	(Millions of yen)	
	Acquisition date (August 27, 2015)	
Fair value of equity interest in ASKUL Corporation already held at the time of the acquisition .....	.....	¥93,611
Total consideration transferred	A	<u>¥93,611</u>

As a result of the remeasurement of equity interest previously held at the time of the acquisition of control by the Company in ASKUL Corporation at fair value on the acquisition date, the Company recognized a gain on the acquisition of ¥59,441 million for the fiscal year ended March 31, 2016. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

	(Millions of yen)
	Acquisition date (August 27, 2015)
Trade and other receivables	¥ 45,365
Other current assets	44,751
Property, plant and equipment	32,315
Intangible assets	69,124
Other non-current assets	8,394
Total assets	199,949
 Current liabilities	71,495
Non-current liabilities	34,586
Total liabilities	106,081
 Net assets	B 93,868
 Non-controlling interests ²	C 54,036
Goodwill³	A-(B-C) ¥ 53,779

Notes:

1. Adjustment of the provisional amount
Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Allocation of the consideration transferred was completed during the three-month period ended December 31, 2015. The details of the adjustments from the initial provisional amounts are, due to the additional analysis on the fair value of ASKUL Corporation, intangible assets decreased by ¥2,820 million and non-controlling interests decreased by ¥1,097 million. As a result, goodwill increased by ¥877 million.
2. Non-controlling interests
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at the acquisition date in the identifiable net assets of the acquiree at the acquisition date.
3. Goodwill
Goodwill reflects an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Proceeds from acquisition of control over subsidiaries

	(Millions of yen)
	Acquisition date (August 27, 2015)
Cash and cash equivalents held by the acquiree at the acquisition of control	¥31,291
Proceeds in cash from the acquisition of control over the subsidiary	¥31,291

g. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2016, are ¥189,013 million and ¥2,970 million, respectively.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

(2) Ikyu Corporation

a. Overview of consolidation

The Company, for the purpose of ensuring the effectiveness of the growth through the e-Commerce Revolution which is strategically important for Yahoo Japan Corporation, has been performing a tender

offer for Ikyu Corporation's shares, which was resolved at Yahoo Japan Corporation's board of directors' meeting held on December 15, 2015. The tender offer ended on February 3, 2016 and then Yahoo Japan Corporation acquired 27,480,682 shares of Ikyu Corporation's common shares at ¥94,341 million in cash. Consequently, the Company's voting rights ratio for Ikyu Corporation has become 94.3% and Ikyu Corporation has been converted to a consolidated subsidiary.

b. Summary of the acquiree

Name	Ikyu Corporation
Business description	Operation of various Internet sites that provide reservation services for hotels, restaurants, and other

c. Acquisition date

February 3, 2016

d. Consideration transferred and its components

	(Millions of yen)
	Acquisition date
	(February 3, 2016)
Payment by cash	¥94,341
Total consideration transferred	A
	<u>¥94,341</u>

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

	(Millions of yen)
	Acquisition date
	(February 3, 2016)
Current assets	¥ 8,934
Intangible assets	26,183
Other non-current assets	1,130
Total assets	<u>36,247</u>
Current liabilities	4,270
Non-current liabilities	<u>8,177</u>
Total liabilities	<u>12,447</u>
Net assets	B
	23,800
Non-controlling interests ¹	C
Goodwill ²	A-(B-C)
	<u>¥72,044</u>

Notes:

1. Non-controlling interests
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at the acquisition date in the identifiable net assets of the acquiree at the acquisition date.
2. Goodwill
Goodwill reflects an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Payment for acquisition of control over subsidiaries

	(Millions of yen)
	Acquisition date
	(February 3, 2016)
Payment for the acquisition by cash	¥(94,341)
Cash and cash equivalents held by the acquiree at the acquisition of control	<u>4,016</u>
Payment for the acquisition of control over the subsidiary by cash	<u>¥(90,325)</u>

g. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income after the acquisition date are immaterial.

(3) Consolidated net sales and consolidated net income and loss assuming that the business combinations were completed at the beginning of the fiscal year

The following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2016, assuming that the business combinations of ASKUL Corporation and Ikyu Corporation were completed and controls were acquired as of April 1, 2015.

	(Millions of yen)
	Fiscal year ended March 31, 2016
Sales (pro forma)	¥9,278,092
Net income (pro forma)	<u>¥ 559,178</u>

7. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Cash and demand deposits	¥2,214,440	¥1,979,642
Time deposits (maturities of three-month or less)	850,899	404,434
MMF	130,054	137,390
Other	63,260	48,141
Total	<u>¥3,258,653</u>	<u>¥2,569,607</u>

Cash and demand deposits as of March 31, 2016 include ¥120,998 million of cash in trust established for SoftBank Group Corp.'s acquisition of its own treasury stock (As of March 31, 2015: ¥ zero).

The amount of cash and cash equivalents pledged as collateral for interest-bearing debt or other is described in "(4) Assets pledged as collateral" in "Note 19. Interest-bearing debt."

8. Trade and other receivables

The components of trade and other receivables are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Trade receivables	¥1,355,325	¥1,320,862
Installment receivables	473,945	511,980
Other	128,996	127,253
Allowance for doubtful accounts	(62,618)	(45,306)
Total	<u>¥1,895,648</u>	<u>¥1,914,789</u>

Installment receivables represent receivables arising from the Company's advance payments to dealers on behalf of its customers who chose to purchase mobile handsets by installments in indirect sales. The amounts are charged to customers together with telecommunication service fees over the periods of installment payments.

The period of installment payments for the receivables above is within 24 months. As such, the amounts due within a year after the period end date are included in "Trade and other receivables," and those after one year are included in "Other financial assets (non-current)."

9. Other financial assets

The components of other financial assets are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current		
Marketable securities	¥124,520	¥ 29,596
Time deposits (maturities of three-month over)	32,106	32,313
Derivative deposits	9,148	42,553
Derivative financial assets	17,341	31,127
Other	13,953	17,269
Total	<u>¥197,068</u>	<u>¥152,858</u>
Non-current		
Installment receivables	169,408	175,061
Investment securities	319,758	650,169
Derivative financial assets	56,892	33,721
Other	135,972	146,761
Allowance for doubtful accounts	(19,567)	(34,838)
Total	<u>¥662,463</u>	<u>¥970,874</u>

Installment receivables are described in “Note 8. Trade and other receivables.”

10. Inventories

The components of inventories are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Merchandise and finished products	¥329,688	¥333,085
Other	21,464	26,379
Total	<u>¥351,152</u>	<u>¥359,464</u>

The amount of inventories pledged as collateral for interest-bearing debt or other is described in “(4) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

Write-downs of inventories recognized as an expense during the fiscal year are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Write-downs of inventories	<u>¥14,579</u>	<u>¥29,504</u>

11. Other current assets and other non-current assets

The components of other current assets and other non-current assets are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current		
Tax receivable*	¥ 44,660	¥332,339
Prepaid expense	173,463	171,991
Other	37,276	49,221
Total	<u>¥255,399</u>	<u>¥553,551</u>
Non-current		
Long-term prepaid expense	177,192	178,162
Other	14,257	14,312
Total	<u>¥191,449</u>	<u>¥192,474</u>

Note:

* Tax receivable includes withholding income tax of ¥293,489 million related to dividend within the group companies as of March 31, 2016.

12. Property, plant and equipment

Changes in property, plant and equipment at historical cost, are as follows:

Historical cost	(Millions of yen)						
	Buildings and structures	Telecommu- nications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of April 1, 2014	¥371,096	¥4,347,266	¥ 262,923	¥ 92,551	¥ 266,523	¥16,726	¥5,357,085
Purchase	5,864	20,572	91,123	—	885,005	9,663	1,012,227
Disposals	(2,436)	(145,492)	(33,061)	(300)	(5,593)	(6,077)	(192,959)
Transfer of accounts	19,161	759,610	207,622	162	(868,725)	3,887	121,717
Exchange differences	25,728	249,613	17,023	3,118	40,848	1,860	338,190
Other	(6,870)	377	1,192	1,817	674	(1,056)	(3,866)
As of March 31, 2015	<u>412,543</u>	<u>5,231,946</u>	<u>546,822</u>	<u>97,348</u>	<u>318,732</u>	<u>25,003</u>	<u>6,632,394</u>
Purchase	9,727	17,390	304,128	297	453,104	5,072	789,718
Business combinations	13,816	13	1,566	9,436	2,256	5,959	33,046
Disposals	(4,583)	(225,109)	(256,500)	(677)	(25,013)	(6,116)	(517,998)
Transfer of accounts	22,840	486,911	350,812	—	(542,613)	3,458	321,408
Exchange differences	(12,253)	(141,152)	(44,233)	(1,348)	(7,195)	(2,784)	(208,965)
Other	(13,344)	(2,833)	(1,196)	13	(3,302)	658	(20,004)
As of March 31, 2016	<u>¥428,746</u>	<u>¥5,367,166</u>	<u>¥ 901,399</u>	<u>¥105,069</u>	<u>¥ 195,969</u>	<u>¥31,250</u>	<u>¥7,029,599</u>

Changes in the accumulated depreciation and impairment losses of property, plant and equipment are as follows:

Accumulated depreciation and impairment losses	(Millions of yen)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of April 1, 2014	¥(112,459)	¥(1,520,202)	¥(133,585)	¥(6)	¥ (387)	¥ (4,119)	¥(1,770,758)
Depreciation	(30,067)	(538,826)	(84,510)	—	—	(4,822)	(658,225)
Disposals	2,202	133,599	32,542	—	8	1,176	169,527
Exchange differences ...	(4,713)	(51,989)	(3,872)	—	—	(414)	(60,988)
Other	127	(2,855)	7,908	—	(8)	326	5,498
As of March 31, 2015	<u>(144,910)</u>	<u>(1,980,273)</u>	<u>(181,517)</u>	<u>(6)</u>	<u>(387)</u>	<u>(7,853)</u>	<u>(2,314,946)</u>
Depreciation	(33,650)	(618,930)	(281,695)	—	—	(5,831)	(940,106)
Impairment loss	(639)	—	(1,151)	(1)	(24,977)	(946)	(27,714)
Disposals	4,105	212,607	92,354	—	23,751	2,665	335,482
Transfer of accounts ...	(16)	1,802	34,828	—	—	3	36,617
Exchange differences ...	4,116	48,826	12,471	—	100	1,960	67,473
Other	(3,183)	355	590	—	—	(660)	(2,898)
As of March 31, 2016	<u>¥(174,177)</u>	<u>¥(2,335,613)</u>	<u>¥(324,120)</u>	<u>¥(7)</u>	<u>¥ (1,513)</u>	<u>¥(10,662)</u>	<u>¥(2,846,092)</u>

The components of the carrying amounts of property, plant and equipment are as follows:

Carrying amounts	(Millions of yen)						
	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of March 31, 2015 ..	¥267,633	¥3,251,673	¥365,305	¥ 97,342	¥318,345	¥17,150	¥4,317,448
As of March 31, 2016 ..	¥254,569	¥3,031,553	¥577,279	¥105,062	¥194,456	¥20,588	¥4,183,507

The amount of “Other” included in “Buildings and structures” for the fiscal year ended March 31, 2016 is recorded mainly due to the change in accounting estimate of asset retirement obligations in Sprint. The details are described in “Note 23. Provisions.”

The decrease resulting from “Disposals” in “Furniture, fixtures, and equipment” includes ¥222,750 million, which is a historical cost of certain leased devices sold from Sprint to Mobile Leasing Solutions, LLC, and ¥(59,730) million of accumulated depreciation and impairment losses for the fiscal year ended March 31, 2016. The details are described in “(3) Handset sale-leaseback” in “Note 14. Leases.”

The amount of “Transfer of accounts” in “Furniture, fixtures, and equipment” is mainly due to the transfer of leased devices from “Inventories” in current assets.

Impairment loss is included in “Other operating loss” in the consolidated statement of income. The details are described in “Note 35. Other operating income and loss.”

The carrying amounts of finance lease assets included in property, plant and equipment are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Buildings and structures	¥ 43,401	¥ 11,781
Telecommunications equipment	909,126	1,069,694
Furniture, fixtures, and equipment	57,991	49,415
Land	49,360	—
Construction in progress	862	73
Other	89	4,050
Total	<u>¥1,060,829</u>	<u>¥1,135,013</u>

Finance lease obligations of the Company are pledged through the lessor’s retaining the property right of lease assets.

The amount of property, plant and equipment pledged as collateral for interest-bearing debt or other is described in “(4) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

Assets with limited property rights due to installment purchases are described in “(5) Assets with limited property rights” in “Note 19. Interest-bearing debt.”

13. Goodwill and intangible assets

Changes in goodwill and intangible assets at historical cost are as follows:

Intangible assets with finite useful lives										Intangible assets with indefinite useful lives			Intangible assets with finite useful lives			
Historical cost	Goodwill	FCC licenses	Trademarks	Software	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	Total					
As of April 1, 2014	¥1,549,395	¥3,709,526	¥630,379	¥1,111,097	¥849,453	¥151,535	¥202,512	¥54,101	¥	¥ 176,853	¥6,885,456					
Purchase	—	17,923	—	77,893	4,650	—	—	42	—	223,384	323,892					
Internal development	—	—	—	3,820	—	—	—	—	—	—	16,059	19,879				
Business combinations	30,090	—	—	—	—	—	—	—	—	—	—	—				
Disposals	—	(30,641)	—	(69,967)	—	—	—	(123)	—	(1,515)	(102,246)					
Transfer of accounts	—	—	—	195,210	—	—	—	1	54,569	(252,596)	(2,816)					
Exchange differences	56,539	618,769	104,217	42,703	122,650	25,398	(9,976)	8,986	—	7,606	920,353					
Other	37,127	4,719	59	3,184	3,107	—	—	203	—	(1,406)	9,866					
As of March 31, 2015	1,673,151	4,320,296	734,655	1,363,940	979,860	176,933	192,536	63,210	54,569	168,385	8,054,384					
Purchase	—	10,389	—	85,036	—	—	—	29	—	186,534	281,988					
Internal development	—	—	—	4,353	—	—	—	—	—	—	14,446	18,799				
Business combinations	128,774	—	30,250	8,797	56,680	—	—	—	—	—	827	96,554				
Loss of control	(146,032)	—	—	(3,831)	—	—	(77,796)	(47)	—	(1,766)	(83,440)					
Disposals	—	—	—	(62,928)	—	(307)	—	(48)	—	(1,275)	(64,558)					
Transfer of accounts	—	—	(114)	177,792	—	—	—	7	62,664	(233,501)	6,848					
Exchange differences	(30,072)	(269,935)	(46,911)	(25,021)	(55,663)	(11,016)	(2,306)	(3,909)	—	(4,024)	(418,785)					
Other	(158)	—	—	875	228	—	—	3	—	1,404	2,510					
As of March 31, 2016	¥1,625,663	¥4,060,750	¥717,880	¥1,549,013	¥981,105	¥165,610	¥112,434	¥59,245	¥117,233	¥131,030	¥7,894,300					

Changes in the accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

(Millions of yen)								
Intangible assets with indefinite useful lives				Intangible assets with finite useful lives				
Accumulated amortization and impairment losses	Goodwill	FCC licenses	Trademarks	Software	Customer relationships	Game titles	Trademarks	Spectrum migration costs
As of April 1, 2014	¥ (9,788)	¥—	¥ (7,404)	¥(463,711)	¥(171,959)	¥(11,318)	¥(35,990)	¥(1,626)
Amortization	—	—	—	(196,838)	(187,557)	—	(49,647)	(1,767)
Disposals	—	—	—	67,706	—	—	122	—
Exchange differences	—	—	—	(12,197)	(38,121)	(3,406)	2,312	(357)
Other	—	—	—	(1,034)	—	(17,018)	—	1
As of March 31, 2015	¥ (9,788)	—	—	—	—	—	—	—
Amortization	—	—	—	(228,753)	(173,860)	—	(26,951)	(1,932)
Impairment loss	(6,086)	—	(4,125)	(589)	(1,342)	—	—	(5,742)
Loss of control	—	—	—	2,521	—	—	56,186	7
Disposals	—	—	—	59,984	—	—	48	—
Exchange differences	—	—	—	286	11,573	31,383	3,110	1,500
Other	—	—	—	—	(5,527)	151	(17,736)	325
As of March 31, 2016	¥(15,874)	¥—	¥(11,243)	¥(766,865)	¥(541,305)	¥(46,368)	¥(52,590)	¥(5,179)

The carrying amounts of goodwill and intangible assets are as follows:

(Millions of yen)								
Intangible assets with indefinite useful lives				Intangible assets with finite useful lives				
Carrying amounts	Goodwill	FCC licenses	Trademarks	Software	Customer relationships	Game titles	Trademarks	Spectrum migration costs
As of March 31, 2015	¥1,663,363	¥4,320,296	¥727,251	¥757,866	¥582,223	¥145,191	¥109,211	¥ 53,550
As of March 31, 2016	¥1,609,789	¥4,060,750	¥706,637	¥782,148	¥439,800	¥119,242	¥ 59,844	¥110,472

Increase due to “Business combinations” for the fiscal year ended March 31, 2016 is as follows:

As a result of consolidating ASKUL Corporation as a subsidiary in August 2015, the Company recognized customer relationships of ¥40,680 million and trademarks of ¥20,130 million. The details are described in “(1) ASKUL Corporation” in “Note 6. Business combinations.”

As a result of consolidating Ikyu Corporation as a subsidiary in February 2016, the Company recognized customer relationships of ¥16,000 million and trademarks of ¥10,120 million. The details are described in “(2) Ikyu Corporation” in “Note 6. Business combinations.”

Impairment losses are included in “Other operating loss” in the consolidated statement of income. The details are described in “Note 35. Other operating income and loss.”

Decrease due to “Loss of control” for the fiscal year ended March 31, 2016 is as follows:

As a result of losing control of GungHo as a subsidiary in June 2015, game titles decreased by ¥21,610 million. The details are described in “Note 40. Discontinued operations.”

“FCC licenses” are licenses to use a specific frequency spectrum granted by the U.S. Federal Communications Commission (“FCC”). As long as the Company acts within the requirements of regulatory authorities, the renewal and extension of FCC licenses are reasonably certain at minimal cost. Therefore, it is determined that FCC licenses have indefinite useful lives.

The Company determined that the “Sprint” and “Boost Mobile” trademarks have indefinite useful lives as they can be legally used continuously as long as the business continues and management’s current plans are to offer service under these trademarks for the foreseeable future.

Customer relationships reflect excessive earning capacity in the future expected from the existing customers of the acquiree at the time of business combinations.

Favorable lease contracts are recognized as intangible assets based on the estimated fair value of the favorable portion of future cash flows if, at the time of business combinations, the terms of operating lease contracts in which the acquiree is the lessee are favorable compared to market terms at acquisition date. Reversal of favorable lease contracts is recognized as operating lease payments.

Game titles reflect excessive earning capacity in the future expected from the existing game titles of the acquiree at the time of the business combinations.

Spectrum migration costs are the amounts that the Company incurred in connection with the costs arising from the migration of the existing users from the 900 MHz band, which SoftBank Corp. acquired, to the other frequency spectrum based on the termination campaign.

Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

The carrying amount of internally generated intangible assets included in the intangible assets is as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Software	¥57,488	¥47,200

The carrying amounts of finance lease assets included in the intangible assets are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Software	¥226,407	¥290,460

Finance lease obligations of the Company are pledged through the lessor’s retaining the property right of lease assets.

The intangible assets with limited property rights due to installment purchase are described in “(5) Assets with limited property rights” in “Note 19. Interest-bearing debt.”

Research and development costs included in “Cost of sales” and “Selling, general and administrative expenses” are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Research and development costs	¥9,904	¥8,870

Goodwill acquired as a part of business combinations is allocated to cash-generating units or cash-generating unit groups that are expected to benefit from the synergies arising from the combination.

Amounts of goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or cash-generating unit groups are as follows:

Cash-generating units or groups of cash-generating units have been changed for the fiscal year ended March 31, 2016 due to the reclassification in the Yahoo Japan segment and the Distribution segment.

As of March 31, 2015

Goodwill

Reportable segments	Cash-generating unit or Cash-generating unit groups	(Millions of yen)
		As of March 31, 2015
Domestic Telecommunications	SoftBank*	¥ 908,720
Sprint	Sprint	353,867
Yahoo Japan	Yahoo	47,245
Distribution	Brightstar	96,537
—	Other	256,994
Total		<u>¥1,663,363</u>

Note:

* SoftBank comprises of SoftBank Corp. and WCP.

Intangible assets with indefinite useful lives

Reportable segments	Cash-generating unit	(Millions of yen)
		As of March 31, 2015
Sprint	Sprint	¥5,033,505
Distribution	Brightstar US and Canada	3,245
	Brightstar Latin America	5,230
	Brightstar Asia, Africa, and Oceania	4,989
	Brightstar Europe	578
	Subtotal	14,042
Total		<u>¥5,047,547</u>

As of March 31, 2016

Goodwill

Reportable segments	Cash-generating unit or Cash-generating unit groups	(Millions of yen)
		As of March 31, 2016
Domestic Telecommunications	SoftBank ¹	¥ 908,720
Sprint	Sprint	331,811
Yahoo Japan	Yahoo ²	16,519
	Marketing solution	9,821
	Shopping	56,600
	Ikyu	72,044
	Settlement finance	20,891
	Subtotal	175,875
Distribution	Brightstar	90,657
—	Other	102,726
Total		<u>¥1,609,789</u>

Notes:

1. SoftBank comprises of SoftBank Corp. and WCP.
2. Goodwill is allocated to "Yahoo Japan" because the benefit is expected from entire Yahoo Japan, not from individual cash-generating unit in Yahoo.

