



ANNUAL REPORT 2017

FINANCIAL SECTION

For the fiscal year ended March 31, 2017

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Consolidated Financial Statements

a. Consolidated Statement of Financial Position

ASSETS	Notes	(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				
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

LIABILITIES AND EQUITY	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
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		¥20,707,192	¥24,634,212	\$219,575,827

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
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	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	12,200	108,744
Total items that will not be reclassified to profit or loss		342	12,200	108,744
Items that may be reclassified subsequently to profit or loss				
Available-for-sale financial assets	25, 41	(4,906)	5,628	50,166
Cash flow hedges	25, 41	(31,992)	(7,454)	(66,441)
Exchange differences on translating foreign operations	29, 41	(289,735)	(20,500)	(182,726)
Share of other comprehensive income of associates	16, 41	27,642	(30,403)	(270,996)
Total items that may be reclassified subsequently to profit or loss		(298,991)	(52,729)	(469,997)
Total other comprehensive income, net of tax		(298,649)	(40,529)	(361,253)
Total comprehensive income		¥ 259,592	¥1,433,901	\$12,781,006
Total comprehensive income attributable to				
Owners of the parent		¥ 195,864	¥1,385,958	\$12,353,668
Non-controlling interests		63,728	47,943	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

(Millions of yen)

For the fiscal year ended March 31, 2016	Notes	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			
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 income		–	–	–	–	(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	5	–	–	–	–	–	–	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

(Millions of yen)

For the fiscal year ended March 31, 2017	Notes	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			
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		¥238,772	¥245,706	¥2,958,355	¥ (67,727)	¥211,246	¥3,586,352	¥883,378	¥4,469,730

(Thousands of U.S. dollars)

For the fiscal year ended March 31, 2017	Notes	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			
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	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

	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
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		(20,820)	(54,382)	(484,731)
Decrease in cash and cash equivalents		(689,046)	(386,505)	(3,445,093)
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	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	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 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	IFRS 15 (clarification to IFRS 15 is included) 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.	
"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.

- 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.

- 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 telecommunication 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 ¥93,611

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 ¹	C 54,036
Goodwill ²	A-(B-C) ¥ 53,779

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	¥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 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	¥94,341

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	36,247
Current liabilities	4,270
Non-current liabilities	8,177
Total liabilities	12,447
Net assets B	23,800
Non-controlling interests ¹ C	1,503
Goodwill ² A-(B-C)	¥72,044

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	4,016
Payment for the acquisition of control over the subsidiary by cash	¥(90,325)

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)	¥ 559,178

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 March 31, 2017	Fiscal year ended March 31, 2017
Sales (pro forma)	¥8,970,264	\$79,956,003
Net income (pro forma)	¥1,482,045	\$13,210,135

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								Reconciliations	Consolidated
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	ARM	Total	Other			
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								Reconciliations*	Consolidated
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	ARM	Total	Other			
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						Other	Reconciliations*	Consolidated
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	ARM	Total			
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	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	¥12,424,915	¥15,282,177	\$136,216,926

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	¥2,569,607	¥2,183,102	\$19,458,971

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	¥1,914,789	¥2,121,619	\$18,910,946

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, 2016	As of March 31, 2017	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	¥152,858	¥ 794,689	\$ 7,083,421
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	¥970,874	¥1,552,267	\$13,836,055

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, 2016	As of March 31, 2017	As of March 31, 2017
Merchandise and finished products	¥333,085	¥297,077	\$2,647,981
Other	26,379	44,267	394,572
Total	¥359,464	¥341,344	\$3,042,553

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, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Write-downs of inventories	¥29,504	¥25,300	\$225,510

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, 2016	As of March 31, 2017	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	¥553,551	¥283,221	\$2,524,477
Non-