Intangible assets with indefinite useful lives

Reportable segments	Cash-generating unit	(Millions of yen) As of March 31, 2016
Sprint	Sprint	¥4,729,506
Yahoo Japan	Shopping	20,130
	Ikyu	10,120
	Subtotal	30,250
Distribution	Brightstar US and Canada region	3,042
	Brightstar Latin America region	1
	Brightstar Asia and Oceania region	1,753
	Brightstar Europe and Africa region	2,835
	Subtotal	7,631
Total		¥4,767,387

The recoverable amount of each cash-generating unit or cash-generating unit group is measured as follows:

Value in use: SoftBank, Yahoo, Marketing solution, Shopping, Settlement finance, Ikyu, Brightstar, Brightstar US and Canada region, Brightstar Latin America region, Brightstar Asia and Oceania region, Brightstar Europe and Africa region, and SoftBank Commerce & Service Corp.

Fair value less disposal cost: Sprint

Value in use is mainly assessed by discounting to the present value the estimated cash flows in the next five years based on the financial budget approved by the management, which reflects past experience and external information, using the pretax weighted average cost of capital of 5.12%-22.11% of the cash-generating unit or cash-generating unit groups (5.03%-21.08% for the fiscal year ended March 31, 2015). The cash flows from after five years are assumed on the basis of the growth rate of 0%-3.81%.

The fair value less disposal cost is measured based on active market prices.

As a result of reviewing the business plan of Brightstar's Latin America region, goodwill and intangible assets with indefinite useful lives were tested for impairment because there was an indication of impairment for the fiscal year ended March 31, 2016. As a result, the recoverable amount became negative and therefore the carrying amount of assets related to the cash-generating unit was reduced to zero. Impairment loss on property, plant and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in use was used as the recoverable amount and calculated by discounting management approved estimated future cash flow plan by 22.11%, weighted average capital cost before tax.

Impairment loss of ¥6,086 million for goodwill allocated to cash-generating unit groups of Other is recognized for the fiscal year ended March 31, 2016.

Other than the above, as a result of an impairment test of goodwill and intangible assets with indefinite useful lives, no impairment loss is recognized for the fiscal year ended March 31, 2016 (For the fiscal year ended March 31, 2015: no impairment loss is recognized for goodwill and intangible assets with indefinite useful lives allocated to any cash-generating units or cash-generating unit groups).

The share price of Sprint as of March 31, 2016 is \$3.48 and it is below the carrying amount per share price on a consolidated basis. The fair value is measured by not only the quoted market price of the share, but also other considerations such as a future business plan and an estimated control premium.

The determination of fair value requires considerable judgment and is highly sensitive to changes in underlying assumptions. Consequently, there can be no assurance that the estimates and assumptions made for the purposes of the impairment tests for goodwill and intangible assets with indefinite useful lives will prove to be an accurate prediction of the future. Continued, sustained declines in Sprint's operating results, future forecasted cash flows, growth rates and other assumptions, as well as significant, sustained declines in Sprint

share price and related market capitalization could impact the underlying key assumptions and our estimated fair values, potentially leading to a future material impairment of goodwill or intangible assets with indefinite useful lives.

As for goodwill allocated to Brightstar, the value in use of the cash-generating units to which the goodwill is allocated is higher than the carrying amount. However, there is a possibility that the impairment loss will be recognized if the pretax weighted average cost of capital used in the calculation of the value in use increases by approximately 0.26% or the growth rate in the calculation of the value in use decreases by approximately 2.68%.

The Company determined that for cash-generating units or cash-generating unit groups to which the goodwill and intangible assets with indefinite useful lives are allocated, other than the above, the recoverable amount is unlikely to fall below the carrying amount, even if major assumptions used in the impairment test change to a reasonably foreseeable extent.

14. Leases

(1) Finance leases

(As lessee)

The Company has leased assets, including wireless equipment, switching equipment, power supply systems and transmission facilities.

The components of finance lease obligations are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
The total minimum lease payments		
Within 1 year	¥ 431,271	¥ 417,891
1 to 5 years	761,440	836,142
Over 5 years	11,572	5,542
Total	1,204,283	1,259,575
Deduction -future financial expense	(47,919)	(47,389)
Present value of finance lease obligations	<u>¥1,156,364</u>	<u>¥1,212,186</u>

The components of the present value of finance lease obligations are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Within 1 year	¥ 411,453	¥ 396,992
1 to 5 years	734,085	809,799
Over 5 years	10,826	5,395
Total	<u>¥1,156,364</u>	<u>¥1,212,186</u>

The outstanding balance by maturity year of financial lease obligations is described in “(2) Financial risk management c. Liquidity risk” in “Note 25. Financial instruments.”

Certain lease contracts have financial covenants. Major contents are described in “(2) Financial covenants” in “Note 19. Interest-bearing debt.”

The components of the future minimum lease payments receivable under non-cancelable subleases are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Total	<u>¥20,763</u>	<u>¥27,964</u>

(2) Operating leases

(As lessee)

The Company leases towers, land and buildings for the placement of telecommunications equipment, frequency spectrum, and telecommunication lines under operating leases. Certain operating lease contracts have automatic renewal option and escalation clauses.

In addition to the non-cancelable period, an automatic renewal option is included in the lease term to the extent that, at the inception of the lease, it is reasonably certain that the option will be exercised. For operating leases with escalation clauses or a portion of which is free of charge, the total lease payment amount is amortized over the lease term by the straight line method.

Cell site leases

Cell site leases in the U.S. are generally provided by the cell phone tower operators who provide tower and ground space to place Sprint-owned antennae, radio, and related equipment. The contract terms generally provide for an initial non-cancelable term of 5 to 12 years with up to five renewal options for five years each. At the establishment of the cell sites leases, it is assumed that at least one renewal option is exercised for contracts less than 10 years.

Cell site leases in Japan contain only land or buildings for the placement of cell sites. Most of the contract terms are 10 years or 20 years. At the establishment of the cell site leases, it is reasonably certain that they will be used until the contract term expires.

Spectrum leases (U.S.)

U.S. leased spectrum agreements have renewal options. For those contracts, it is reasonably certain that, at the inception of the transaction, all the renewal options will be used and terms including renewal terms are up to 30 years.

The components of the future minimum lease payments related to non-cancelable operating leases are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Within 1 year	¥ 376,134	¥ 434,831
1 to 5 years	1,259,983	1,246,531
Over 5 years	1,435,562	1,207,512
Total	¥3,071,679	¥2,888,874

Operating lease payments recognized as expenses for the fiscal year ended March 31, 2016 totaled ¥471,560 million (For the fiscal year ended March 31, 2015: ¥430,977 million).

(As lessor)

Sprint provides a device leasing program to its qualifying subscribers in the U.S. and SoftBank Corp. provides device rental service to corporate customers in Japan. The Company classifies substantially all transactions as operating leases along with the device leasing program and device rental service. At the end of the lease term of the device leasing program at Sprint, the subscriber has the option to turn in their device, continue leasing their device, or purchase the device. Since device leases are provided on the condition that subscribers maintain telecommunication services with the Company, the amount of revenue from these transactions is separated into the amount of payments to be received for device leases and other elements based on the fair value of telecommunication service and lease.

The components of the future minimum lease payments receivable under non-cancelable operating leases are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Within 1 year	¥104,551	¥292,923
1 to 5 years	74,074	99,141
Over 5 years	2,470	1,701
Total	¥181,095	¥393,765

(3) Handset sale-leaseback

In November 2015, Sprint conducted a transaction to sell and leaseback certain leased devices, which is mentioned above “(2) Operating leases (As lessor),” with Mobile Leasing Solutions, LLC (MLS).

MLS was established for leasing business by SBLS HD US, Inc. (SBLS), a wholly-owned subsidiary of SoftBank Group Corp. and JPLS HD US, Inc. (JPLS), a company formed by Japanese leasing companies. It is contractually agreed that significant management policy and operating decision of MLS require the unanimous consent of its board of directors designated by SBLS and JPLS. Accordingly, the Company accounts for MLS under the equity method as a joint venture.

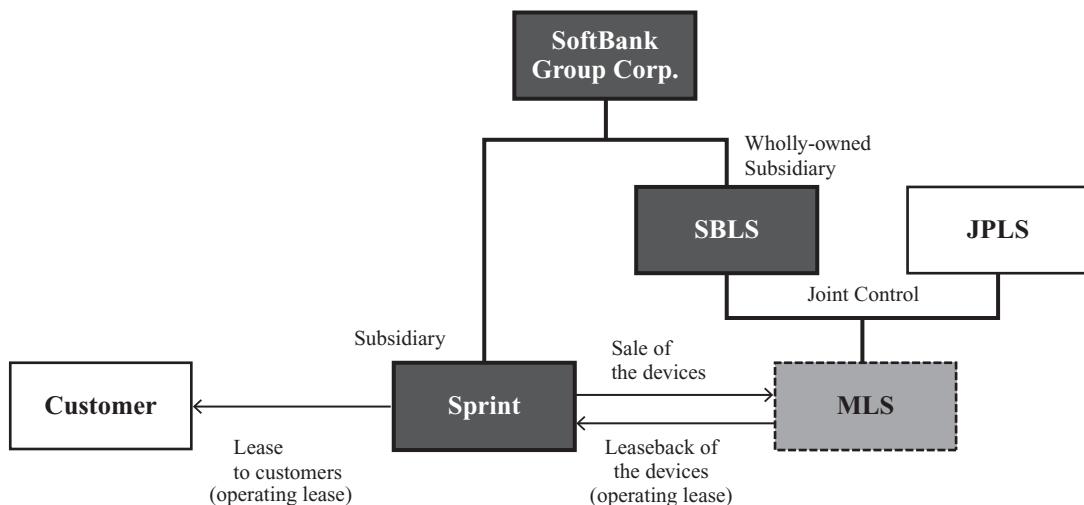
Under this transaction, Sprint sold the devices and transferred the associated certain specified customer lease end rights and obligations to MLS in exchange for a total amount of \$1.3 billion, consisting of proceeds totaling \$1.1 billion cash which was received in December 2015 and a deferred purchase price receivable of \$0.1 billion, the remaining amount of the total proceeds, which will be settled at the end of the agreement. Simultaneously with the sale of the devices and transfer of certain specified customer lease end rights and obligations, MLS leased back each device to Sprint pursuant to the Master Lease Agreement in exchange for monthly rental payments to be made by Sprint to MLS. In addition, Brightstar has a contractual agreement with MLS to provide reverse logistics and remarketing services to MLS with respect to the devices that are returned to MLS. The terms and conditions of the transaction are negotiated and determined based on the market price and the content of transaction.

Sprint derecognized devices from property, plant and equipment when they were sold to MLS. The \$65 million (¥7,801 million) difference between the fair value and the carrying amount of the devices sold was recognized as “Other operating loss” in the consolidated statement of income.

The proceeds received in December 2015 totaling \$1.1 billion (¥137,593 million) were recognized as “Proceeds from sales of property, plant and equipment, and intangible assets” in the consolidated statement of cash flows.

Total amount of the future minimum lease payments receivable recognized under the transaction is ¥73,410 million and the future minimum lease payments receivable during the period is ¥28,385 million.

Outline of the transaction*



Note:

* This chart only refers to major transactions and the relationship between the Company and major parties to provide an outline of the transaction.

15. Major subsidiaries

(1) Organizational structure

The Company's major subsidiaries are as follows:

Company Name	Reportable segments	Location	Ownership percentage of voting rights (%)	
			As of March 31, 2015	As of March 31, 2016
SoftBank Corp. ¹	Domestic Telecommunications	Tokyo	100	99.99
Wireless City Planning Inc. ²	Domestic Telecommunications	Tokyo	33.3	32.2
SoftBank Payment Service Corp.	Domestic Telecommunications	Tokyo	100	100
Sprint Corporation	Sprint	U.S.A.	79.5	83.4
Sprint Communications, Inc.	Sprint	U.S.A.	100	100
Yahoo Japan Corporation ³	Yahoo Japan	Tokyo	43.0	43.0
ValueCommerce Co., Ltd.	Yahoo Japan	Tokyo	50.6	50.5
ASKUL Corporation ⁴	Yahoo Japan	Tokyo	41.9	44.4
Brightstar Global Group Inc.	Distribution	U.S.A.	100	95.5
Brightstar Corp.	Distribution	U.S.A.	100	100
SoftBank Commerce & Service Corp.	Distribution	Tokyo	100	100
SoftBank Group International GK	Company-wide	Tokyo	100	100
SoftBank Group Japan GK	Company-wide	Tokyo	100	100
SB Group, US Inc.	Company-wide	U.S.A.	100	100
SoftBank Group International Limited ⁵	Company-wide	U.K.	—	100
Supercell Oy	Other	Finland	53.7	78.3
SB Energy Corp.	Other	Tokyo	100	100
Fukuoka SoftBank HAWKS Corp.	Other	Fukuoka	100	100
SoftBank Robotics Holdings Corp.	Other	Tokyo	100	60
SBBM Corporation	Other	Tokyo	100	100
ITmedia Inc.	Other	Tokyo	57.9	57.9
SoftBank Technology Corp.	Other	Tokyo	55.4	55.7
Vector Inc.	Other	Tokyo	52.4	52.1
SB CHINA HOLDINGS PTE LTD	Other	Singapore	100	100
SoftBank Ventures Korea Corp.	Other	South Korea	100	100
SoftBank Korea Corp.	Other	South Korea	100	100
Starburst I, Inc.	Other	U.S.A.	100	100
SoftBank Holdings Inc.	Other	U.S.A.	100	100
SoftBank America Inc.	Other	U.S.A.	100	100
SoftBank Capital Fund' 10 L.P.	Other	U.S.A.	98.0	81.7
SoftBank Capital Fund' 14 L.P.	Other	U.S.A.	99.0	99.0
STARFISH I PTE. LTD.	Other	Singapore	100	100
SB Pan Pacific Corporation	Other	Micronesia	100	100
Hayate Corporation	Other	Micronesia	100	100

Notes:

1. SoftBank Mobile Corp., SoftBank BB Corp., SoftBank Telecom Corp., and Ymobile Corporation conducted an absorption type merger with SoftBank Mobile Corp. being the surviving company, effective on April 1, 2015 and SoftBank Mobile Corp. changed its company name to SoftBank Corp. on July 1, 2015.
2. The Company does not own the majority of WCP's voting rights. However, the Company determined that it has control over WCP and included it into the scope of consolidation, considering the fact that SoftBank Group Corp.'s directors, SoftBank Corp.'s directors and corporate officers constitute the majority of members of WCP's board of directors and that WCP's business activities significantly depend on the Company.
3. The Company does not own the majority of Yahoo Japan Corporation's voting rights. However, the Company determined that it has control over Yahoo Japan Corporation and included it into the scope of consolidation, considering the fact that the Company holds 43.0% of the voting rights of Yahoo Japan Corporation and SoftBank Group Corp.'s directors and SoftBank Corp.'s directors constitute the majority of the members of Yahoo Japan Corporation's board of directors.
4. The Company does not own the majority of ASKUL Corporation's voting rights. However, the Company determined that it has control over ASKUL Corporation and included it into the scope of consolidation, considering the fact that the Company holds 44.4% of the voting rights of ASKUL Corporation, the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation's past shareholders meetings.
5. SoftBank Group International Limited changed its company name to SoftBank Group Capital Limited on April 27, 2016.

(2) Summarized consolidated financial information and other information on subsidiaries with significant non-controlling interests

a. Sprint (Sprint Corporation and its group companies)
(a) General information

	As of March 31, 2015	As of March 31, 2016
Ownership ratio of the non-controlling interests (%)	20.5	16.6
(Millions of yen)		
	As of March 31, 2015	As of March 31, 2016
Accumulated amount attributable to the non-controlling interests of subsidiary group		
	¥ 415,887	¥ 286,199
(Millions of yen)		
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net loss allocated to the non-controlling interests of subsidiary group	¥(37,285)	¥(39,387)

(b) Summarized consolidated financial information

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current assets	¥1,229,754	¥ 899,704
Non-current assets	8,592,854	7,958,438
Current liabilities	1,406,378	1,527,507
Non-current liabilities	6,098,000	5,362,584
Net assets	2,318,230	1,968,051
(Millions of yen)		
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	¥3,800,021	¥3,871,647
Net loss	(183,237)	(230,380)
Total comprehensive loss	(127,653)	(232,734)

No dividends were paid to the non-controlling interests by Sprint for the fiscal year ended March 31, 2015 and the fiscal year ended March 31, 2016.

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by operating activities	¥ 191,167	¥ 361,001
Net cash used in investing activities	(517,815)	(685,226)
Net cash provided by financing activities	229,807	155,915
Effect of exchange rate changes on cash and cash equivalents	67,170	(16,029)
Decrease in cash and cash equivalents	<u>¥ (29,671)</u>	<u>¥(184,339)</u>

b. Yahoo (Yahoo Japan Corporation and its group companies)

(a) General information

	As of March 31, 2015	As of March 31, 2016
Ownership ratio of the non-controlling interests (%)	57.0	57.0

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Accumulated amount attributable to the non-controlling interests of subsidiary group	¥416,402	¥539,584

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income allocated to the non-controlling interests of subsidiary group	¥76,768	¥97,909

(b) Summarized consolidated financial information

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current assets	¥741,828	¥806,380
Non-current assets	284,355	555,000
Current liabilities	239,772	366,023
Non-current liabilities	27,276	64,012
Net assets	759,135	931,345

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	¥428,487	¥652,327
Net income	133,933	172,492
Total comprehensive income	135,877	173,504

Dividends paid to the non-controlling interests by Yahoo Japan Corporation for the fiscal year ended March 31, 2016 is ¥28,733 million (For the fiscal year ended March 31, 2015: ¥14,371 million).

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by operating activities	¥127,627	¥ 107,519
Net cash used in investing activities	(69,252)	(112,647)
Net cash used in financing activities	(37,166)	(49,358)
Effect of exchange rate changes on cash and cash equivalents	391	(286)
Increase (decrease) in cash and cash equivalents	<u>¥ 21,600</u>	<u>¥ (54,772)</u>

16. Investments accounted for using the equity method

(1) Summarized consolidated financial information and other of the significant associates

Alibaba Group Holding Limited

a. General information

Alibaba (registered in Cayman) operates online marketplaces “Taobao Marketplace,” “Tmall,” “Alibaba.com” and other through its group company.

b. Summarized consolidated financial information

IFRS summarized consolidated financial information for Alibaba is as follows.

The Company applies the equity method to the consolidated financial statements of Alibaba on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba to that of the Company due to the contract with Alibaba. Also, this note discloses the summarized consolidated financial information of Alibaba on a three-month time lag. Adjustments are made for significant transactions or events which occurred during the intervening period and which were publicly announced by Alibaba.

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current assets	¥3,294,995	¥2,637,889
Non-current assets	1,840,071	3,755,127
Current liabilities	1,221,616	989,195
Non-current liabilities	1,112,290	1,094,527
Equity		
Total equity attributable to owners of the parent	2,720,661	3,580,184
Non-controlling interests	80,499	729,110
	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	¥1,281,836	¥1,771,778
Net income	191,607	1,177,794
Other comprehensive income, net of tax	820	122,648
Total comprehensive income	<u>¥ 192,427</u>	<u>¥1,300,442</u>
	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income attributable to owners of the parent	¥188,906	¥1,175,236
Other comprehensive income attributable to owners of the parent, net of tax	708	122,254
Total comprehensive income attributable to owners of the parent	<u>¥189,614</u>	<u>¥1,297,490</u>

There was no dividend received from Alibaba for the fiscal years ended March 31, 2015 and 2016.

The reconciliation between total equity attributable to owners of the parent based on the summarized consolidated financial information above and the carrying amount of the interests in Alibaba is as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Total equity attributable to owners of the parent	¥2,720,661	¥3,580,184
Interest ratio (%)	32.54	32.60
Interests of the Company	885,303	1,167,140
Goodwill	63,533	137,705
Accumulated amortization of goodwill on the IFRS transition date ¹	(8,878)	(7,989)
Stock acquisition rights	(31,692)	(62,980)
Other ²	<u>(38,449)</u>	<u>(32,329)</u>
Carrying amount of the interests in Alibaba	<u>¥ 869,817</u>	<u>¥1,201,547</u>

Notes:

1. Goodwill recorded by Alibaba from business combinations before the IFRS transition date was amortized over the periods in which economic benefits were reasonably expected to be realized, when the Company applied the equity method to the investment in Alibaba under previous accounting principles (JGAAP). The adjustment amount above reflects the accumulated amortization of goodwill at the date of transition to IFRSs.
2. Other relates to adjustments mainly related to organization restructurings such as the transfer of Taobao shares in 2005 and the purchase of treasury stocks by Alibaba from Yahoo! Inc. in the U.S. in 2012.

c. Fair value of investment in Alibaba

The fair value of the investment in Alibaba based on market price is ¥7,103,981 million as of March 31, 2016 (As of March 31, 2015: ¥7,979,784 million).

(2) Aggregated information on investment in insignificant associates and joint ventures

The aggregated information of insignificant investments accounted for using the equity method, other than (1) above (total amount of the Company's interests), is as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Carrying amount of the interests		
Associates	¥230,634	¥380,511
Joint ventures	2,005	6,212
Total	<u>¥232,639</u>	<u>¥386,723</u>
Net income (loss)		
Associates	¥ 9,770	¥(3,775)
Joint ventures	(616)	(1,483)
Total	<u>¥ 9,154</u>	<u>¥(5,258)</u>
Other comprehensive loss, net of tax		
Associates	(4,841)	(417)
Joint ventures	—	(779)
Total	<u>¥(4,841)</u>	<u>¥(1,196)</u>
Total comprehensive income (loss)		
Associates	4,929	(4,192)
Joint ventures	(616)	(2,262)
Total	<u>¥ 4,313</u>	<u>¥(6,454)</u>

17. Structured entities

(1) Consolidated structured entities

The Company owns investment funds which are structured entities consolidated by the Company. These funds are structured as venture funds in the form of partnerships and limited partnerships for investment, and designed so that the voting rights or similar rights are not determinant in evaluating control. The Company evaluated that it controls the operation of those structured entities.

The Company is engaged in investment commitment contracts with certain consolidated structured entities.

The Company has not provided, nor intends to provide, any significant financial support or other significant support to the consolidated structured entities without contractual obligation.

(2) Unconsolidated structured entities

The Company owns investment funds, which are structured entities unconsolidated by the Company. These funds are structured as venture funds in the form of partnerships, limited partnerships for investment and investment trusts, and designed so that the voting rights or similar rights are not determinant in evaluating control. The third party controls the operation of these structured entities. The funds are financed by the subscription by its partners.

The scale of the unconsolidated structured entities, the carrying amount of the investment in the entities by the Company, and the potential maximum loss exposure of the Company are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Total assets of the unconsolidated structured entities (aggregate amount) . . .	¥452,567	¥629,519
The maximum loss exposure of the Company		
The carrying amount of the investment recognized by the Company	71,707	75,733
Commitment contracts related to additional investment	16,502	16,437
Total	<u>¥ 88,209</u>	<u>¥ 92,170</u>

The investment recognized by the Company is included in “Investments accounted for using the equity method” or “Other financial assets (non-current)” in the consolidated statement of financial position. There is no liability to recognize for the Company related to unconsolidated structured entities.

The potential maximum loss exposure incurred from the involvement with the structured entities is limited to the total of the carrying amount of the Company’s investment and commitment regarding additional investment.

The Company’s maximum loss exposure represents the potential maximum loss amount, and does not indicate any estimated loss amount by being involved with structured entities.

The Company has not provided, nor intends to provide, any financial support or other significant support to the unconsolidated structured entities above without contractual obligation.

18. Income taxes

(1) Tax expenses

The components of income tax expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Current tax expenses	¥(315,032)	¥(242,174)
Deferred tax expenses	<u>(155,285)</u>	<u>(198,381)</u>
Total	<u>¥(470,317)</u>	<u>¥(440,555)</u>

Current tax expenses include reduction of current tax expense by the benefit from net operating loss carryforwards, tax credit carryforwards and temporary differences that occurred in previous periods and that were unaccompanied by the recognition of deferred tax assets. The reduction of current tax expense for the year ended March 31, 2016 was ¥30,023 million (For the fiscal year ended March 31, 2015: ¥8,954 million).

Deferred tax expenses include expense arising from the write-down of a deferred tax asset or reversal of a previously written-down deferred tax asset. The amount of tax expenses related to these changes was decreased by ¥10,494 million for the year ended March 31, 2016 (For the fiscal year ended March 31, 2015: decreased by ¥62,426 million).

In Japan, as the Act on the Partial Revision of the Income Tax Act (Article 15, 2016) and the Local Tax Law (Article 13, 2016) were enacted in the Diet on March 29, 2016, the Company’s statutory effective tax rate, used to measure the deferred tax assets and liabilities for the fiscal year ended March 31, 2016, was changed. The effective tax rate for the temporary differences whose timing of the recovery or settlement of the related temporary difference is expected from April 1, 2016 to March 31, 2018 is changed from 32.3% to 30.9%, and to 30.6% for those whose timing expected is on April 1, 2018 and thereafter. This change of deferred tax assets and liabilities that impact profit or loss is ¥11,309 million and reduces deferred tax expenses.

(2) Reconciliation of statutory effective tax rate and actual tax rate

The reconciliation of the statutory effective tax rate and actual tax rate is as follows. The actual tax rate represents the ratio of income tax expenses to income before income tax.

	(Unit :%)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Statutory effective tax rate	35.6	33.1
Effect from evaluating recoverability of deferred tax assets	3.0	15.9
Effect from profit or loss that does not impact taxable gain or loss	0.7	2.0
Impairment loss on equity method associates	1.0	—
Change of deferred tax assets and liabilities by the change of effective tax rate	(0.0)	(1.5)
Gain from remeasurement relating to business combination	—	(2.0)
Difference in tax rate applied to subsidiaries	(0.6)	(3.1)
Other	(0.9)	(0.6)
Actual tax rate	<u>38.8</u>	<u>43.8</u>

The Company is subject to income taxes, residence taxes and deductible enterprise tax. The statutory effective tax rate for the fiscal year ended March 31, 2016 based on these taxes is 33.1% (For the fiscal year ended March 31, 2015: 35.6%), except for foreign subsidiaries that are subject to income taxes at their respective locations.

In Japan, as the Act on the Partial Revision of the Income Tax Act (Article 9, 2015) and the Local Tax Law (Article 2, 2015) were enacted in the Diet on March 31, 2015, the statutory effective tax rate was changed from the fiscal year on and after April 1, 2015.

(3) Movement of deferred tax assets and deferred tax liabilities

The movement of deferred tax assets and deferred tax liabilities is as follows:

For the fiscal year ended March 31, 2015

	(Millions of yen)						As of March 31, 2015
	As of March 31, 2014	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination	Exchange differences	Other	
Deferred tax assets							
Property, plant and equipment	¥ 94,278	¥ (20,632)	—	¥ 176	¥ 710	¥ (1,908)	¥ 72,624
Accrued expenses and other liabilities	266,422	(36,549)	83	10,156	29,242	(2,125)	267,229
Net operating loss carryforwards and tax credit carryforwards ¹ ..	74,780	41,447	—	14	12,106	(799)	127,548
Other	96,712	(5,684)	(64)	1,088	8,862	4,042	104,956
Total	<u>532,192</u>	<u>(21,418)</u>	<u>19</u>	<u>11,434</u>	<u>50,920</u>	<u>(790)</u>	<u>572,357</u>
Deferred tax liabilities							
FCC licenses	(1,251,761)	(3,174)	—	—	(218,321)	(35,630)	(1,508,886)
Customer relationships	(257,947)	71,746	—	(1,678)	(31,748)	3,389	(216,238)
Trademarks	(259,258)	2,599	—	—	(43,232)	1,097	(298,794)
Temporary difference associated with investment in subsidiaries, associates and joint ventures ²	(5,875)	(206,518)	(28,649)	—	(58)	(15,330)	(256,430)
Other	(108,126)	1,480	29	(3,763)	(8,739)	9,983	(109,136)
Total	<u>(1,882,967)</u>	<u>(133,867)</u>	<u>(28,620)</u>	<u>(5,441)</u>	<u>(302,098)</u>	<u>(36,491)</u>	<u>(2,389,484)</u>
Net	<u>¥(1,350,775)</u>	<u>¥(155,285)</u>	<u>¥(28,601)</u>	<u>¥ 5,993</u>	<u>¥(251,178)</u>	<u>¥(37,281)</u>	<u>¥(1,817,127)</u>

Notes:

1. The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2014 or 2015, in the amount of ¥53,046 million for the fiscal year ended March 31, 2015. This is mainly from the recognition of deferred tax assets as of March 31, 2015 related to net operating loss carryforwards of Ymobile Corporation, considering the fact that SoftBank Mobile Corp., SoftBank BB Corp., SoftBank Telecom Corp., and Ymobile Corporation conducted an absorption type merger with SoftBank Mobile Corp. being the surviving company, effective on April 1, 2015.
2. The increase in deferred tax liabilities from "Temporary difference associated with investment in subsidiaries, associates, and joint ventures" is mainly due to the recognition of deferred tax liabilities on temporary differences on investment which mainly arose from dilution gain from changes in equity interest and income on equity method investments related to Alibaba. The amount of deferred tax liability recognized as of March 31, 2015 is ¥238,448 million.

For the fiscal year ended March 31, 2016

	(Millions of yen)						
	As of March 31, 2015	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination	Exchange differences	Other	As of March 31, 2016
Deferred tax assets							
Property, plant and equipment	¥ 72,624	¥ 49,136	¥ —	¥ 1,089	¥ (4,047)	¥ 433	¥ 119,235
Accrued expenses and other liabilities	267,229	(51,870)	202	1,765	(7,760)	(1,036)	208,530
Net operating loss carryforwards and tax credit carryforwards ¹	127,548	(43,307)	—	1,230	(5,054)	3	80,420
Other	104,956	(18,291)	8	5	(2,102)	96	84,672
Total	<u>572,357</u>	<u>(64,332)</u>	<u>210</u>	<u>4,089</u>	<u>(18,963)</u>	<u>(504)</u>	<u>492,857</u>
Deferred tax liabilities							
FCC licenses	(1,508,886)	(23,510)	—	—	95,552	—	(1,436,844)
Customer relationships	(216,238)	68,289	—	(18,285)	8,194	—	(158,040)
Trademarks	(298,794)	510	—	(9,759)	18,558	670	(288,815)
Temporary difference associated with investment in subsidiaries, associates and joint ventures ²	(256,430)	(114,516)	28,478	—	191	(8,154)	(350,431)
Other	(109,136)	(64,822)	(5,048)	(3,596)	6,891	6,684	(169,027)
Total	<u>(2,389,484)</u>	<u>(134,049)</u>	<u>23,430</u>	<u>(31,640)</u>	<u>129,386</u>	<u>(800)</u>	<u>(2,403,157)</u>
Net	<u>¥(1,817,127)</u>	<u>¥(198,381)</u>	<u>¥23,640</u>	<u>¥(27,551)</u>	<u>¥110,423</u>	<u>¥(1,304)</u>	<u>¥(1,910,300)</u>

Notes:

1. The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2015 or 2016, in the amount of ¥10,306 million for the fiscal year ended March 31, 2016. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized.
2. The increase in deferred tax liabilities from "Temporary difference associated with investment in subsidiaries, associates and joint ventures" is mainly due to the recognition of deferred tax liabilities on temporary differences on investment which mainly arose from dilution gain from changes in equity interest and income on equity method investments related to Alibaba. The amount of deferred tax liability recognized as of March 31, 2016 is ¥327,343 million.

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Deferred tax assets	¥ 235,488	¥ 172,864
Deferred tax liabilities	(2,052,615)	(2,083,164)
Net	<u>¥(1,817,127)</u>	<u>¥(1,910,300)</u>

(4) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

Deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards unaccompanied by the recognition of deferred tax assets are as follows. The amounts below are on a tax basis.

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Deductible temporary differences	¥ 180,647	¥ 404,965
Net operating loss carryforwards	1,001,667	954,868
Tax credit carryforwards	34,850	37,711
Total	¥1,217,164	¥1,397,544

Expiration of net operating loss carryforwards, and tax credit carryforwards unaccompanied by recognition of deferred tax assets is as follows. There is no deductible temporary difference with an expiry date.

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Net operating loss carryforwards (tax basis)		
1st year	¥ 10,097	¥ 25,096
2nd year	19,902	10,421
3rd year	15,835	6,198
4th year	9,542	10,679
5th year and thereafter and no expiry date	946,291	902,474
Total	¥1,001,667	¥954,868

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Tax credit carryforwards (tax basis)		
1st year	¥ 2,284	¥ 297
2nd year	255	8,097
3rd year	8,635	1,189
4th year	1,268	2,449
5th year and thereafter and no expiry date	22,408	25,679
Total	¥34,850	¥37,711

In addition to the above, total deductible temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax assets related to the investment in subsidiaries, associates and joint ventures as of March 31, 2016 are ¥2,154,301 million (As of March 31, 2015: ¥600,209 million).

(5) Taxable temporary differences unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries

Total taxable temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries as of March 31, 2016 are ¥1,128,346 million (As of March 31, 2015: ¥1,303,644 million).

19. Interest-bearing debt

(1) Components of interest-bearing debt

The components of interest-bearing debt are as follows:

	(Millions of yen)			Average interest rate (%) ¹	Maturity ²
	As of March 31, 2015	As of March 31, 2016			
Current					
Short-term borrowings	¥ 413,846	¥ 515,408	1.76	—	
Commercial paper	32,000	42,000	0.07	—	
Current portion of long-term borrowings	525,898	743,225	0.93	—	
Current portion of corporate bonds ³	183,557	900,685	4.41	—	
Current portion of lease obligations	411,453	396,992	1.96	—	
Current portion of preferred securities	200,000	—	—	—	
Current portion of installment payables	50,661	48,299	1.84	—	
Total	<u>¥1,817,415</u>	<u>¥2,646,609</u>			
Non-current					
Long-term borrowings	2,116,498	1,785,500	1.30	Apr. 2017-Feb. 2026	
Corporate bonds ³	6,825,868	6,611,947	5.02	May 2017-Dec. 2040	
Lease obligations	744,911	815,194	2.06	Apr. 2017-Mar. 2026	
Installment payables	102,552	63,181	1.83	Apr. 2017-Mar. 2020	
Total	<u>¥9,789,829</u>	<u>¥9,275,822</u>			

Notes:

1. Average interest rate represents the weighted average interest rate to the balance as of March 31, 2016.
2. Maturity represents the maturity of the outstanding balance as of March 31, 2016.
3. A summary of the issuance condition of bonds is as follows:

Company name / Name of bond	Date of issuance	Balance of issue amount ⁴	As of March 31, 2015		As of March 31, 2016		Date of maturity
			(Millions of yen) ⁵	(Millions of yen) ⁵	Interest rate (%)		
SoftBank Group Corp.							
36th Unsecured Straight Bond	Jun. 17, 2011	¥100,000 million	¥ 99,877	(99,982)	1.00	Jun. 17, 2016	
39th Unsecured Straight Bond	Sep. 24, 2012	¥100,000 million	99,748	99,852	0.74	Sep. 22, 2017	
41st Unsecured Straight Bond	Mar. 12, 2013	¥300,000 million	297,818	(298,957)	1.47	Mar. 10, 2017	
42nd Unsecured Straight Bond	Mar. 1, 2013	¥ 70,000 million	69,870	(69,938)	1.47	Mar. 1, 2017	
43rd Unsecured Straight Bond	Jun. 20, 2013	¥400,000 million	396,777	397,795	1.74	Jun. 20, 2018	
45th Unsecured Straight Bond	May 30, 2014	¥300,000 million	296,833	297,608	1.45	May 30, 2019	
46th Unsecured Straight Bond	Sep. 12, 2014	¥400,000 million	395,472	396,497	1.26	Sep. 12, 2019	
47th Unsecured Straight Bond	Jun. 18, 2015	¥100,000 million	—	98,919	1.36	Jun. 18, 2020	
48th Unsecured Straight Bond	Dec. 10, 2015	¥370,000 million	—	365,529	2.13	Dec. 9, 2022	
USD-denominated Senior Notes due 2020 ...	Apr. 23, 2013	\$ 2,485 million	295,050	277,330	4.50	Apr. 15, 2020	
USD-denominated Senior Notes due 2022 ...	Jul. 28, 2015	\$ 1,000 million	—	110,982	5.38	Jul. 30, 2022	
USD-denominated Senior Notes due 2025 ...	Jul. 28, 2015	\$ 1,000 million	—	110,921	6.00	Jul. 30, 2025	
Euro-denominated Senior Notes due 2020 ...	Apr. 23, 2013	€ 625 million	80,351	78,951	4.63	Apr. 15, 2020	
Euro-denominated Senior Notes due 2022 ...	Jul. 28, 2015	€ 500 million	—	62,834	4.00	Jul. 30, 2022	
Euro-denominated Senior Notes due 2025 ...	Jul. 28, 2015	€ 1,250 million	—	157,167	4.75	Jul. 30, 2025	
Euro-denominated Senior Notes due 2027 ...	Jul. 28, 2015	€ 500 million	—	62,797	5.25	Jul. 30, 2027	
1st Unsecured Subordinated Corporate Bond	Dec. 19, 2014	¥400,000 million	392,696	393,792	2.50	Dec. 17, 2021	
2nd Unsecured Subordinated Corporate Bond	Feb. 9, 2015	¥450,000 million	441,578	442,811	2.50	Feb. 9, 2022	

Company name / Name of bond	Date of issuance	Balance of issue amount ⁴	As of March 31, 2015		As of March 31, 2016		Interest rate (%)	Date of maturity
			(Millions of yen) ⁵	(Millions of yen) ⁵				
Other	Jun. 2, 2010- Nov. 29, 2013	¥ 70,000 million	139,743 (69,967)	69,824		0.73- 1.69	Jun. 2, 2015- Nov. 27, 2020	
Subtotal			3,005,813 (69,967)	3,892,486 (468,877)				
Sprint Corporation								
7.25% Notes due 2021	Sep. 11, 2013	\$ 2,250 million	266,940	250,800	7.25	Sep. 15, 2021		
7.875% Notes due 2023	Sep. 11, 2013	\$ 4,250 million	503,926	473,274	7.88	Sep. 15, 2023		
7.125% Notes due 2024	Dec. 12, 2013	\$ 2,500 million	296,307	278,258	7.13	Jun. 15, 2024		
7.625% Notes due 2025	Feb. 24, 2015	\$ 1,500 million	177,896	166,942	7.63	Feb. 15, 2025		
Subtotal			1,245,069	1,169,274				
Sprint Communications, Inc ⁶								
Export Development			60,085					
Canada Facility (Tranche 2) ⁷	Jan. 20, 2011	—	(60,085)	—	4.08	Dec. 15, 2015		
Export Development								
Canada Facility (Tranche 3) ⁸	Dec. 17, 2014	\$ 300 million	35,879	33,677	4.16	Dec. 17, 2019		
Export Development								
Canada Facility (Tranche 4) ⁸	Dec. 15, 2015	\$ 250 million	—	28,120 228,186	5.91	Dec. 15, 2017		
6% Senior Notes due 2016	Nov. 20, 2006	\$ 2,000 million	247,714	(228,186) 117,175	6.00	Dec. 1, 2016		
9.125% Senior Notes due 2017	Mar. 1, 2012	\$ 1,000 million	129,958	(117,175)	9.13	Mar. 1, 2017		
8.375% Senior Notes due 2017	Aug. 13, 2009	\$ 1,300 million	167,589	152,808	8.38	Aug. 15, 2017		
9% Guaranteed Notes due 2018	Nov. 9, 2011	\$ 3,000 million	403,390	367,908	9.00	Nov. 15, 2018		
7% Guaranteed Notes due 2020	Mar. 1, 2012	\$ 1,000 million	127,634	118,404	7.00	Mar. 1, 2020		
7% Senior Notes due 2020	Aug. 14, 2012	\$ 1,500 million	186,106	173,618	7.00	Aug. 15, 2020		
11.5% Senior Notes due 2021	Nov. 9, 2011	\$ 1,000 million	154,394	140,716	11.50	Nov. 15, 2021		
9.25% Debentures due 2022	Apr. 15, 1992	\$ 200 million	28,194	25,979	9.25	Apr. 15, 2022		
6% Senior Notes due 2022	Nov. 14, 2012	\$ 2,280 million	270,600	254,072	6.00	Nov. 15, 2022		
Subtotal			1,811,543 (60,085)	1,640,663 (345,361)				
Sprint Capital Corporation ⁶								
6.9% Senior Notes due 2019	May 6, 1999	\$ 1,729 million	212,943	198,603	6.90	May 1, 2019		
6.875% Senior Notes due 2028	Nov. 16, 1998	\$ 2,475 million	277,268	260,812	6.88	Nov. 15, 2028		
8.75% Senior Notes due 2032	Mar. 14, 2002	\$ 2,000 million	257,052	240,571	8.75	Mar. 15, 2032		
Subtotal			747,263	699,986				
Clearwire Communications LLC ⁶								
14.75% First-Priority Senior Secured Notes due 2016 ⁹	Jan. 27, 2012	\$ 300 million	42,785 80,338 (53,402)	36,374 73,749 (50,073)	14.75	Dec. 1, 2016		
8.25% Exchangeable Notes due 2040	Dec. 8, 2010	\$ 629 million	123,123 (53,402)	110,123 (86,447)	8.25	Dec. 1, 2040		
Subtotal								
Brightstar Corp.								
9.50% senior notes due 2016 ¹⁰	Nov. 30, 2010	—	44,828	—	9.50	Dec. 1, 2016		
7.25% senior notes due 2018 ¹⁰	Jul. 26, 2013	—	31,583	—	7.25	Aug. 1, 2018		
Subtotal			76,411	—				
Other companies								
Straight Bond	May 25, 2012	¥ 100 million	200 (100) 3	100	0.60- 0.70	May 25, 2015- May 25, 2017		
USD-denominated straight Bond ⁹	May 31, 1999	—	(3)	—	6.99	Apr. 1, 2015		
Subtotal			203 (103)	100				
Total			¥7,009,425 (183,557)	¥7,512,632 (900,685)				

Notes:

4. Balance of issue amount is as of March 31, 2016.
5. Figures in parentheses as of March 31, 2015 and March 31, 2016 represent the current portion.
6. Sprint Communications, Inc., Sprint Capital Corporation and Clearwire Communications LLC are Sprint Corporation's subsidiaries.
7. The interest rates are variable interest rates, and the above interest rates represent the rates at the time of redemption.
8. The interest rates are variable interest rates, and the above interest rates represent the rates as of March 31, 2016.

9. Collateral is pledged against these bonds. The details are described in “(4) Assets pledged as collateral.”
10. The notes were redeemed early on December 11, 2015.

(2) Financial covenants

a. Financial covenants on interest-bearing debts of SoftBank Group Corp.

SoftBank Group Corp.’s interest-bearing debt includes financial covenants and the major financial covenants are as follows:

- (a) The amount of SoftBank Group Corp.’s net assets at the end of the fiscal year must not fall below 75% of SoftBank Group Corp.’s net assets at the end of the previous year.
- (b) The consolidated statement of financial position of the Company at the end of the fiscal year must not show a net capital deficiency. The statement of financial position of SoftBank Corp. at the end of the fiscal year must not show a net capital deficiency.
- (c) In the Company’s consolidated financial statement, operating income (loss) or net income (loss) attributable to the owner of the parent company must not result in losses for two consecutive years.
- (d) Adjusted net interest-bearing debts¹ or leverage ratios² designated in the loan agreement must not exceed certain respective amounts or numbers at the end of each annual reporting period and at the end of the second quarter. The threshold amounts of adjusted net interest-bearing debts and leverage ratios shall be softened when the balance of cash and cash equivalents and the fair value of particular listed shares held by SoftBank Group Corp. exceed certain amounts, respectively.

Notes:

1. Adjusted net interest-bearing debts:
Amounts deducting cash and cash equivalents from interest-bearing debts in the consolidated statement of financial position. Certain adjustments are made such as excluding certain listed subsidiaries such as Sprint from the subject.
2. Leverage ratio:
Adjusted net interest-bearing debt / adjusted EBITDA³
3. Adjusted EBITDA:
Certain adjustments are made to EBITDA such as excluding listed subsidiaries such as Sprint.

b. Financial covenants on interest-bearing debts of Sprint

Major covenants on the interest-bearing debt issued by Sprint are as follows:

- (a) Holders of a portion (\$21.6 billion) of notes issued by Sprint are provided with the right to require Sprint to repurchase the notes if there is a change of control and if there is a decline, to a certain extent, in ratings of the applicable notes by the Rating Services. Also, holders of certain bonds issued by Clearwire (\$300 million) are provided with the right to require the repurchase of the notes if a change of control triggering event occurs.
- (b) It is required that as of the last day of each quarter, Sprint’s ratio of total indebtedness¹ to adjusted EBITDA² should not exceed a certain threshold level. Exceeding the ratio could result in the maturities being accelerated. The limit for the ratio was 6.25 as of March 31, 2016.

Notes:

1. Total indebtedness: the sum of Sprint’s outstanding debt (excluding trade payable) and guarantee of indebtedness, with certain adjustments defined in contracts with lenders.
2. Adjusted EBITDA: Trailing four quarters EBITDA including adjustments defined in contract with lenders.

(3) Borrowings related to equity securities lending contract

The Company entered into securities lending contract regarding its certain subsidiary stocks. As of March 31, 2016, the amount of the received cash is recognized as short-term borrowings of ¥149,050 million (As of March 31, 2015: ¥198,450 million) and included in interest-bearing debt.

(4) Assets pledged as collateral

Assets pledged as collateral for liabilities are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Cash and cash equivalents	¥ 327	¥ 496
Trade and other receivables	13,765	9,248
Other financial assets (current)*	221	31,131
Inventories	5,214	2,704
Property, plant and equipment	<u>65,738</u>	<u>238,127</u>
Total	<u>¥85,265</u>	<u>¥281,706</u>

Liabilities related to these assets pledged as collateral are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Trade and other payables*	¥ —	¥ 21,623
Interest-bearing debt		
Short-term borrowings	7,454	6,695
Current portion of long-term borrowings	31,738	82,031
Current portion of corporate bonds	4	—
Long-term borrowings	<u>41,585</u>	<u>80,082</u>
Total	<u>¥80,781</u>	<u>¥190,431</u>

Note:

* These are trade payables for Brightstar; “Derivative deposits” included in “Other financial assets (current)” is pledged as collateral.

Other than the above, as of March 31, 2016, approximately \$13.6 billion (before consolidation adjustments) (As of March 31, 2015: \$14.0 billion) of the assets of our subsidiary, Clearwire Communications LLC, is pledged as collateral for the \$0.3 billion (For the fiscal year ended March 31, 2015: \$0.3 billion) corporate bond issued by Clearwire Communications LLC.

Also, as of March 31, 2016, approximately \$2.8 billion (before consolidation adjustments) (For the fiscal year ended March 31, 2015: \$2.9 billion) of the assets of Brightstar is pledged as collateral for the \$0.7 billion (As of March 31, 2015: \$0.3 billion) borrowing.

(5) Assets with limited property rights

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Property, plant and equipment	¥131,452	¥109,602
Intangible assets	43,761	35,286
Other non-current assets	<u>124</u>	<u>69</u>
Total	<u>¥175,337</u>	<u>¥144,957</u>

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Interest-bearing debt		
Current portion of installment payables	¥ 50,320	¥ 41,538
Installment payables	<u>102,552</u>	<u>60,963</u>
Total	<u>¥152,872</u>	<u>¥102,501</u>

Other than above, the lessor retains the property rights of leased assets in finance lease obligations. The details are described in “Note 12. Property, plant and equipment,” “Note 13. Goodwill and intangible assets” and “Note 14. Leases.”

(6) Components of increase in short-term interest-bearing debt, net

The components of “Increase in short-term interest-bearing debt, net” in the consolidated statement of cash flows are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net increase of short-term borrowings	¥108,541	¥118,135
Net increase of commercial paper	<u>—</u>	<u>10,000</u>
Total	<u>¥108,541</u>	<u>¥128,135</u>

(7) Components of proceeds from long-term interest-bearing debt

The components of “Proceeds from long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Proceeds from long-term borrowings	¥ 443,726	¥ 557,072
Proceeds from issuance of corporate bonds	1,763,657	1,053,258
Proceeds from sale-leaseback of newly acquired equipment	<u>508,118</u>	<u>519,353</u>
Total	<u>¥2,715,501</u>	<u>¥2,129,683</u>

(8) Components of repayment of long-term interest-bearing debt

The components of “Repayment of long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Repayment of long-term borrowings	¥(459,852)	¥ (684,397)
Redemption of corporate bonds	(170,181)	(203,281)
Payment of lease obligations	(306,156)	(468,061)
Redemption of preferred securities	<u>—</u>	<u>(200,000)</u>
Payment of installment payables	<u>(48,594)</u>	<u>(49,029)</u>
Total	<u>¥(984,783)</u>	<u>¥(1,604,768)</u>

20. Trade and other payables

The components of trade and other payables are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Operating payables	¥1,740,403	¥1,492,481
Other	<u>123,077</u>	<u>128,714</u>
Total	<u>¥1,863,480</u>	<u>¥1,621,195</u>

21. Other financial liabilities

The components of other financial liabilities are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current		
Derivative financial liabilities	¥12,917	¥ 4,449
Other	<u>—</u>	<u>2,082</u>
Total	<u>¥12,917</u>	<u>¥ 6,531</u>
Non-current		
Long-term payables	15,238	4,418
Derivative financial liabilities	<u>—</u>	<u>71,677</u>
Other	<u>11,904</u>	<u>19,569</u>
Total	<u>¥27,142</u>	<u>¥95,664</u>

22. Other current liabilities and other non-current liabilities

The components of other current liabilities and other non-current liabilities are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current		
Unearned income	¥158,509	¥160,433
Short-term accrued employee benefits	141,580	129,006
Accrued interest expense	83,461	84,761
Consumption tax payable and other	143,405	118,070
Deferred revenue	128,354	134,696
Withholding tax payable	16,569	1,264
Other	<u>67,623</u>	<u>66,735</u>
Total	<u>¥739,501</u>	<u>¥694,965</u>
Non-current		
Unfavorable lease contracts	124,551	93,618
Deferred revenue	132,331	125,778
Other	<u>98,051</u>	<u>119,469</u>
Total	<u>¥354,933</u>	<u>¥338,865</u>

Unfavorable lease contracts were recognized as liabilities based on the estimated fair value of the unfavorable portion of future cash flows if, at the time of business combination of Sprint, the terms of operating lease contracts in which the acquiree is the lessee are unfavorable compared to market terms. Reversal of unfavorable lease contracts is deducted from operating lease expense.

23. Provisions

The changes in the provisions are as follows:

	(Millions of yen)					
	Asset retirement obligations	Restructuring provisions	Provision for loss on interest repayment	Provision for onerous contract	Other	Total
As of April 1, 2015	¥103,019	¥ 43,683	¥23,357	¥19,275	¥21,369	¥210,703
Recognition of provisions	5,687	18,330	—	2,340	5,999	32,356
Interest due to passage of time ...	9,210	2,563	—	—	666	12,439
Used	(15,684)	(15,465)	(3,076)	(4,932)	(6,478)	(45,635)
Reversal of provisions	—	(6,811)	—	—	(52)	(6,863)
Change in estimate on discount rates ¹	(21,979)	(2,941)	—	—	(1,053)	(25,973)
Exchange differences	(2,989)	(2,359)	—	—	(1,294)	(6,642)
Other	4,611	0	—	—	—	4,611
As of March 31, 2016	<u>81,875</u>	<u>37,000</u>	<u>20,281</u>	<u>16,683</u>	<u>19,157</u>	<u>174,996</u>
Current liabilities	15,166	19,019	3,067	4,920	13,948	56,120
Non-current liabilities	<u>66,709</u>	<u>17,981</u>	<u>17,214</u>	<u>11,763</u>	<u>5,209</u>	<u>118,876</u>
Total	<u>¥ 81,875</u>	<u>¥ 37,000</u>	<u>¥20,281</u>	<u>¥16,683</u>	<u>¥19,157</u>	<u>¥174,996</u>

Note:

1. Sprint reflected current market assessment of specific risk in the estimate of discount rate. As a result, the discount rate in Sprint increased for the year ended March 31, 2016. With this change, the amount of "Provisions" and "Property, plant and equipment" in the consolidated statement of financial position as of March 31, 2016 decreased by ¥25,973 million and ¥16,260 million respectively. Also, the amount of "Cost of sales" in the consolidated statement of income for the year ended March 31, 2016 decreased by ¥5,719 million and "Other operating loss" increased by ¥3,944 million.

Asset retirement obligations

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal of equipment, such as part of base stations, certain offices (including the head office), data centers and network centers. The estimate is based on the assumption at present and subject to changes depending on revised future assumptions.

Restructuring provision

The restructuring provision consists mainly of a network shutdown provision and backhaul² access provision.

(Network shutdown provision)

The network shutdown provision resulted from Sprint recognizing lease exit costs mainly related to the shutdown of the Nextel and Clearwire platform. The majority of the remaining network shutdown provision is expected to be utilized within 5-7 years. The amount and timing of these costs are estimated based upon current network plans which are subject to modification.

(Backhaul access provision)

The backhaul access provision reflects exit costs related to payments that will continue to be made under Sprint's backhaul access contracts for which it will no longer be receiving any economic benefit. The majority of the backhaul access provision relates to Sprint's network modernization activities and is expected to be utilized by December 31, 2017. The amount and timing of these costs are estimates based upon current network plans which are subject to modifications.

Note:

² Backhaul is an intermediary network which connects the cell towers to the local switching center.

Provision for loss on interest repayment

Provision for loss on interest repayment is recorded based on an amount representing future expected claims in order to prepare for future claims by debtors and other, for repayment of interest paid in excess of the rate permitted under the Interest Rate Restriction Act. The amount of claims for the interest repayment might fluctuate from changes in market environment and other.

Provision for onerous contract

SoftBank Corp. recognized provision for the excess of expected future cost of delivery for a contracted communication service over its contracted amount.

Most of the provision is expected to be used by March 31, 2019. The amount and the expected timing of payment are based on the current network plan and are subject to change.

24. Retirement benefits

The Company primarily has defined contribution pension plans for its employees.

(1) Defined contribution plans

Retirement benefit cost of defined contribution plans is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Retirement benefit cost of defined contribution plans	<u>¥10,878</u>	<u>¥10,678</u>

(2) Defined benefit plans

(Japan)

SoftBank Corp. has frozen its defined benefit lump-sum plans since March 2007 and 2006.

All the employees who worked at SoftBank Corp. at the time when the defined benefit lump-sum plans were frozen are eligible for the frozen defined benefit lump-sum plans.

SoftBank Corp. is responsible for providing the defined benefit lump-sum plans to recipients directly. Obligations for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until the benefits are paid in the form of lump sum payment at the time of future retirement of employees.

(U.S.)

Sprint has a defined benefit pension plan for certain of its employees. Sprint has frozen its defined benefit pension plan since December 2005. Obligations for the frozen defined benefit pension plan are recognized as defined benefit liabilities until the benefits are paid as pension after the retirement of employees.

a. Changes in the present value of defined benefit obligations and the fair value of plan assets

Changes in the present value of defined benefit obligations and the fair value of plan assets are as follows:

For the fiscal year ended March 31, 2015

	(Millions of yen)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2014	¥14,096	¥ 62,945	¥ 77,041
Changes in the present value of defined benefit obligations:			
As of April 1, 2014	14,096	253,585	267,681
Service cost	80	35	115
Interest cost	111	12,020	12,131
Remeasurements:			
Actuarial losses arising from changes in demographic assumptions ¹	—	25,740	25,740
Actuarial losses arising from changes in financial assumptions	333	33,161	33,494
Experience adjustments	(1)	1,044	1,043
Benefits paid	(874)	(8,419)	(9,293)
Partial pension settlement ²	—	(82,777)	(82,777)
Exchange differences	—	41,456	41,456
Other	(78)	(384)	(462)
As of March 31, 2015	13,667	275,461	289,128
Changes in the fair value of plan assets:			
As of April 1, 2014	—	(190,640)	(190,640)
Interest income	—	(8,710)	(8,710)
Remeasurements:			
Return on plan assets	—	(817)	(817)
Benefits paid	—	7,365	7,365
Employer contributions	—	(2,290)	(2,290)
Partial pension settlement ²	—	64,051	64,051
Exchange differences	—	(29,805)	(29,805)
As of March 31, 2015	—	(160,846)	(160,846)
Defined benefit liabilities, net			
As of March 31, 2015	¥13,667	¥ 114,615	¥ 128,282

Notes:

1. Sprint changed its demographic assumptions for the year ended March 31, 2015 based on RP-2014 Mortality Tables released in U.S.
2. Sprint amended its defined benefit retirement pension plan to offer certain terminated participants, who had not begun to receive plan benefits, the opportunity to receive their benefits as an immediate a lump sum distribution. Settlement gain of ¥18,726 million is recognized within “Other operating loss” in the consolidated statement of income.

For the fiscal year ended March 31, 2016

	(Millions of yen)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2015	¥13,667	¥ 114,615	¥ 128,282
Changes in the present value of defined benefit obligations:			
As of April 1, 2015	13,667	275,461	289,128
Business combination	2,024	—	2,024
Service cost	351	33	384
Interest cost	112	11,269	11,381
Remeasurements:			
Actuarial losses arising from changes in demographic assumptions	2	(7,405)	(7,403)
Actuarial losses arising from changes in financial assumptions	698	(3,872)	(3,174)
Experience adjustments	3	1,238	1,241
Benefits paid	(1,071)	(9,647)	(10,718)
Exchange differences	—	(17,098)	(17,098)
Other	(185)	(1,070)	(1,255)
As of March 31, 2016	15,601	248,909	264,510
Changes in the fair value of plan assets:			
As of April 1, 2015	—	(160,846)	(160,846)
Interest income	—	(6,597)	(6,597)
Remeasurements:			
Return on plan assets	—	9,196	9,196
Benefits paid	—	8,411	8,411
Employer contributions	—	(743)	(743)
Exchange differences	—	9,828	9,828
As of March 31, 2016	—	(140,751)	(140,751)
Defined benefit liabilities, net			
As of March 31, 2016	<u>¥15,601</u>	<u>¥ 108,158</u>	<u>¥ 123,759</u>

b. Fair value of plan assets

Fair value of plan assets is as follows:

As of March 31, 2015

(U.S.)

	(Millions of yen)		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
U.S. equities	¥40,376	¥ 46	¥ 40,422
International equities (other than U.S.)	24,205	98	24,303
Fixed income investments	—	52,504	52,504
Real estate investments	—	14,425	14,425
Other	<u>11,719</u>	<u>17,473</u>	<u>29,192</u>
Total	<u>¥76,300</u>	<u>¥84,546</u>	<u>¥160,846</u>

As of March 31, 2016

(U.S.)

	(Millions of yen)		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
U.S. equities	¥24,020	¥12,287	¥ 36,307
International equities (other than U.S.)	10,598	10,897	21,495
Fixed income investments	—	45,224	45,224
Real estate investments	—	15,737	15,737
Other	8,287	13,701	21,988
Total	¥42,905	¥97,846	¥140,751

The targeted investment allocation ratio is set based on an asset allocation policy for the investment portfolio of the pension plan to achieve a long-term nominal rate of return, net of fees, which exceeds the plan's long-term expected rate of return on investments for funding purpose.

The plan's long-term expected rate of return on investments for funding purposes is 7.75% as of March 31, 2016 (7.75% as of March 31, 2015). The current targeted investment allocation ratio is as noted below. Actual allocations are allowed to deviate from target allocation percentages within a range for each asset class as defined in the investment policy.

Targeted investment allocation ratio (%)

	As of March 31, 2015	As of March 31, 2016
U.S. equities	38	38
International equities (other than U.S.)	16	16
Fixed income investments	28	28
Real estate investments	9	9
Other	9	9

c. Actuarial assumptions

Main actuarial assumptions used to determine the present value of defined benefit obligations are as follows:

	As of March 31, 2015		As of March 31, 2016	
	Japan	U.S.	Japan	U.S.
Discount rate (%)	0.8	4.2	0.2	4.3

d. Sensitivity analysis

Sensitivity is analyzed at the end of the period based on the movement of reasonably estimable assumptions. Sensitivity analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

The effect of the movements in main actuarial assumptions on defined benefit obligations is as follows:

As of March 31, 2015

	Changes in rate	Effect on defined benefit obligations		
		Japan	U.S.	Total
		0.5% increase	Decrease of ¥632 million	Decrease of ¥19,948 million
Discount rate	0.5% decrease	Increase of ¥669 million	Increase of ¥22,712 million	Increase of ¥23,381 million

As of March 31, 2016

	Changes in rate	Effect on defined benefit obligations		
		Japan	U.S.	Total
Discount rate	0.5% increase	Decrease of ¥604 million	Decrease of ¥16,902 million	Decrease of ¥17,506 million
	0.5% decrease	Increase of ¥648 million	Increase of ¥19,944 million	Increase of ¥20,592 million

e. Effects on future cash flows

(a) Funding for the plan and expected contributions to the plan for the next fiscal year

(U.S.)

The policy is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The amount to be contributed to the plan for the year ending March 31, 2017 is expected to be ¥5,668 million.

(b) Maturity analysis of the defined benefit obligation

(Japan)

As of March 31, 2016, the weighted average duration of the defined benefit obligation is 9.5 years.

(U.S.)

As of March 31, 2016, the weighted average duration of the defined benefit obligation is 15.7 years.

25. Financial instruments

(1) Capital management

Our policy is to realize and maintain optimum capital composition to maintain mid- and long-term sustainable growth and maximize our corporate value.

Major indicators used for our capital management are as follows:

- Equity capital
- Equity capital ratio

Note:

Equity capital is the amount of "Equity attributable to owners of the parent." Equity capital ratio represents "Equity attributable to owners of the parent" divided by "Total liabilities and equity."

Equity capital and the equity capital ratio are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Equity capital	¥2,846,306	¥2,613,613
Equity capital ratio (%)	13.5	12.6

The Company is not subject to regulatory capital requirement imposed by outside institutions other than general capital requirements under the Companies Act of Japan and other.

(2) Financial risk management

As we operate in a wide range of markets, the Company faces a variety of financial risks (currency risk, price risk, interest rate risk, credit risk, and liquidity risk) in its operations. The Company manages its risks based on established policies to prevent and reduce these financial risks.

Derivative transactions entered into by the Company are conducted and controlled based on the Company's internal rules and procedures for derivative transactions and are limited to the extent of actual demands.

a. Market risk

(a) Currency risk

The Company is engaged in international businesses through investments, financial contributions and establishment of joint ventures. The Company undertakes transactions denominated in foreign currencies with foreign parties and, through lending to and borrowings from foreign subsidiaries. Consequently, there is currency risk from changes in currency rates mainly in U.S. dollar, Indian Rupee, and Euro.

To manage this risk, the Company continuously monitors exchange rates and manages exchange rate exposures of the Company. The Company also uses foreign currency forward contracts to hedge the risk.

i. Foreign exchange sensitivity analysis

Exposure to foreign exchange risk on financial instruments related to U.S. dollars and Indian Rupees, our major foreign currencies, is as follows:

U.S. Dollar

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Net exposure affecting income before income tax	¥81,604	¥86,102
[in asset (liability) position]		
Net exposure affecting other comprehensive income	26,083	83,466
[in asset (liability) position]		

Indian Rupee

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Net exposure affecting income before income tax	¥89,918	¥214,290
[in asset (liability) position]		

Other than the tables presented above, major exposure to foreign exchange risk on subsidiaries whose functional currency are other than Japanese yen is as follows:

U.S. Dollar (Functional currency: Euro)

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Net exposure affecting income before income tax	¥21,896	¥37,451
[in asset (liability) position]		
Net exposure affecting other comprehensive income	23,106	19,859
[in asset (liability) position]		

Net exposure affecting income before income tax comprises the foreign exchange risk exposures from monetary financial instruments denominated in foreign currency (including those used in internal transactions) whose exchange differences are recognized in profit or loss and the foreign exchange risk exposures from derivatives related to forecast transactions.

Net exposure affecting other comprehensive income comprises the foreign exchange risk exposures from available-for-sale financial assets whose exchange differences are recognized in other comprehensive income and foreign exchange risk exposures from derivatives (cash flow hedge) related to forecast transactions.

The table below presents the effect of a 1% appreciation of the Japanese yen on income before income tax and other comprehensive income (before tax effect) regarding the financial instruments with the above foreign exchange risk exposure, assuming that all other factors are constant. The analysis does not include the effect of translating assets and liabilities of foreign operations into the presentation currency, which is detailed in "Note 29. Foreign exchange rates."

U.S. Dollar

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in income before income tax	¥(816)	¥(861)
Decrease in other comprehensive income before tax effect	(261)	(835)

Indian Rupee

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in income before income tax	¥(899)	¥(2,143)

The table below presents the effect of a 1% appreciation of the Euro against the U.S. dollar on income before income tax and other comprehensive income (before tax effect).

U.S. Dollar

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in income before income tax	¥(219)	¥(375)
Decrease in other comprehensive income before tax effect	(231)	(199)

ii. Foreign exchange contracts

Foreign exchange contracts are entered into, to reduce exposure to foreign exchange risk on the amount to be paid or received in certain transactions denominated in foreign currencies.

The details of foreign exchange contracts are as follows:

Foreign exchange contracts to which hedge accounting is applied

	(Millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value
Foreign currency forward contracts	¥ — (—)	¥ — —	¥ 571 (—)	¥ (38) —
Currency swap contracts	324,382 (324,382)	55,748 —	877,373 (877,373)	(40,306) —
Total	<u>¥ 324,382</u> <u>(324,382)</u>	<u>¥55,748</u> <u>—</u>	<u>¥ 877,944</u> <u>(877,373)</u>	<u>¥(40,344)</u> <u>—</u>

The above foreign exchange contracts are designated as cash flow hedges.

Foreign exchange contracts to which hedge accounting is not applied

	(Millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value
Foreign currency forward contracts	¥ 130,618 (—)	¥(2,395)	¥273,476 (—)	¥ 9,445
Currency swap contracts	20,150 (—)	69	15,430 (—)	159
Foreign exchange margin transactions*	962,604 (—)	6,817	581,379 (—)	17,113
Total	¥1,113,372 (—)	¥ 4,491	¥870,285 (—)	¥26,717

Note:

* Foreign exchange margin transactions are operated by the subsidiary, YJFX, Inc.'s foreign exchange margin transactions business.

(b) Price risk

For the purpose of business strategy, the Company holds securities traded in active markets, including listed stock, and is exposed to market price fluctuation risk.

To manage this risk, the Company continuously monitors the financial condition of security issuers and stock market fluctuation.

i. Price sensitivity analysis

The table below presents the effect of a 10% decrease in market price regarding the securities traded in active markets on other comprehensive income before tax effect in the consolidated statement of comprehensive income, assuming that all other factors are constant.

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in other comprehensive income before tax effect	¥(4,673)	¥(7,381)

ii. Option contracts

The details of option contracts are as follows:

Option contracts to which hedge accounting is not applied

	(Millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value
Stock acquisition rights	¥ 99,933 (99,933)	¥1,144	¥ 40,512 (11,082)	¥2,424

(c) Interest rate risk

The Company raises funds through issuing interest-bearing debts. Certain interest-bearing debts are issued with floating interest rates and are exposed to interest rate risk.

In order to prevent and reduce interest rate fluctuation risk, the Company maintains an appropriate mixture of fixed and floating interest rate debts. For certain borrowings and bonds with floating interest rates, the Company also utilizes derivative transactions such as interest rate swaps in order to hedge interest rate fluctuation risk, converting floating interests into fixed interests. For floating interest rate debts, the Company continuously monitors interest rate fluctuation.

i. Interest rate sensitivity analysis

The table below presents the effect of a 1% increase in interest rates regarding the floating interest rate debts on income before income tax in the consolidated statement of income, assuming that all other factors are constant. The analysis does not include floating interest rate debt whose interests are fixed by interest rate swaps and other derivative transactions.

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Increase (decrease) in income before income tax	¥(26,018)	¥(25,788)

ii. Interest rate contracts

The details of interest rate contracts are as follows:

Interest rate contracts to which hedge accounting is applied

	(Millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
	Contract amounts (of which: maturing in more than one year)	Fair value	Contract amounts (of which: maturing in more than one year)	Fair value
Interest rate swap	¥ 10,000 (10,000)	¥(67)	¥ 10,500 (10,500)	¥(75)

The above interest rate swap contract is designated as a cash flow hedge.

b. Credit risk

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

In order to prevent and reduce the risk, the Company does not expose itself to significant concentrations of credit risk for such receivables and financial assets. To manage the credit risk, the Company performs due date controls and balance controls for each customer in accordance with internal customer credit management rules and regularly screens major customers' credit status.

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 and guaranteed obligations, represents the Company's maximum exposure to credit risk on financial assets. The value of collateral held and other credit enhancements are not included. The details of lending commitments and guaranteed obligations are described in "Note 44. Contingency (1) Lending commitments and (2) Credit guarantee."

There were no financial or non-financial assets acquired as a result of foreclosure of collateral or enforcement of other credit enhancements during the years ended March 31, 2015 and 2016.

(a) Financial assets not impaired individually

The table below presents aging analysis of financial assets not impaired individually. The amounts in the analysis are presented at carrying amount before netting allowance for doubtful accounts.

As of March 31, 2015

	(Millions of yen)						Total	
	Past due							
	Before due	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	Over 1 year		
Trade and other receivables	¥1,717,328	¥132,999	¥63,971	¥16,369	¥10,165	¥ 8,057	¥1,948,889	
Other financial assets	297,289	1,818	280	274	472	2,728	302,861	
Total	<u>¥2,014,617</u>	<u>¥134,817</u>	<u>¥64,251</u>	<u>¥16,643</u>	<u>¥10,637</u>	<u>¥10,785</u>	2,251,750	
Allowance for doubtful accounts							(58,873)	
Total							<u>¥2,192,877</u>	

As of March 31, 2016

	(Millions of yen)						Total	
	Past due							
	Before due	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	Over 1 year		
Trade and other receivables	¥1,780,714	¥116,450	¥21,484	¥14,427	¥10,180	¥13,666	¥1,956,921	
Other financial assets	298,838	2,288	823	1,562	1,973	660	306,144	
Total	<u>¥2,079,552</u>	<u>¥118,738</u>	<u>¥22,307</u>	<u>¥15,989</u>	<u>¥12,153</u>	<u>¥14,326</u>	2,263,065	
Allowance for doubtful accounts							(45,262)	
Total							<u>¥2,217,803</u>	

(b) Individually impaired financial assets

Individually impaired financial assets are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Trade and other receivables	¥ 9,377	¥ 3,174
Other financial assets	16,093	32,588
Allowance for doubtful accounts	(23,312)	(34,882)
Total	<u>¥ 2,158</u>	<u>¥ 880</u>

(c) Allowance for doubtful accounts

The table below presents changes in the allowance for doubtful accounts. The allowance for doubtful accounts is mainly for trade receivables to the customers and loans.

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the period	¥ 50,486	¥ 82,185
Provisions	115,120	86,056
Utilized	(91,037)	(85,771)
Other	7,616	(2,326)
Balance at the end of the period	<u>¥ 82,185</u>	<u>¥ 80,144</u>

Provisions for and reversal of doubtful accounts are recorded in “Selling, general and administrative expenses” and “Other non-operating income (loss)” in the consolidated statement of income.

c. Liquidity risk

In order to prevent and reduce liquidity risk, the Company maintains access to diversified fund raising sources including both indirect financing, such as bank loans and leases, and direct financing, such as issuance of bonds and commercial paper and securitization, taking market conditions and current/non-current debt ratios into consideration. As for fund management, the Company invests its funds in short-term deposits and MMF.

The Company also continuously monitors its forecast and actual movement of cash flows and liquid funds.

(a) Commitment lines of credit and other credit facilities

The Company has entered into commitment lines of credit and other credit facilities with various financial institutions to reduce liquidity risk. The Company's credit facilities are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Credit facilities	¥3,218,963	¥3,035,457
Drawn	2,373,383	2,255,182
Undrawn	¥ 845,580	¥ 780,275

Note:

Certain commitments above contain financial covenants. Please see “(2) Financial covenants” in “Note 19. Interest-bearing debt” for details.

(b) Analysis of financial liabilities by maturities

The table below presents the analysis of financial liabilities (including derivatives) by maturities. The receivables and payables arising from derivative transactions are shown on a net basis.

As of March 31, 2015

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings	¥ 413,846	¥ 415,397	¥ 415,397	—	—	—	—	—
Commercial paper	32,000	32,000	32,000	—	—	—	—	—
Long-term borrowings (including current portion)	2,642,396	2,673,276	526,021	481,340	506,064	444,285	459,183	256,383
Corporate bonds (including current portion)	7,009,425	6,867,718	183,591	908,621	276,321	790,553	1,064,044	3,644,588
Lease obligations	1,156,364	1,156,364	411,453	285,712	227,885	159,709	60,779	10,826
Preferred securities	200,000	200,000	200,000	—	—	—	—	—
Installment payables	153,213	153,346	50,748	41,593	36,641	16,130	8,234	—
Trade and other payables	1,863,480	1,863,480	1,855,455	2,534	2,793	808	759	1,131
Other financial liabilities	27,142	27,142	—	13,873	1,264	868	112	11,025
Total	13,497,866	13,388,723	3,674,665	1,733,673	1,050,968	1,412,353	1,593,111	3,923,953
Derivative financial liabilities								
Other financial liabilities								
Foreign exchange contracts*	12,850	12,850	12,850	—	—	—	—	—
Interest rate swaps contracts	67	67	67	—	—	—	—	—
Total	¥ 12,917	¥ 12,917	¥ 12,917	¥ —	¥ —	¥ —	¥ —	¥ —

Note:

* Contractual cash flow and breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign exchange contracts.

As of March 31, 2016

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings	¥ 515,408	¥ 517,573	¥ 517,573	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper	42,000	42,000	42,000	—	—	—	—	—
Long-term borrowings (including current portion) ...	2,528,725	2,553,233	744,977	608,689	461,394	470,216	264,730	3,227
Corporate bonds (including current portion) ...	7,512,632	7,482,796	891,917	294,754	738,040	1,041,354	643,402	3,873,329
Lease obligations	1,212,186	1,212,186	396,992	331,509	254,849	157,628	65,813	5,395
Installment payables	111,480	112,110	48,925	38,845	16,116	8,224	—	—
Trade and other payables	1,621,195	1,621,195	1,612,100	3,230	1,936	1,973	168	1,788
Other financial liabilities	26,069	26,069	2,083	2,840	3,533	1,459	1,264	14,890
Total	<u>13,569,695</u>	<u>13,567,162</u>	<u>4,256,567</u>	<u>1,279,867</u>	<u>1,475,868</u>	<u>1,680,854</u>	<u>975,377</u>	<u>3,898,629</u>
Derivative financial liabilities								
Other financial liabilities								
Foreign exchange contracts*	76,051	76,051	(1,286)	(5,475)	(5,118)	(4,706)	(2,468)	95,104
Interest rate swaps contracts	75	75	—	69	—	—	6	—
Total	<u>¥ 76,126</u>	<u>¥ 76,126</u>	<u>¥ (1,286)</u>	<u>¥ (5,406)</u>	<u>¥ (5,118)</u>	<u>¥ (4,706)</u>	<u>¥ (2,462)</u>	<u>¥ 95,104</u>

Note:

* Contractual cash flow and breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign exchange contracts.

In addition to the amounts presented above, the Company has lending commitments, which are detailed in “Note 44. Contingency (1) Lending commitments.”

Average interest rates of the interest-bearing debts are described in “(1) Component of interest-bearing debt” in “Note 19. Interest-bearing debt.”

(3) Categories of financial instruments

Components of financial instruments (excluding cash and cash equivalents) by category are as follows:

As of March 31, 2015

	(Millions of yen)					
	Financial assets at FVTPL*	Derivatives designated as hedges	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Total
Financial assets						
Current assets						
Trade and other receivables	¥ —	¥ —	¥ —	¥ —	¥ 1,895,648	¥ 1,895,648
Other financial assets	75,091	—	46,868	19,903	55,206	197,068
Non-current assets						
Other financial assets	148,817	55,748	172,186	100	285,612	662,463
Total	<u>¥223,908</u>	<u>¥55,748</u>	<u>¥ 219,054</u>	<u>¥ 20,003</u>	<u>¥2,236,466</u>	<u>¥2,755,179</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt	¥ —	¥ —	¥ 1,817,415	¥ 1,817,415
Trade and other payables	—	—	1,863,480	1,863,480
Other financial liabilities	12,850	67	—	12,917
Non-current liabilities				
Interest-bearing debt	—	—	9,789,829	9,789,829
Other financial liabilities	—	—	27,142	27,142
Total	<u>¥ 12,850</u>	<u>¥ 67</u>	<u>¥13,497,866</u>	<u>¥13,510,783</u>

Note:

* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥147,673 million.

As of March 31, 2016

	(Millions of yen)					
	Financial assets at FVTPL*	Derivatives designated as hedges	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Total
Financial assets						
Current assets						
Trade and other receivables	¥ —	¥ —	¥ —	¥ —	¥1,914,789	¥1,914,789
Other financial assets	37,136	—	23,487	100	92,135	152,858
Non-current assets						
Other financial assets	<u>308,493</u>	<u>31,297</u>	<u>344,299</u>	<u>—</u>	<u>286,785</u>	<u>970,874</u>
Total	<u>¥345,629</u>	<u>¥31,297</u>	<u>¥ 367,786</u>	<u>¥ 100</u>	<u>¥2,293,709</u>	<u>¥3,038,521</u>
	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total		
Financial liabilities						
Current liabilities						
Interest-bearing debt	¥ —	¥ —	¥ 2,646,609	¥ 2,646,609		
Trade and other payables	—	—	1,621,195	1,621,195		
Other financial liabilities	4,410	39	2,082	6,531		
Non-current liabilities						
Interest-bearing debt	—	—	9,275,822	9,275,822		
Other financial liabilities	—	71,677	23,987	95,664		
Total	<u>¥ 4,410</u>	<u>¥71,716</u>	<u>¥13,569,695</u>	<u>¥13,645,821</u>		

Note:

* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥306,070 million.

26. Fair value of financial instruments

(1) Categorization by level within the fair value hierarchy

Financial instruments that are measured at fair value on a recurring basis after initial recognition are classified into three levels of the fair value hierarchy based on the observability and significance of inputs used for the measurement.

The fair value hierarchy is defined as follows in descending order of level:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is measured using inputs other than Level 1 that are observable, either directly or indirectly.

Level 3: Fair value is measured using unobservable inputs.

If the fair value measurement uses different levels of inputs, the fair value is categorized based on the lowest level of input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are recognized as if they have occurred at the beginning of each quarter.

There were no transfers between level 1 and 2 during the fiscal years ended March 31, 2015 and 2016.

The table below presents financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy.

As of March 31, 2015

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	¥46,729	¥ —	¥242,754*	¥289,483
Bonds	—	14,542	3,258	17,800
Derivative financial assets				
Foreign exchange contracts	—	73,089	—	73,089
Stock acquisition rights	—	—	1,144	1,144
Other	—	104,666	12,528	117,194
Total	<u>46,729</u>	<u>192,297</u>	<u>259,684</u>	<u>498,710</u>
Financial liabilities				
Derivative financial liabilities				
Foreign exchange contracts	—	12,850	—	12,850
Interest rate swap contracts	—	67	—	67
Total	<u>¥ —</u>	<u>¥ 12,917</u>	<u>¥ —</u>	<u>¥ 12,917</u>

As of March 31, 2016

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	¥73,807	¥ —	¥549,480*	¥623,287
Bonds	—	8,273	1,548	9,821
Derivative financial assets				
Foreign exchange contracts	—	62,424	—	62,424
Stock acquisition rights	—	—	2,424	2,424
Other	—	27,736	19,020	46,756
Total	<u>73,807</u>	<u>98,433</u>	<u>572,472</u>	<u>744,712</u>
Financial liabilities				
Derivative financial liabilities				
Foreign exchange contracts	—	76,051	—	76,051
Interest rate swap contracts	—	75	—	75
Total	<u>¥ —</u>	<u>¥76,126</u>	<u>¥ —</u>	<u>¥ 76,126</u>

Note:

* Preferred stock investments in associates not applying the equity method totaling ¥146,926 million and ¥290,340 million are included as of March 31, 2015 and 2016, respectively, as the feature is substantively different from common stock. These preferred stocks are designated as financial assets at FVTPL.

The major valuation techniques for financial instruments measured at fair value on a recurring basis are as follows:

a. Equity securities and bonds

Equity securities and bonds are measured using quoted prices in active markets for identical assets or liabilities if such prices are available, and are classified as level 1. Where such quoted prices in active markets for identical assets or liabilities are not available, they are measured using quoted prices for identical assets or liabilities in markets that are not active, quoted prices of comparable companies and valuation techniques such as the discounted cash flow model. They are classified as level 2 if all significant inputs such as quoted prices and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as level 3.

b. Derivative financial assets and derivative financial liabilities

The fair value of derivative financial instruments is measured using valuation techniques such as discounted cash flow models. Derivative financial instruments are classified as level 2 if all significant inputs such as foreign exchange rates and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as level 3.

(2) Fair value measurements of financial instruments that are categorized as level 3

a. Valuation techniques and inputs

The following table shows information about valuation techniques and significant unobservable inputs used in the level 3 fair value measurements where unobservable inputs are used.

Equity securities

Valuation techniques	Unobservable inputs	Ranges of unobservable inputs	
		As of March 31, 2015	As of March 31, 2016
Price of recent investment	Discount for lack of marketability Control premium	— —	10.0% – 45.0% 5.0% – 10.0%
Discounted cash flow	Cost of capital Perpetual growth rate Discount for lack of marketability Discount for non-control interest	15.0% 3.5% — —	16.9% 5.2% 15.0% 17.0%

b. Sensitivity Analysis

Of the above unobservable inputs, perpetual growth rate and control premium have a positive correlation with the fair value of equity securities, whereas cost of capital, discount for non-control interest, and discount for lack of marketability have a negative correlation with the fair value of equity securities.

c. Valuation processes

Fair value is measured by our personnel in treasury and accounting departments based on internal regulations, using the most appropriate valuation techniques and inputs that reflect the nature, characteristics and risks of the financial instruments subject to fair valuation. Fair value of financial instruments that require a high level of knowledge and experience for the valuation is measured by external specialists if the amount of such financial instruments is material. The result of the measurement conducted at the end of each quarter, including the valuation by the external specialists, is reported to the Company's board of directors after the analysis of fair value changes and other contents are reviewed and approved by the head of the department.

d. Reconciliation of financial instruments categorized as Level 3

Reconciliation of financial instruments categorized as Level 3 is as follows:

For the fiscal year ended March 31, 2015

	(Millions of yen)			
	Equity securities	Bonds	Derivative financial assets	Other
As of April 1, 2014	¥ 62,572	¥1,476	¥ 719	¥11,078
Gains or losses				
Net income	1,439	75	119	(159)
Other comprehensive income	(1,794)	254	—	1,126
Transfers due to application of equity method	(29,266)	—	—	—
Purchases	215,597	1,453	306	2,093
Sales	(1,845)	—	—	(1,610)
Transfers to level 1 due to listing	(905)	—	—	—
Other	(3,044)	—	—	—
As of March 31, 2015	<u>¥242,754</u>	<u>¥3,258</u>	<u>¥1,144</u>	<u>¥12,528</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2015	<u>¥ (2,607)</u>	<u>¥ —</u>	<u>¥ 119</u>	<u>¥ (14)</u>

For the fiscal year ended March 31, 2016

	(Millions of yen)			
	Equity securities	Bonds	Derivative financial assets	Other
As of April 1, 2015	¥242,754	¥ 3,258	¥1,144	¥12,528
Gains or losses				
Net income	89,308	(7,528)	1,704	—
Other comprehensive income	(18,629)	(314)	—	859
Purchases	247,508	1,292	363	6,271
Sales	(11,361)	(500)	—	(1,739)
Transfers to level 1 due to listing	(8,206)	—	—	—
Transfers to Level 3*	17,067	6,812	—	—
Other	(8,961)	(1,472)	(787)	1,101
As of March 31, 2016	<u>¥549,480</u>	<u>¥ 1,548</u>	<u>¥2,424</u>	<u>¥19,020</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2016	<u>¥ 85,536</u>	<u>¥(7,786)</u>	<u>¥1,704</u>	<u>¥ —</u>

Note

* Equity securities are transferred from level 1 to level 3 and bonds are transferred from level 2 to level 3 since it became difficult to obtain their observable inputs. Also, impairment losses for these equity securities and bonds are recognized after transferred to level 3. The details are described in Note 2 in "Note 38. Other non-operating income and loss."

Gains or losses recognized in profit or loss are included in “Non-operating income (loss)” in the consolidated statement of income. Gains or losses recognized in other comprehensive income, net of tax, are included in “Available-for-sale financial assets” and “Exchange differences on translating foreign operations” in the consolidated statement of comprehensive income.

(3) Carrying amounts and fair values of financial instruments

The table below presents carrying amounts and fair values of financial instruments.

	(Millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Interest-bearing debt				
Long-term borrowings	¥2,116,498	¥2,160,920	¥1,785,500	¥1,797,632
Corporate bonds	6,825,868	6,862,785	6,611,947	6,099,330
Lease obligations	744,911	748,068	815,194	817,057
Installment payables	102,552	102,673	63,181	64,280
Total	¥9,789,829	¥9,874,446	¥9,275,822	¥8,778,299

Financial instruments whose carrying amounts are reasonably similar to fair values are not included in the table above. Financial instruments that are measured at fair value on a recurring basis are also excluded because their fair values are the same as the carrying amounts.

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

a. Long-term borrowings

Fair values of the non-current portion of long-term borrowings with variable rates are measured based on the discounted cash flow method using observable inputs such as market interests, and the measurement is categorized as level 2. Fair values of the non-current portion of long-term borrowings with fixed rate are measured based on discounted cash flow using an interest rate including the credit spread that would be used for a borrowing with the same terms and maturities. Those borrowings are categorized as Level 3.

b. Corporate bonds

Fair values of the non-current portion of corporate bonds are mainly categorized as Level 1 or Level 2. When fair value is measured using quoted prices in active markets for identical bonds, it is categorized as Level 1. When fair value is measured using quoted prices that are observable in markets that are not active for identical bonds, it is categorized as Level 2. The fair value categorized as Level 3 is immaterial.

c. 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 considering the period until payment and credit risk, and categorized as Level 2.

d. Installment payables

Fair values of the non-current portion of installment payables are measured based on the discounted cash flow method using an interest rate adjusted for the remaining repayment period and credit risks, and the measurement is categorized as Level 2.

27. Transfers of financial assets

The Company enters into securitization transactions involving trade and installment receivables.

The major securitization transactions involve the securitization of receivables related to wireless service charges due from subscribers and installment receivables recognized from mobile handsets sales business. For each transaction, the Company transferred receivables to financial institutions and acquired cash and subordinate interest in the transferred receivables for financing purpose. The Receivables sold are not

derecognized because in each transaction, the Company retains subordinate interest and therefore substantially retains all risks and rewards of ownership of the transferred assets. Cash received from transferring the receivables are included in “Interest-bearing debt” under current liabilities and non-current liabilities.

The following table presents the carrying amount of financial assets and related liabilities that are transferred but do not meet the derecognition criteria, as well as the fair value where related liabilities have recourse only to the transferred assets:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Carrying amount of transferred assets	¥ 751,468	¥ 857,186
Carrying amount of related liabilities	<u>(515,839)</u>	<u>(624,563)</u>
 (Fair value of financial assets and financial liabilities where related liabilities have recourse only to the transferred assets)		
Fair value of transferred assets	¥ 751,468	¥ 857,186
Fair value of related liabilities	<u>(515,270)</u>	<u>(624,096)</u>
Net position	<u>¥ 236,198</u>	<u>¥ 233,090</u>

The amount of difference between transferred assets and related liabilities is the subordinate interest which the Company retains on securitization.

28. Offsetting financial assets and liabilities

The following table presents the amount of financial assets and liabilities offset in the consolidated statement of financial position, as well as the amount of financial assets and liabilities that are under enforceable master netting agreements or similar contracts but are not offset as they do not meet certain or all criteria of offsetting.

Rights to offset based on enforceable master netting agreements or similar contracts are enforceable only in certain events such as bankruptcy or obligation default of the counterparty.

As of March 31, 2015

	(Millions of yen)			
	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the statement of financial position	Amount not offset in the statement of financial position
Financial assets				
Trade and other receivables	¥114,892	¥(72,251)	¥42,641	¥(12,518)
Other financial assets	<u>55,998</u>	<u>—</u>	<u>55,998</u>	<u>(1,296)</u>
Total	<u>¥170,890</u>	<u>¥(72,251)</u>	<u>¥98,639</u>	<u>¥(13,814)</u>
 Financial liabilities				
	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the statement of financial position	Amount not offset in the statement of financial position
Trade and other payables	¥166,246	¥(72,251)	¥93,995	¥(12,367)
Other financial liabilities	<u>2,671</u>	<u>—</u>	<u>2,671</u>	<u>(1,447)</u>
Total	<u>¥168,917</u>	<u>¥(72,251)</u>	<u>¥96,666</u>	<u>¥(13,814)</u>

As of March 31, 2016

	(Millions of yen)			
	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the statement of financial position	Amount not offset in the statement of financial position
Financial assets				
Trade and other receivables	¥114,777	¥(77,751)	¥37,026	¥(22,550)
Other financial assets	39,089	—	39,089	(36,094)
Total	¥153,866	¥(77,751)	¥76,115	¥(58,644)
	(Millions of yen)			
	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the statement of financial position	Amount not offset in the statement of financial position
Financial liabilities				
Trade and other payables	¥173,966	¥(77,751)	¥ 96,215	¥(22,418)
Other financial liabilities	71,243	—	71,243	(36,227)
Total	¥245,209	¥(77,751)	¥167,458	¥(58,645)

29. Foreign exchange rates

Exchange rates of the major currencies used for translating financial statements of foreign operations are as follows:

(1) Rate at the end of the period

	(Yen)	
	As of March 31, 2015	As of March 31, 2016
U.S. dollars	¥120.17	¥112.68

(2) Average rate for the quarter

For the fiscal year ended March 31, 2015

	(Yen)			
	Three months ended June 30, 2014	Three months ended September 30, 2014	Three months ended December 31, 2014	Three months ended March 31, 2015
U.S. dollars . . .	¥102.14	¥104.35	¥114.39	¥119.56

For the fiscal year ended March 31, 2016

	(Yen)			
	Three months ended June 30, 2015	Three months ended September 30, 2015	Three months ended December 31, 2015	Three months ended March 31, 2016
U.S. dollars . . .	¥121.34	¥121.91	¥121.07	¥116.95

(3) Foreign exchange sensitivity analysis for exchange differences on translating foreign operations

The table below presents the effect of a 1% appreciation of the Japanese yen against the U.S. dollar and against the Chinese yuan, which are the main foreign currency of the Company, regarding the translation of assets, liabilities, and interests in net assets in foreign operations into presentation currency, assuming that all other factors are constant.

Impact of exchange differences on translating foreign operations (decrease in equity)

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
U.S. dollar	¥(27,108)	¥(28,673)
Chinese yuan	(8,698)	(12,016)

30. Equity

(1) Common stock

a. Shares authorized

The number of shares authorized to be issued is as follows:

	(Thousands of shares)	
	March 31, 2015	March 31, 2016
Ordinary shares	3,600,000	3,600,000

b. Shares issued

Changes in the number of shares issued are as follows:

	(Thousands of shares)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	1,200,660	1,200,660
Increase during the year	—	—
Balance at the end of the year	<u>1,200,660</u>	<u>1,200,660</u>

Notes:

1. Shares issued by the Company are common stocks with no par value.
2. Shares issued have been fully paid.

(2) Capital surplus

Capital surplus of the Company includes additional paid-in capital, which is legal capital surplus. Under the Companies Act of Japan (“the Companies Act”), at least 50% of the proceeds upon issuance of equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.

For the fiscal year ended March 31, 2015

The Company acquired all remaining shares of Brightstar Global Group Inc. indirectly held by Marcelo Claure, the former Chairman and CEO of Brightstar Corp., and came to own 100% of the equity interest of Brightstar Global Group Inc. In connection with this transaction, ¥30,509 million is deducted from capital surplus as “Changes in interests in subsidiaries.”

For the fiscal year ended March 31, 2016

The Company acquired an additional 24.1% shares of Supercell, a subsidiary of the Company, from existing shareholders and the Company’s ownership in Supercell became 77.8%. In connection with this transaction, ¥120,847 million is deducted from capital surplus as “Changes in interests in subsidiaries.”

(3) Retained earnings

Retained earnings of the Company include the reserve legally required as legal retained earnings. The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Treasury stock

The Companies Act provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Changes in treasury stock are as follows:

	(Thousands of shares)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	12,205	11,463
Increase during the year	6	42,873
Decrease during the year	(748)	(576)
Balance at the end of the year	<u>11,463</u>	<u>53,760</u>

Note:

The number of treasury stock acquired based on the approval of board of directors' meeting for the fiscal year ended March 31, 2016 was 42,867 thousand shares and total acquisition cost was ¥269,173 million.

(5) Accumulated other comprehensive income

The changes in the accumulated other comprehensive income are as follows:

	(Millions of yen)				
	Remeasurements of defined benefit plan	Available-for-sale financial assets	Cash flow hedges	Exchange differences on translating foreign operations	Total
As of April 1, 2014	¥ —	¥14,122	¥(19,942)	¥ 175,670	¥ 169,850
Other comprehensive income (Attributable to owners of the parent)	(47,226)	402	12,597	357,537	323,310
Transfer to retained earnings	<u>47,226</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,226</u>
As of March 31, 2015	<u>—</u>	<u>14,524</u>	<u>(7,345)</u>	<u>533,207</u>	<u>540,386</u>
Other comprehensive income (Attributable to owners of the parent)	342	18,070	(32,743)	(263,977)	(278,308)
Transfer to retained earnings	<u>(342)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(342)</u>
As of March 31, 2016	<u>—</u>	<u>¥32,594</u>	<u>¥(40,088)</u>	<u>¥ 269,230</u>	<u>¥ 261,736</u>

Note:

The above amount is presented net of tax effect. The amount of income taxes on each item in other comprehensive income is described in "Note 39. Other comprehensive income and loss."

31. Dividends

In accordance with the Companies Act, SoftBank Group Corp. has prescribed in its articles of incorporation that semiannual interim dividends may be paid once a year upon resolution by the Board of Directors.

Dividends paid are as follows:

For the fiscal year ended March 31, 2015

Resolution	Class of shares	Dividends per share	Total dividends		Record date	Effective date
		(Yen)	(Millions of yen)			
Shareholders' meeting held on June 20, 2014	Common stock	¥20	¥23,769		March 31, 2014	June 23, 2014
Board of directors' meeting held on October 23, 2014 ...	Common stock	20	23,778		September 30, 2014	December 15, 2014

For the fiscal year ended March 31, 2016

Resolution	Class of shares	Dividends		Record date	Effective date
		per share (Yen)	Total dividends (Millions of yen)		
Shareholders' meeting held on June 19, 2015	Common stock	¥20	¥23,784	March 31, 2015	June 22, 2015
Board of directors' meeting held on October 22, 2015	Common stock	20	23,477	September 30, 2015	December 14, 2015

Dividends which will become effective during the fiscal year ending March 31, 2017 are as follows:

Resolution	Class of shares	Dividends		Record date	Effective date
		per share (Yen)	Total dividends (Millions of yen)		
Shareholders' meeting held on June 22, 2016	Common stock	¥21	¥24,085	March 31, 2016	June 23, 2016

32. Share-based payment transactions

The Company grants stock options, restricted stock units and phantom stock as share-based payment awards.

Share-based payment awards are granted to the Company's directors, employees and other service providers, based on the terms approved by the Company's shareholders' meeting or board of directors' meeting.

Share-based payment awards are accounted for as equity-settled share-based payment and cash-settled share-based payment. Expense and liability recognized from share-based payment awards are as follows:

Expense arising from share-based payment

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity-settled	¥13,073	¥15,979
Cash-settled	2,861	6,900
Total	¥15,934	¥22,879

Liability arising from share-based payment

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Liability arising from share-based payment	¥2,861	¥9,151
Liability vested in the above	—	—

(1) Stock option plan

a. Details of the stock option plan

The Company grants stock options as equity-settled share-based payment and cash-settled share-based payment. The details of the Company's stock option plan for the years ended March 31, 2015 and 2016 are as follows:

(a) SoftBank Group Corp.

SoftBank Group Corp. grants stock options to its directors and employees. Shares granted by the exercise of stock options are those issued by SoftBank Group Corp.

Year issued / Name	Grant date	Due date for exercise
2010—6th Acquisition rights ¹	August 27, 2010	June 30, 2017
2013—7th Acquisition rights ²	July 31, 2013	June 30, 2021

Notes:

1. Vesting condition

A person entitled to the vested stock acquisition rights ("entitled person") is able to exercise these rights only when all the following conditions are satisfied:

- a. total free cash flows in the consolidated statement of cash flows for the years ended March 2010, 2011 and 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act exceed ¥1 trillion;
- b. net interest-bearing debt in the consolidated balance sheet for the year ended March 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act is less than ¥0.97 trillion; and,
- c. total operating income in the consolidated statement of income for the years ended March 2011 and 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act exceeds ¥1.1 trillion.

The amount of the stock acquisition rights exercisable by an entitled person is limited as prescribed in "a" through "d" below. Fractional points, if any, of the exercisable stock acquisition rights are rounded down.

- a. from July 1, 2012 to June 30, 2013: 25% of the allocated amount of stock acquisition rights
- b. from July 1, 2013 to June 30, 2014: 50% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" above
- c. from July 1, 2014 to June 30, 2015: 75% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" and "b" above
- d. from July 1, 2015 to June 30, 2017: 100% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" through "c" above

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

2. Vesting condition

A person entitled to the vested stock acquisition rights ("entitled person") is able to exercise these rights only when operating income in the consolidated statement of income for the year ended March 2016 in the Annual Securities Report to be filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act in June 2016 ("target index") exceeds ¥1.2 trillion ("target amount").

SoftBank Group Corp. may change the target index or target amount within a reasonable range due to changes in accounting policies or other factors if necessary.

The amount of the stock acquisition rights exercisable in the period "a" through "c" below by an entitled person who was granted and allocated stock acquisition rights of 10,000 or more in total, is limited as below. Fractional points, if any, of the exercisable stock acquisition rights are rounded down.

- a. from July 1, 2016 to June 30, 2017: 25% of the allocated amount of stock acquisition rights
- b. from July 1, 2017 to June 30, 2018: 50% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" above
- c. from July 1, 2018 to June 30, 2021: 100% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" and "b" above

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

(b) Sprint

Sprint Corporation grants stock options to its directors, employees and other service providers. Shares granted by the exercise of stock options are those issued by Sprint Corporation.

Year issued / Name	Grant date	Due date for exercise
Nextel Incentive Equity Plan	From May 24, 2004 to May 26, 2005	From May 24, 2014 to May 26, 2015
1997 Long-Term Incentive Program	From February 8, 2005 to February 27, 2007	From February 8, 2015 to February 27, 2017
2007 Omnibus Incentive Plan	From July 9, 2007 to May 31, 2015	From July 9, 2017 to May 31, 2025
2015 Omnibus Incentive Plan	From August 25, 2015 to February 3, 2016	From August 25, 2025 to February 3, 2026

Note:

Vesting condition

Generally, stock options vest when service period requirements are met. The vesting period is generally 3 years and vests each period equally.

(c) Supercell

Supercell grants stock option to its employees. Shares granted by the exercise of stock options are those issued by Supercell Oy.

Year issued / Name	Grant date	Due date for exercise
Supercell Oy Share option program	From March 31, 2011 to April 1, 2014	From September 17, 2014 to March 31, 2021

Note:

Vesting condition

Stock options vest when service period requirements are met. The vesting period is within 4 years. 25% of options vest after 1 year from the conclusion of the share payment contract or the beginning of service. The residual options vest each month equally over the next 3 years.

(d) Brightstar Corp.

Brightstar Corp. grants stock options as equity-settled share-based payment and cash-settled share-based payment to its directors, employees and other service providers.

Year issued / Name	Grant date	Due date for exercise
Brightstar Global Group Inc. 2006 Stock Incentive Plan ¹	From July 12, 2006 to January 21, 2014	From July 12, 2016 to January 21, 2024
Brightstar Global Group Inc. 2016 Stock Incentive Plan ²	March 15, 2016	From January 1, 2017 to February 28, 2017

Notes:

1. Vesting condition

Generally, stock options vest when service period requirements are met. Rights vest in stages during 4 years equally over this period. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as equity-settled share-based payment. Shares granted by the exercise of stock options are those issued by Brightstar Global Group Inc.

2. Vesting condition

Stock options vest when service period requirements are met. The vesting period is within 1 year. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as cash-settled share-based payment.

(e) Yahoo Japan Corporation

Yahoo Japan Corporation grants stock options to its directors and employees. Shares granted by the exercise of stock options are those issued by Yahoo Japan Corporation.

Yahoo Japan Corporation split shares of its stocks by the ratio of 100 for 1, with a basis date of September 30, 2013 and an effective date of October 1, 2013. For stock options granted before the share split, the effect of the share split is adjusted.

Year issued / Name	Grant date	Due date for exercise
2005 ¹	May 2, 2006	June 17, 2015
2006 ¹	From September 6, 2006 to February 7, 2007	From August 23, 2016 to January 24, 2017
2007 ¹	From May 8, 2007 to February 13, 2008	From April 24, 2017 to January 30, 2018
2008 ¹	From May 9, 2008 to February 10, 2009	From April 25, 2018 to January 27, 2019
2009 ¹	From May 12, 2009 to February 10, 2010	From April 28, 2019 to January 27, 2020
2010 ¹	From May 11, 2010 to February 8, 2011	From April 27, 2020 to January 25, 2021
2011 ¹	From June 3, 2011 to February 17, 2012	From May 20, 2021 to February 3, 2022
2012 1 st 2 nd	From May 16, 2012 to March 1, 2013	From May 2, 2022 to February 28, 2023
2013 1 st 2 nd	From May 17, 2013 to November 19, 2013	From May 16, 2023 to November 18, 2023
2014 1 st	May 26, 2014	May 25, 2024

Notes:

1. Vesting condition

Rights mainly vest in stages after 2 years from the grant date. One half of the total granted vests after 2 years from the grant date, and one fourth vests per year for subsequent 2 years. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

2. Vesting condition

Rights vest according to the amount of operating income achieved as specified in either (i) or (ii) below in the period from the fiscal year ended March 2014 to the fiscal year ending March 2019.

(i) If the operating income exceeds ¥250 billion

Period of achievement: By fiscal year March 2016
Period of achievement: By fiscal year March 2017
Period of achievement: By fiscal year March 2018
Period of achievement: By fiscal year March 2019

Exercisable ratio: 20%
Exercisable ratio: 14%
Exercisable ratio: 8%
Exercisable ratio: 2%

(ii) If the operating income exceeds ¥330 billion

Period of achievement: By fiscal year March 2016
Period of achievement: By fiscal year March 2017
Period of achievement: By fiscal year March 2018
Period of achievement: By fiscal year March 2019

Exercisable ratio: 80%
Exercisable ratio: 56%
Exercisable ratio: 32%
Exercisable ratio: 8%

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

3. Vesting condition

Rights vest according to the amount of operating income achieved as specified in either (i) or (ii) below in the period from the fiscal year ended March 2014 to the fiscal year ending March 2019.

(i) If the operating income exceeds ¥250 billion

Exercisable ratio: 20%

(ii) If the operating income exceeds ¥330 billion

Exercisable ratio: 80%

Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

4. Vesting condition

Rights vest once the operating income for the fiscal year exceeds ¥330 billion in either of the period from the fiscal year ended March 2015 to the fiscal year ending March 2019. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

b. Fair value of stock options granted during the period

Weighted-average fair value and how fair value is measured, at the measurement date of the stock options granted during the period are as follows:

Sprint

The Weighted-average fair value at the measurement date of the stock options granted during the period is \$2.03.

Fair value is measured as follows:

Year issued / Name	Fiscal year ended March 31, 2016	
	2007 Omnibus Incentive Plan	2015 Omnibus Incentive Plan
	Black-Scholes model	Black-Scholes model
Key inputs and assumptions:		
Weighted-average stock price	\$ 4.70	\$ 4.24
Weighted-average exercise price	\$ 4.70	\$ 4.24
Volatility of stock price*	42.05%	58.93%
Estimated residual period	6 years	6 years
Estimated dividend	—	—
Risk-free interest rate	1.84%	1.72%

Note:

* Volatility of stock price is calculated based on an implied volatility, measured by the stock price and option price of Sprint at the calculation date.

c. Changes in stock options during the period and the condition of stock options at the period end

Changes in stock options during the period and the condition of stock options at the period end are as follows:

(a) SoftBank Group Corp.

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
		(Yen)		(Yen)
Beginning balance—Unexercised	12,371,100	¥4,402	11,495,500	¥4,516
Granted	—	—	—	—
Forfeited	(128,700)	4,552	(10,229,800)	4,750
Exercised	(746,900)	2,625	(576,000)	2,625
Ending balance—Unexercised	<u>11,495,500</u>	<u>4,516</u>	<u>689,700</u>	<u>2,625</u>
Ending balance—Exercisable	<u>432,900</u>	<u>¥2,625</u>	<u>689,700</u>	<u>¥2,625</u>

(b) Sprint

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
		(USD)		(USD)
Beginning balance—Unexercised	42,525,692	\$ 6.68	39,861,827	\$ 5.34
Granted	22,949,074	6.04	12,290,437	4.66
Forfeited	(2,634,619)	6.18	(6,735,629)	5.42
Exercised	(13,837,721)	3.40	(1,439,758)	2.43
Matured	(9,140,599)	16.02	(3,234,331)	12.06
Ending balance—Unexercised	<u>39,861,827</u>	<u>5.34</u>	<u>40,742,546</u>	<u>4.69</u>
Ending balance—Exercisable	<u>19,257,431</u>	<u>\$ 4.68</u>	<u>20,866,540</u>	<u>\$ 4.10</u>

The unexercised options as of March 31, 2016 are as follows:

Range of exercise price (USD)	Number of shares	Weighted-average exercise price (USD)	Weighted-average remaining contract period (Year)
\$0.00-3.00	4,825,503	\$ 2.05	6.14
3.01-4.00	6,157,533	3.36	3.78
4.01-5.00	21,369,956	4.64	8.21
5.01-6.00	4,366,015	5.64	6.84
7.01-10.00	3,930,249	8.99	8.13
15.01-20.00	93,290	16.81	0.90
Total	<u>40,742,546</u>	<u>\$ 4.69</u>	<u>7.12</u>

(c) Supercell

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	Number of shares	Weighted-average exercise price (EUR)	Number of shares	Weighted-average exercise price (EUR)
Beginning balance—Unexercised	2,328,431	€ 2.16	1,854,701	€5.24
Granted	210,250	29.39	—	—
Forfeited	(102,352)	5.44	(462,279)	5.47
Exercised	(581,628)	1.62	(329,927)	3.17
Ending balance—Unexercised	<u>1,854,701</u>	<u>5.24</u>	<u>1,062,495</u>	<u>5.78</u>
Ending balance—Exercisable	<u>344,371</u>	<u>€ 3.13</u>	<u>318,972</u>	<u>€4.34</u>

The unexercised options as of March 31, 2016 are as follows:

Range of exercise price (EUR)	Number of shares	Weighted-average exercise price (EUR)	Weighted-average remaining contract period (Year)
€0.01-1.64	320,613	€ 0.78	5.00
3.59	616,556	3.59	5.00
29.39	<u>125,326</u>	<u>29.39</u>	<u>5.00</u>
Total	<u>1,062,495</u>	<u>€ 5.78</u>	<u>5.00</u>

(d) Brightstar Corp.

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	Number of shares	Weighted-average exercise price (USD)	Number of shares	Weighted-average exercise price (USD)
Beginning balance—Unexercised	2,365,388	\$27.53	1,464,993	\$27.51
Granted	—	—	366,772	5.45
Repurchased*	—	—	(621,367)	28.85
Forfeited	(900,395)	27.57	(600,478)	26.37
Exercised	—	—	—	—
Ending balance—Unexercised	<u>1,464,993</u>	<u>27.51</u>	<u>609,920</u>	<u>14.00</u>
Ending balance—Exercisable	<u>711,666</u>	<u>\$24.29</u>	<u>206,898</u>	<u>\$26.33</u>

Note:

* Brightstar Corp. repurchased outstanding stock options held by existing employees for cash consideration of \$1.00 per stock option in December 2015

The unexercised options as of March 31, 2016, are as follows:

Range of exercise price (USD)	Number of shares	Weighted-average exercise price (USD)	Weighted-average remaining contract period (Year)
\$5.45	366,772	\$ 5.45	1.00
10.00-15.00	34,000	15.00	3.06
15.01-20.00	8,500	20.00	1.32
25.01-30.00	190,648	29.00	6.42
30.01-35.00	10,000	33.25	7.81
Total	<u>609,920</u>	<u>\$14.00</u>	<u>2.93</u>

(e) Yahoo Japan Corporation

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Beginning balance—Unexercised	64,012,500	¥427	65,586,700	¥429
Granted	1,950,000	492	—	—
Forfeited	(331,400)	475	(1,260,700)	450
Exercised	(44,400)	325	(346,400)	331
Matured	—	—	(6,100)	680
Ending balance—Unexercised	<u>65,586,700</u>	<u>429</u>	<u>63,973,500</u>	<u>429</u>
Ending balance—Exercisable	<u>3,583,700</u>	<u>¥366</u>	<u>3,522,500</u>	<u>¥360</u>

The unexercised options as of March 31, 2016 are as follows:

Range of exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)	Weighted-average remaining contract period (Year)
¥201-300	943,400	¥270	5.4
301-400	25,537,700	324	6.8
401-500	12,256,300	486	6.7
501-600	<u>25,236,100</u>	<u>514</u>	7.6
Total	<u>63,973,500</u>	<u>¥429</u>	7.1

d. Stock options exercised during the period

Weighted-average stock prices at exercise for stock options exercised during the period are as follows:

(a) SoftBank Group Corp.

Fiscal year ended March 31, 2015			Fiscal year ended March 31, 2016		
Year issued / Name	Number of shares exercised	Weighted-average stock price at exercise (Yen)	Year issued / Name	Number of shares exercised	Weighted-average stock price at exercise (Yen)
2010-6th Acquisition rights	<u>746,900</u>	<u>¥7,487</u>	2010-6th Acquisition rights	<u>576,000</u>	<u>¥7,021</u>

(b) Sprint

Fiscal year ended March 31, 2015			Fiscal year ended March 31, 2016		
Year issued / Name	Number of shares exercised	Weighted-average stock price at exercise (USD)	Year issued / Name	Number of shares exercised	Weighted-average stock price at exercise (USD)
2007 Omnibus Incentive Plan	<u>13,837,721</u>	<u>\$6.46</u>	2007 Omnibus Incentive Plan	<u>1,439,758</u>	<u>\$4.41</u>

(c) Yahoo Japan Corporation

Fiscal year ended March 31, 2015			Fiscal year ended March 31, 2016		
Year issued / Name	The Number of shares exercised	Weighted-average stock price at exercise (Yen)	Year issued / Name	The Number of shares exercised	Weighted-average stock price at exercise (Yen)
2006	200	¥436	2006	9,900	¥550
2007	7,600	465	2007	34,400	530
2008	3,000	458	2008	49,900	523
2009	15,500	455	2009	46,000	505
2010	8,200	441	2010	80,500	508
2011	9,400	448	2011	116,500	504
2012	500	446	2012	9,200	500

Note:

Weighted-average stock price at exercise is not calculated for the Supercell Oy Stock option plan since Supercell Oy shares are not publicly traded.

(2) Restricted stock unit plan

The Company adopts restricted stock unit (“RSU”) plans where the Company grants stocks, the transfer of which is restricted for a certain period until vested, and it is accounted for as equity-settled share-based payment.

The details of the Company’s RSU plans for the years ended March 31, 2015 and 2016 are as follows:

a. Sprint

Sprint grants shares of Sprint Corporation as RSU to its directors, employees and other service providers. The fair value of the RSU is generally measured based on the closing price of stock on the date of grant. RSU generally has performance and service requirements or service requirements only, with vesting periods ranging from one to three years.

During the year ended March 31, 2016, Sprint granted performance-based restricted stock units that will be earned upon the achievement of certain market conditions, which are based on Sprint share price. The fair value of these market-based restricted stock units is estimated at the date of grant using Monte Carlo valuation methodology, which incorporates into the valuation the possibility that the market condition may not be satisfied. These market-based restricted stock units will vest 50% over four years from the grant date and 50% over five years from the grant date.

The number of RSU granted for the fiscal year ended March 31, 2016 was 27,602,692 units. The weighted-average fair value of RSU granted for the fiscal year ended March 31, 2016 was \$3.06 per unit.

b. Galaxy Investment Holdings, Inc.

Galaxy Investment Holdings, Inc. grants RSU to its director with the option to settle either by Sprint Corporation shares held by Galaxy Investment Holdings, Inc. or cash. As Galaxy Investment Holdings, Inc. has the option to settle by cash instead of Sprint Corporation shares, this RSU grant has been accounted for as equity-settled share-based payment. The fair value of the RSU is measured based on the stock price as of the date of grant.

RSU vests equally each year over four years, with continuous service required through each vesting date.

c. Supercell

Supercell grants shares of Supercell Oy as RSU to its employees. The RSU plan is accounted for as equity-settled share-based payment even though Supercell has the option to settle the some of the RSU in cash when options are exercised instead of Supercell Oy shares. RSU granted for the fiscal year ended March 31, 2016 were 907,050 units. The fair value of the RSU is intrinsic value measured using the discount cash flow method or guideline public companies method. The weighted-average fair value of the RSU granted for the fiscal year ended March 31, 2016 was €89.84 per unit.

RSU vests equally each year over four years, with continuous service required through each vesting date.

(3) Phantom stock

The Company adopts phantom stock awards where the Company pays in cash based on the stock price at the vesting date, and they are accounted for as cash-settled share-based payments.

The details of phantom stock for the fiscal years ended March 31, 2015 and 2016 are as follows:

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc.

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc. granted phantom stock, which is based on the shares of SoftBank Group Corp., to their directors, employees, and other service providers. It requires continued employment from the grant date through vesting date. The amount of settlement at the vesting date is determined based on share per unit. The details of vesting conditions are as follows:

The number of units and vesting conditions as of March 31, 2016

As of March 31, 2016 units	Vesting condition
3,278,641	The initial vesting date is four years from the first date of service. A quarter of the total vests on the initial vesting date and quarter of the total vests every two years thereafter.
740,691	It vests fully when five years pass from the first date of the service period.
2,038,489	Vesting periods are mainly four years or five years from the first date of service or service provided and vests over those periods.

33. Net sales

The components of net sales are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Domestic Telecommunications segment		
Telecom service revenue	¥2,323,509	¥2,395,925
Product and other sales	662,135	710,930
Total	2,985,644	3,106,855
Sprint segment		
Telecom service revenue	3,041,402	3,501,532
Product and other sales	552,765	186,966
Total	3,594,167	3,688,498
Yahoo Japan segment		
Net sales from rendering of services	420,385	461,420
Net sales from sale of goods	—	181,460
Total	420,385	642,880
Distribution segment		
Other	1,170,437	1,345,856
Total	333,502	369,460
	<u>¥8,504,135</u>	<u>¥9,153,549</u>

34. Cost of sales and selling, general and administrative expenses

The components of cost of sales and selling, general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cost of goods sold	¥(2,510,996)	¥(2,370,094)
Depreciation and amortization	(1,095,245)	(1,396,601)
Sales commissions and sales promotion expenses	(1,066,174)	(1,125,879)
Employees and directors benefit cost	(667,644)	(569,415)
Telecommunications equipment usage fee	(509,938)	(513,411)
Operating lease expenses	(430,977)	(471,560)
Service outsourcing expenses	(278,156)	(285,990)
Other	(998,617)	(1,341,300)
Total	<u>¥(7,557,747)</u>	<u>¥(8,074,250)</u>

“Depreciation and amortization” includes disposal of “Property, plant and equipment” and “Intangible assets” as well as amortization of long-term prepaid expenses which are recorded in “Other non-current assets” in the consolidated statement of financial position.

35. Other operating income and loss

The components of other operating income and loss are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Domestic Telecommunications segment		
Provision for onerous contract ¹	¥(21,271)	¥ —
Sprint segment		
Loss on disposal of property, plant and equipment ²	—	(37,032)
Severance costs associated with reduction in work force	(27,129)	(26,079)
Legal reserves ³	(10,492)	(23,437)
Impairment loss on non-current assets ⁴	—	(19,881)
Gain on partial pension settlement ⁵	18,726	—
Other	11,866	(10,271)
Distribution segment		
Impairment loss on non-current assets ⁶	—	(13,633)
Other	607	(2,833)
Other	<u>25</u>	<u>(6,086)</u>
Total	<u>¥(27,668)</u>	<u>¥(139,252)</u>

Notes:

1. Loss was recognized due to the provision made by SoftBank Corp. for the excess of expected future cost of delivery for a contracted communication service over its contracted amount.
2. Loss on disposal of property, plant and equipment consists of ¥30,348 million of loss on disposal that resulted from the write-off of leased devices associated with lease cancellations prior to the scheduled customer lease terms where customers did not return the devices to Sprint, and ¥6,684 million of loss recognized upon the sale of devices to Mobile Leasing Solutions, LLC under the Handset Sale-Leaseback transaction. Regarding the Handset Sale-Leaseback transaction, the details are described in "Note 14. Leases."
3. The details of legal reserves are described in (b) under "b. Legal and administrative proceedings to which Sprint and its subsidiaries are party" under "(3) Litigation" under "Note 44. Contingency."
4. Impairments are primarily related to cell site construction costs that are no longer expected to be used as a result of changes in Sprint's network plans.
5. Sprint made an amendment associated with the defined benefit pension plan to offer certain terminated participants, who had not begun to receive plan benefits, the opportunity to receive their benefits as an immediate lump sum distribution. This is the gain arising from the settlement.
6. Cash-generating units of the Distribution segment are composed of five regions, Brightstar Global Group Inc.'s US & Canada, Latin America, Asia & Oceania, SoftBank Commerce & Service Corp., and Europe & Africa from the fiscal year ended March 31, 2016. Of these cash-generating units, as a result of reviewing the business plan of Brightstar Global Group Inc.'s Latin America region, the recoverable amount became negative and therefore the carrying amount related to the cash-generating unit was reduced to zero. Impairment loss on property, plant and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in use was used as the recoverable amount and calculated by discounting management approved estimated future cashflow plan by 22.11%, weighted average capital cost before tax.

Goodwill of Brightstar Global Group Inc. is allocated to the entire Brightstar Global Group Inc. (a group of cash-generating units) which bundles five cash-generating units. As a result of the impairment test on entire Brightstar Global Group Inc., the recoverable amount exceeded the carrying amount, and therefore the impairment loss on the goodwill allocated to entire Brightstar Global Group Inc. is not recognized.

36. Finance cost

The components of finance cost are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Interest expense*	¥(366,500)	¥(440,744)

Note:

* Interest expense was mainly from financial liabilities measured at amortized cost.

37. Dilution gain from changes in equity interest

For the fiscal year ended March 31, 2015

The Company recorded dilution gain from changes in equity interest of ¥599,668 million related to Alibaba, which is an associate of the Company. This is mainly due to the issuance of new shares by Alibaba and the conversion of convertible preference shares issued by Alibaba into common stock in connection with its listing on the New York Stock Exchange on September 19, 2014.

38. Other non-operating income and loss

The components of other non-operating income and loss are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Interest income	¥ 4,052	¥ 11,413
Foreign exchange gain and loss ¹	11,050	(45,610)
Derivative gain and loss	(8,257)	12,788
Impairment loss on securities ²	(14,996)	(32,759)
Gain on sales of equity method associates	1,882	12,428
Impairment loss on equity method associates ³	(35,261)	(2,023)
Gain from remeasurement relating to applying equity method ⁴	11,177	—
Gain from financial assets at FVTPL ⁵	11,209	114,377
Provision of allowance for doubtful accounts ²	(255)	(21,253)
Other	3,785	7,359
Total	¥(15,614)	¥ 56,720

Notes:

1. The value of the Argentine peso decreased against the US dollar in December 2015 due to change in foreign exchange policy by the Argentine Government. As a result, foreign exchange loss of ¥18,614 million associated with dollar-denominated monetary items, such as cash and cash equivalents, account receivables, and account payables, held by Argentine subsidiaries was recorded.
2. Shares and debt interests related to investments of PT Trikomsel Oke Tbk. in Indonesia were impaired as the investment amount and the debt interests amount were not expected to be collected. As a result, impairment loss on securities and provision of allowance for doubtful accounts totaling ¥38,185 million were recorded for the fiscal year ended March 31, 2016.
3. The Company recorded impairment loss of ¥35,261 million with regard to the equity method associate for the fiscal year ended March 31, 2015 as the fair value had been declining for a prolonged period and the carrying amount was reduced to the recoverable amount.
4. Due to the increase in the percentage of voting rights, the equity method was newly applied to the investment in associates and the gain arose from remeasurement of the interest already held by the Company at the time the equity method was applied, based on the fair value on the date of the equity method application.
5. Gain or loss arising from financial assets at FVTPL comprises mainly changes in fair value of preferred stock investment including embedded derivatives, such as ANI Technologies Pvt. Ltd and Jasper Infotech Private Limited in India, designated as financial assets at FVTPL. Of the gain from financial assets at FVTPL, gain of ¥108,578 million arose from financial assets that were designated as the financial assets at fair value through profit or loss at initial recognition for the fiscal year ended March 31, 2016 (¥5,814 million for the fiscal year ended March 2015).

39. Other comprehensive income and loss

The table below presents the amount arising during the year, reclassification adjustments to profit or loss and the income tax effect of each item in other comprehensive income.

For the fiscal year ended March 31, 2015

	(Millions of yen)				
	Amount occurred during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan . . .	¥(59,460)	¥ —	¥(59,460)	¥ 83	¥(59,377)
Total	(59,460)	—	(59,460)	83	(59,377)
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	6,093	(2,606)	3,487	239	3,726
Cash flow hedges	49,197	(36,125)	13,072	(210)	12,862
Exchange differences on translating foreign operations	438,309	—	438,309	(28,713)	409,596
Share of other comprehensive income of associates	(877)	(1,350)	(2,227)	—	(2,227)
Total	492,722	(40,081)	452,641	(28,684)	423,957
Total other comprehensive income (loss)	<u>¥433,262</u>	<u>¥(40,081)</u>	<u>¥393,181</u>	<u>¥(28,601)</u>	<u>¥364,580</u>

For the fiscal year ended March 31, 2016

	(Millions of yen)				
	Amount occurred during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan . . .	¥ 140	¥ —	¥ 140	¥ 202	¥ 342
Total	140	—	140	202	342
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	(32,338)	32,685	347	(5,253)	(4,906)
Cash flow hedges	(91,449)	59,223	(32,226)	234	(31,992)
Exchange differences on translating foreign operations	(328,860)	—	(328,860)	39,125	(289,735)
Share of other comprehensive income of associates	<u>38,760</u>	<u>(450)</u>	<u>38,310</u>	<u>(10,668)</u>	<u>27,642</u>
Total	<u>(413,887)</u>	<u>91,458</u>	<u>(322,429)</u>	<u>23,438</u>	<u>(298,991)</u>
Total other comprehensive income (loss)	<u>¥(413,747)</u>	<u>¥91,458</u>	<u>¥(322,289)</u>	<u>¥ 23,640</u>	<u>¥(298,649)</u>

40. Discontinued operations

GungHo Online Entertainment, Inc.

SoftBank Group Corp. entered into an agreement to tender in the Tender Offer for 188,235,200 shares, a portion of the common shares of GungHo held by SoftBank Group Corp, on April 28, 2015. The Tender Offer was completed on June 1, 2015 and 188,235,200 common shares of GungHo held by Softbank Group Corp. were transferred to GungHo for ¥80,000 million.

An agreement between Heartis G.K. (“Heartis”) and Son Holdings Inc. to extinguish the pledge on 100,000,000 shares, out of the common shares of GungHo held by Heartis, was executed and the Agreement on Exercise of Voting Rights* for the 100,000,000 shares was terminated effective on June 1, 2015.

As a result of the transactions, GungHo was no longer qualified as a subsidiary and became an equity method associate on June 1, 2015.

Operating results related to GungHo from April 1, 2015 to June 1, 2015 are presented as discontinued operations separately from continuing operations in the consolidated statement of income.

Note:

Heartis (Taizo Son's asset management company, the second largest shareholder of GungHo, and Taizo Son, chairman of GungHo is the representative director), and Masayoshi Son, chairman and CEO of SoftBank Group Corp., entered into a Memorandum of Understanding on Exercise of Voting Rights for Deferment of Execution of Pledges (the "MOU"), on April 1, 2013. Under the MOU, all of GungHo common shares held by Heartis were pledged to Son Holdings, Masayoshi Son's asset management company and in order to defer the execution of pledges, Heartis agreed to act on behalf of Masayoshi Son at the shareholders' meeting of GungHo, for the voting rights related to 213,080,000 shares (ownership ratio: 18.50%) out of the common shares of GungHo held by Heartis. In addition, the title of Taizo Son was changed from chairman of GungHo to director of GungHo, effective on March 22, 2016.

The operating results and cash flows from discontinued operations are as follows:

(1) Operating results from discontinued operations

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Revenue	¥ 166,086	¥ 26,604
Expense	<u>(102,076)</u>	<u>(17,404)</u>
Income before income tax from discontinued operations	64,010	9,200
Income taxes	<u>(27,453)</u>	<u>(3,568)</u>
Income after income tax from discontinued operations	36,557	5,632
Loss relating to loss of control in discontinued operations	—	(12,739)
Deferred tax expenses for investment temporary differences	<u>(15,593)</u>	<u>139</u>
Net income (loss) from discontinued operations	<u>¥ 20,964</u>	<u>¥ (6,968)</u>

(2) Cash flows from discontinued operations

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by operating activities	¥ 53,294	¥16,051
Net cash provided by (cash used) in investing activities	5,347	(735)
Net cash used in financing activities	<u>(1,702)</u>	<u>(86)</u>
Total	<u>¥ 56,939</u>	<u>¥15,230</u>

41. Earnings per share

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

(1) Basic earnings per share

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income used in the calculation of basic earnings per share		
Net income attributable to owners of the parent		
Continuing operations	¥668,936	¥484,458
Net loss attributable to owners of the parent Discontinued operations	<u>(575)</u>	<u>(10,286)</u>
Total	<u>¥668,361</u>	<u>¥474,172</u>

	(Thousands of shares)	
Weighted-average number of ordinary shares	1,188,830	1,178,098
	(Yen)	
Basic earnings per share		
Continuing operations	¥ 562.68	¥ 411.22
Discontinued operations	(0.48)	(8.73)
Total	<u>¥ 562.20</u>	<u>¥ 402.49</u>

(2) Diluted earnings per share

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income used in the calculation of diluted earnings per share		
Continuing operations		
Net income from continuing operations used in the calculation of basic earnings per share	¥ 668,936	¥ 484,458
Effect of dilutive securities issued by subsidiaries and associates	(3,509)	(16,475)
Sub total	<u>665,427</u>	<u>467,983</u>
Discontinued operations		
Net loss from discontinued operations used in the calculation of basic earnings per share	(575)	(10,286)
Sub total	<u>(575)</u>	<u>(10,286)</u>
Total	<u>¥ 664,852</u>	<u>¥ 457,697</u>

	(Thousands of shares)	
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	1,188,830	1,178,098
Weighted-average number of ordinary shares	1,188,830	1,178,098
Adjustments:		
Warrants and corporate bonds with stock acquisition rights	1,061	556
Total	<u>1,189,891</u>	<u>1,178,654</u>
	(Yen)	
Diluted earnings per share		
Continuing operations	¥ 559.23	¥ 397.05
Discontinued operations	(0.48)	(8.73)
Total	<u>¥ 558.75</u>	<u>¥ 388.32</u>

42. Supplemental information to the consolidated statement of cash flows

(1) Scope of purchase of property, plant and equipment and intangible assets

“Purchase of property, plant and equipment, and intangible assets” includes cash outflows from long-term prepaid expenses that are included in “Other non-current assets” in the consolidated statement of financial position.

(2) Presentation of cash flow regarding finance lease

For the purchase of telecommunication equipment through finance lease, the Company purchases, assembles, installs and inspects the equipment due to the nature of the equipment. Then the Company sells the equipment to lease companies for sale-leaseback purposes and recognizes it as a lease asset.

The cash outflows from the purchase of the equipment from vendors are included in “Purchase of property, plant and equipment, and intangible assets” under cash flows from investing activities, and the cash inflows from the sale of the equipment to lease companies are included in “Proceeds from long-term interest-bearing debt” under cash flows from financing activities.

(3) Income taxes paid and income taxes refund

For the fiscal year ended March 31, 2016

Payment of withholding income tax related to dividends within the group companies of ¥904,688 million is included in “Income taxes paid,” and refund of the withholding income tax of ¥611,199 million is included in “Income taxes refund.” The withholding income tax of ¥293,489 million included in “Income taxes paid” is expected to be refunded by the end of July 2016.

(4) Proceeds from sales of property, plant and equipment, and intangible assets

For the fiscal year ended March 31, 2016

Proceeds of ¥137,593 million which Sprint received from Mobile Leasing Solutions, LLC through a handset sale-leaseback transaction in December 2015 are included in “Proceeds from sales of property, plant and equipment, and intangible assets.” The details are described in “Note 14. Leases.”

(5) Decrease from loss of control over subsidiaries

For the fiscal year ended March 31, 2016

“Decrease from loss of control over subsidiaries” is the amount of cash and cash equivalents held by GungHo at the time of loss of control.

(6) Payments for purchase of subsidiaries’ interests from non-controlling interests

For the fiscal year ended March 31, 2016

“Payments for purchase of subsidiaries’ interests from non-controlling interests” is mainly due to the additional purchase of shares of Supercell and Sprint from existing shareholders.

(7) Significant non-cash transactions

Significant non-cash investing and financing activities are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Acquisition of fixed assets by installments	¥ 46,397	¥ 15,795
Transfer of leased devices from inventories to property, plant and equipment	144,030	389,480

In addition to the above, ASKUL Corporation has become a subsidiary of the Company for the fiscal year ended March 31, 2016 and the transaction related to this business combination is classified as a non-cash transaction because it was conducted by ASKUL Corporation’s acquisition of its own treasury stock. The details are described in “Note 6. Business combinations.”

43. Related party transactions

(1) Related party transactions and balances

Related party transactions of the Company were as follows:

For the fiscal year ended March 31, 2015

The Company acquired all remaining shares of Brightstar Global Group Inc. indirectly held by Marcelo Claure, totaling 37.7% of total outstanding shares, and came to own 100% of the equity interest of Brightstar Global Group Inc.

Brightstar Global Group is the wholly-owning parent company of Brightstar Corp., which is a mobile device distributor in the United States and Marcelo Claure served as the former President and CEO of Brightstar

Corp., as well as in various roles at certain of their subsidiaries and joint ventures. Marcelo Claure was appointed as the new president and CEO of Sprint, effective as of August 11, 2014 and resigned from his positions as president and CEO of both Brightstar Global Group and Brightstar Corp., as well as his positions at their various subsidiaries and joint ventures, immediately prior to becoming the president and CEO of Sprint.

The above transaction is summarized as follows:

Name of the company or individual	Nature of Relationship	Nature of transaction	(Millions of yen)	
			Amount of Transaction	Balance at period-end
Marcelo Claure ¹	Director of subsidiary	Acquisition of Brightstar Global Group Inc. shares ²	¥30,509	¥—

Notes:

1. Shares were acquired from an entity that was 100% owned by Marcelo Claure.
2. The acquisition cost of acquired shares was negotiated and determined, considering independent third-party appraisals.

Transactions other than those described above are as follows:

Name of the company or individual	Nature of relationship	Nature of transaction	(Millions of yen)	
			Amount of transaction	Balance at period-end
Masayoshi Son	Chairman & CEO of SoftBank Group Corp.	Dividend paid from SoftBank Group Corp.	¥10,061	¥—
(Son Asset Management LLC and 3 other companies)	holding over half of the voting rights	Advance payment for temporary expense	264	22
		Payment of equipment usage ¹	42	
		Guarantee deposits received ¹	0	178
		Purchase of property, plant and equipment ²	4,506	4,506
Taizo Son	Relative of Chairman & CEO holding over half of the voting rights	Dividend paid from SoftBank Group Corp.	268	—
(Heartis GK and 8 other companies) ³		Dividend paid from subsidiary ⁴	901	—
		Payment of outsourcing fee ⁵	91	13
Yoshimitsu Goto ⁶	Director	Exercise of stock acquisition rights	197	—

Notes:

1. Equipment usage fee and guarantee deposit received are determined based on the ratio of usage.
2. The acquisition costs of purchase of property, plant and equipment were negotiated and determined considering independent third-party appraisals.
3. Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights.
4. Dividends are paid from our listed subsidiary, GungHo.
5. The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.
6. Retired from the position of director as of June 19, 2015.

For the fiscal year ended March 31, 2016

Name of the company or individual	Nature of relationship	Nature of transaction	(Millions of yen)	
			Amount of transaction	Balance at period-end
Masayoshi Son (Son Asset Management LLC and 3 other companies)	Chairman & CEO of SoftBank Group Corp. holding over half of the voting rights	Dividend paid from SoftBank Group Corp.	¥10,061	¥ —
		Advance payment for temporary expense	253	22
		Payment of equipment usage ¹	42	—
		Guarantee deposits received ¹	—	178
Taizo Son (Heartis GK and 6 other companies) ²	Relative of Chairman & CEO holding over half of the voting rights	Dividend paid from SoftBank Group Corp.	225	—
		Payment of outsourcing fee ³	95	12
		Provision of ordinary services ³	19	2
Yun Ma (Alipay Singapore E-Commerce Pte Ltd ⁴)	Director of SoftBank Group Corp. holding over half of the voting rights	Payment of outsourcing fee ³	727	727
Kazuhiko Fujihara ⁵	Director	Exercise of stock acquisition rights	98	—

Notes:

1. Equipment usage fee and guarantee deposit received are determined based on the ratio of usage.
2. Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights.
3. The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.
4. Yun Ma, director of SoftBank Group Corp., holds over half of its voting rights.
5. Retired from the position of director as of June 19, 2015.

(2) Remuneration for major executives

Remuneration for major executives is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Short-term benefits	¥15,804	¥ 7,038
Share-based payments	4,137	5,821
Retirement benefits	8	4
Total	¥19,949	¥12,863

Notes:

1. Remuneration for major executives represents remuneration for the directors of SoftBank Group Corp. (including external directors) and main subsidiaries' director. Marcelo Claure, CEO of Sprint, is the main subsidiaries' director.
2. The amount of remuneration to Nikesh Arora, which is included in the table above is as follows:
 - For the fiscal year ended March 31, 2015: ¥16,556 million
(Short-term benefits of ¥14,561 million and share based compensation of ¥1,995 million)
 - For the fiscal year ended March 31, 2016: ¥8,042 million
(Short-term benefits of ¥5,375 million and share based compensation of ¥2,667 million)
 Nikesh Arora retired from the position of director of SoftBank Group Corp. at the closing of the Annual General Meeting of Shareholders held on June 22, 2016.

44. Contingency

(1) Lending commitments

The details of lending commitments, which are mainly related to cashing service incidental to credit card business are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Lending commitments	¥262,315	¥196,937
Funded	9,922	9,355
Unfunded	¥252,393	¥187,582

(2) Credit guarantee

The details of a credit guarantee, which is mainly related to implementing the debt guarantees against customers' loans from partnered financial institutions in credit guarantee business, is as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Total amount of guarantee contract	¥13,446	¥13,822
Guarantee balance	10,427	10,418

(3) Litigation

SoftBank Group Corp. and certain of its subsidiaries are party to a number of currently-pending legal and administrative proceedings. As it is difficult to reasonably estimate the final results of such matters, reserves 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. Litigation in which SoftBank Corp. is involved as a party

(a) On April 30, 2015, SoftBank Corp. filed a lawsuit with the Tokyo District Court against Japan Post Information Technology Co., Ltd. (hereinafter referred to as "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 communication network connecting approximately 27,000 sites (postal offices, etc.) existing countrywide to a new network, the 5th PNET.

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

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

(b) On April 30, 2015, JPiT filed a lawsuit against SoftBank Corp. and Nomura Research Institute, Ltd. (hereinafter referred to as "NRI") as co-defendants.

In such lawsuit, JPiT alleges that SoftBank Corp. 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 SoftBank Corp. and NRI for such alleged damages.

SoftBank Corp. intends to fully contest JPiT's claims in this lawsuit.

The order to consolidate the lawsuit (b) above to the lawsuit (a) above was made on July 29, 2015. On November 13, 2015, SoftBank Corp. modified the amount of claim from approximately ¥14.9 billion to approximately ¥20.4 billion as a result of a review of the remuneration etc. with respect to additional services regarding the lawsuit (a) above.

b. Legal and administrative proceedings to which Sprint and its subsidiaries are party

(a) In March 2009, a stockholder brought suit, Bennett v. Sprint Nextel Corp., in the U.S. District Court for the District of Kansas (hereinafter referred to as "the Bennett case"), alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing to adequately disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a settlement in August 2015, which did not have a material impact to our financial statements. Five stockholder derivative suits related to the Bennett case were filed against Sprint Communications and certain of its present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, Randolph v. Forsee, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et. al., was filed in federal

court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and Sprint has reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs' attorneys fees in an immaterial amount.

(b) On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications has fraudulently failed to collect and pay more than \$100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also seeks recovery of triple damages under the state False Claims Act as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute requires Sprint Communications to collect and remit the disputed taxes. Sprint Communications' petition for certiorari to the United States Supreme Court was denied on May 31, 2016. The case will now proceed in the trial court with discovery and other pretrial proceedings. Sprint Communications has accrued \$180 million during the year ended March 31, 2016 associated with this matter. Sprint Communications will continue to defend this matter vigorously.

Eight related stockholder derivative suits have been filed against Sprint Communications and certain of its current and former officers and directors. Each suit alleges generally that the individual defendants breached their fiduciary duties to Sprint Communications and its stockholders by allegedly permitting, and failing to disclose, the actions alleged in the suit filed by the New York Attorney General. One suit, filed by the Louisiana Municipal Police Employees Retirement System, was dismissed by a federal court. Two suits were filed in state court in Johnson County, Kansas and one of those suits was dismissed as premature; and five suits are pending in federal court in Kansas. The remaining Kansas suits have been stayed pending resolution of the Attorney General's suit.

(c) Sprint Communications, Inc. is also a defendant in a complaint filed by stockholders of Clearwire Corporation asserting claims for breach of fiduciary duty by Sprint Communications, and related claims and otherwise challenging the Clearwire Acquisition. ACP Master, LTD, et al. v. Sprint Nextel Corp., et al., was filed on April 26, 2013, in Chancery Court in Delaware. Sprint Communications' motion to dismiss the suit was denied, discovery is substantially complete, and Sprint Communications' motion for summary judgment is pending. Plaintiffs in the ACP Master, LTD suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock. Discovery in that case was consolidated with the breach of fiduciary duty case and is substantially complete. Trial is scheduled to begin in October 2016. Sprint Communications intends to defend the ACP Master, LTD cases vigorously.

(d) Sprint is currently involved in numerous court actions alleging that Sprint is infringing various patents. Most of these cases effectively seek only monetary damages. A small number of these cases are brought by companies that sell products and seek injunctive relief as well. These cases have progressed to various degrees and a small number may go to trial if they are not otherwise resolved. Adverse resolution of these cases could require Sprint to pay significant damages, cease certain activities, or cease selling the relevant products and services. In many circumstances, Sprint would be indemnified for monetary losses that Sprint incurs with respect to the actions of Sprint's suppliers or service providers.

(e) In October 2013, the FCC Enforcement Bureau began to issue notices of apparent liability ("NALs") to other Lifeline providers, imposing fines for intracarrier duplicate accounts identified by the government during its audit function. Those audits also identified a small percentage of potentially duplicative intracarrier accounts related to Sprint's Assurance Wireless business. No NAL has yet been issued with respect to Sprint and Sprint does not know if one will be issued. Further, Sprint is not able to reasonably estimate the amount of any claim for penalties that might be asserted.

(f) Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against Sprint or Sprint's subsidiaries. If Sprint's interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by Sprint.

c. Legal and administrative proceedings to which Brightstar and its subsidiaries are party

Brightstar Corp. and its subsidiaries are party to various legal and administrative proceedings globally and particularly in Latin American countries, including disputes relating to tax, labor, contract and other matters currently pending. This litigation mainly consist of four administrative proceedings initiated by tax authorities in Brazil against the subsidiary of Brightstar Corp., involving failure by such entity to pay a portion of taxes owed due to, e.g., differences in understanding between such entity and the tax authorities, for which such authorities have claimed an aggregate of approximately \$70 million. One case of these four administrative proceedings has been sent to suit, a subsidiary of Brightstar Corp. has filed an Annulment Action requesting that the case be returned to the administrative level.

45. Purchase commitments

The Company had commitments to purchase services and goods of ¥1,496,500 million as of March 31, 2016 (March 31, 2015: ¥2,190,404 million).

Purchase commitments are mainly related to purchase of telecommunications equipment, mobile handsets and outstanding connection contracts entered into with other telecommunications operators.

46. Subsequent events

(1) Monetization of a portion of the ordinary shares of Alibaba Group Holding Limited

The Company executed a series of capital raising transactions (the “Transactions”) which involves monetizing a portion of Alibaba ordinary shares held by a wholly owned subsidiary, SB China Holdings Pte Ltd (“SB China”). After the completion of the Transactions, Alibaba is still an affiliate of the Company and the Company continues to apply the equity method.

a. Overview of the Transactions

The Transactions consist of the following three transactions, (i) the sale of \$2.0 billion of Alibaba ordinary shares to Alibaba, (ii) the sale of \$400 million of Alibaba ordinary shares to members of the Alibaba Partnership, acting collectively, and the respective sale of \$500 million of Alibaba ordinary shares to Gamlight Pte. Ltd., a wholly owned subsidiary of GIC Private Limited (“GIC”) and Aranda Investments Pte. Ltd., a wholly owned subsidiary of Temasek Holdings Private Limited (“Temasek”) ((i) and (ii) as “Sale of Alibaba ordinary shares”) and (iii) \$6.6 billion capital raised through an offering of Mandatory Exchangeable Trust Securities (“Trust Securities”) by a newly formed trust, Mandatory Exchangeable Trust (the “Trust”). Trust Securities are mandatorily exchangeable into American depository shares (“ADSs”) of Alibaba.

(a) Sale of Alibaba ordinary shares

SB China, a wholly owned subsidiary of the Company, entered into separate share purchase and sales transactions on May 31, 2016 and on June 1, 2016 (US time) with each of Alibaba, members of the Alibaba Partnership, acting collectively, and GIC and Temasek, and settled the transactions on June 13, 2016 (US time), except for the sale to members of the Alibaba Partnership, acting collectively, which is expected to close in middle of July 2016. The total sales price is approximately \$3.4 billion, approximately \$2.0 billion of which was sold to Alibaba.

Following the sales of Alibaba ordinary shares that are expected to close by the middle of July 2016, the Company’s voting rights of Alibaba will decrease to 30.7% from 32.2%.

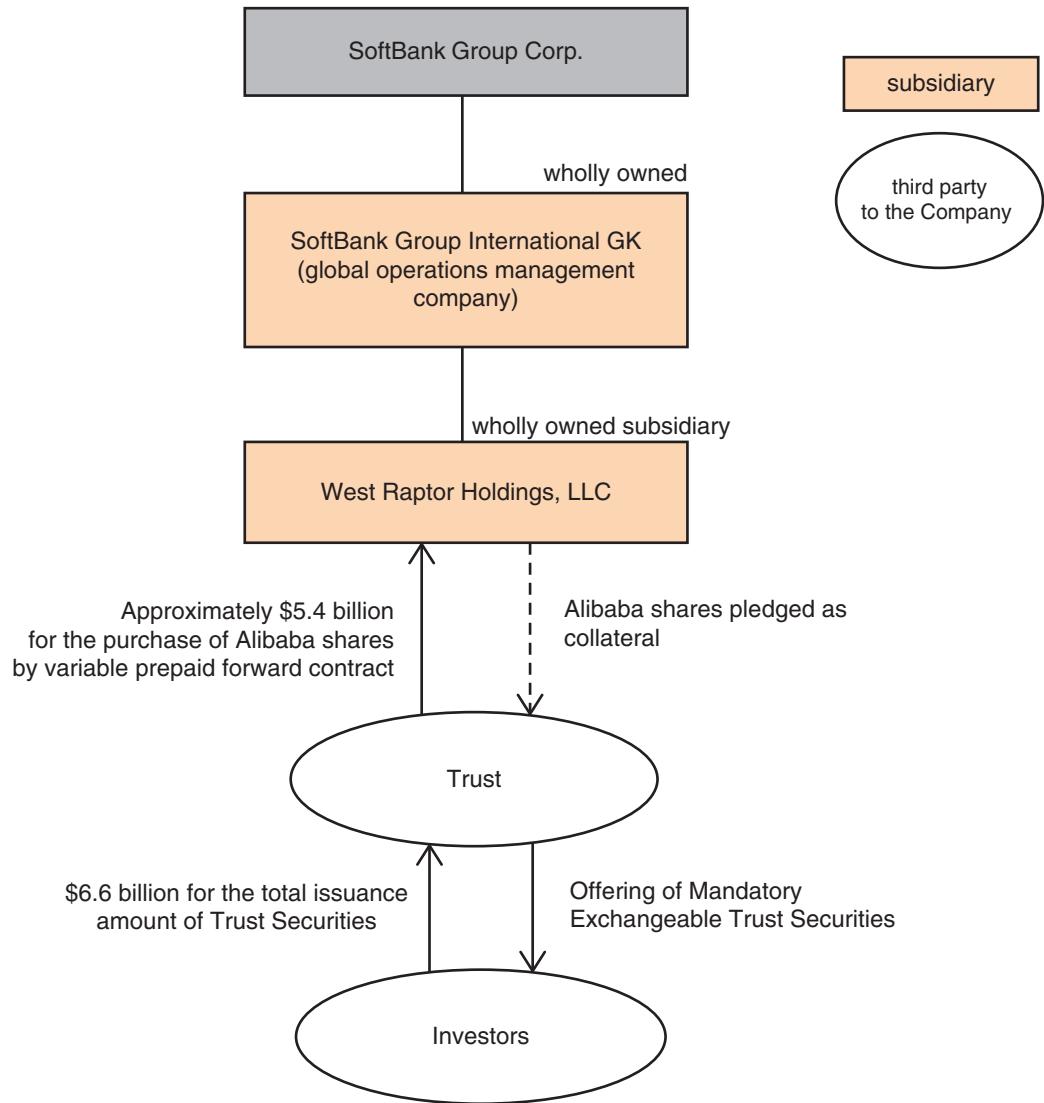
(b) Agreement of the variable prepaid forward contract regarding Alibaba ordinary shares

On June 10, 2016 (US Time), West Raptor Holdings, LLC (“WRH LLC”), a wholly owned subsidiary of SoftBank Group International GK (“SBIGK”), which in turn is wholly owned by the Company, entered into a variable prepaid forward contract to sell Alibaba ordinary shares to the Trust. Alibaba ordinary shares held by WRH LLC are pledged as collateral by this contract. At the closing of the offering of the Trust Securities, June 10, 2016 (US Time), WRH LLC received the proceeds of approximately \$5.4 billion from the Trust, which was generated from the issuance of the Trust Securities, excluding amounts in respect of the Trust’s expenses and amounts used to purchase U.S. Treasury securities, which will fund quarterly distributions on the Trust Securities.

The variable prepaid forward contract will be settled concurrently with the exchange of Trust Securities. At the exchange date, which is expected to be the first scheduled trading day after June 1, 2019, the Trust will exchange each Trust Security for a certain number of ADSs, determined by reference to the trading price of the ADSs at that time, or subject to WRH LLC's election, cash or a combination of cash and ADSs. Under certain circumstances, including by WRH LLC's election, the Trust Securities may be exchanged prior to the scheduled exchange date.

Alibaba ordinary shares pledged as collateral are equivalent to 3.5% of voting rights of Alibaba.

<Structure of the variable prepaid forward contract regarding Alibaba ordinary shares and issuance of Trust Securities>



b. Impact on the Consolidated Financial Results

The impact from the Transactions on the consolidated financial results for the fiscal year ending March 31, 2017 has not yet been determined.

(2) Tender offer for shares of GungHo Online Entertainment, Inc.

GungHo, an affiliate of the Company, resolved the acquisition of its own shares and execution of a tender offer (the "Tender Offer") as a practical method to acquire its own shares at its board of director's meeting held on June 21, 2016.

SoftBank Group Corp. and GungHo have entered into an agreement dated June 3, 2016, under which SoftBank Group Corp. agreed to tender 248,300,000 shares of GungHo common shares held by SoftBank Group Corp. and its subsidiary, SoftBank Corp., to monetize the shares in the Tender Offer to be executed by GungHo. SoftBank Group Corp. tenders shares in the Tender Offer based on the agreement. As a result, GungHo will no longer be an affiliate of the Company after the completion of Tender Offer.

a. Summary of the tender of shares in the Tender Offer

(a) Shares to be tendered	Ordinary shares of GungHo: 248,300,000 shares 23.47% of GungHo outstanding shares* held by: SoftBank Group Corp. 199,204,800 shares SoftBank Corp. 49,095,200 shares
(b) Tender offer price	¥294 per ordinary share
(c) Tender offer period	From June 23, 2016 to July 21, 2016
(d) Start date of settlement	August 16, 2016

Note:

* The portion of shares is calculated based on the total number of shares issued as of March 31, 2016, 1,057,892,400 shares, disclosed in the GungHo quarterly securities report filed on May 9, 2016. The same formula applies to the calculation of the portion set forth below.

b. Number of shares held before and after the tender in the Tender Offer

(a) Number of shares held before the Tender Offer	272,604,800 shares (including indirect ownership) (Shareholding ratio: 25.77%)
(b) Number of shares to be tendered in the Tender Offer	248,300,000 shares (including indirect ownership)
(c) Number of shares held after the Tender Offer*	24,304,800 shares (indirect ownership) (Shareholding ratio: 2.30%)

Note:

* Number of shares held after the Tender Offer indicates the number of shares which the Company holds after the Tender Offer is completed when all 248,300,000 shares are purchased by GungHo. However, less than 248,300,000 shares may be purchased by GungHo if GungHo's other shareholders participate in the tender.

c. Impact on the Consolidated Financial Results

The impact from the transactions on the consolidated financial results for the fiscal year ending March 31, 2017 has not yet been determined.

(3) Sale of shares of Supercell Oy

The Company entered into a definitive agreement with Tencent Holdings Limited ("Tencent") and its affiliate ("Tencent affiliate"), Supercell and other parties on June 21, 2016 to sell all of its shares of Supercell Oy (representing 72.2%² of Supercell shares on a diluted basis¹), held by its subsidiaries, Kahon 3 Oy and SoftBank Group Capital Limited, to Tencent affiliate. On or after the date of transfer of the shares, Supercell will no longer be a subsidiary of the Company.

Notes:

1. The portion of diluted shares is calculated based on the aggregate number of (i) outstanding shares, (ii) vested and unvested stock options, (iii) vested and unvested restricted stock unit ("RSU") and (iv) RSU available for grant pursuant to Supercell's current equity incentive plans, excluding conversion options held by the Company. The same formula applies to the calculation of the portion of shares as set forth below.
2. The portion of shares is calculated based on data as of May 15, 2016.

a. Summary of the transaction

(a) Expected sales date	August 5, 2016
(b) Expected sales price ³	Approximately \$7.3 billion
(c) Expected receipt of payment ⁴	First payment (August 5, 2016): estimated 48% of sales price Second payment (November 3, 2016): estimated 50% of sales price Third payment (August 5, 2019): estimated 2% of sales price

3. The actual sales price will be determined based on Supercell's equity value multiplied by the percentage of interest held by Kahon 3 Oy and SoftBank Group Capital Limited as of the sales date. The equity value is calculated based on Supercell's enterprise value, approximately \$9.5 billion, the cash and cash equivalents of Supercell and other necessary adjustments.
4. Half of the shares to be sold by Kahon 3 Oy and SoftBank Group Capital Limited will be retained in an escrow account until the date when Kahon 3 Oy and SoftBank Group Capital Limited will receive the above-mentioned second payment of the sales price from Tencent affiliate.

b. Ownership before and after the transaction

(a) Ownership before the transaction	72.2% ²
(b) Ownership after the transaction	0%

c. Impact on the Consolidated Financial Results

The impact from the transactions on consolidated financial results for the fiscal year ending March 31, 2017 has not yet been determined.

47. Approval of consolidated financial statements

The consolidated financial statements have been approved by the Company's CEO Masayoshi Son, as of June 22, 2016.

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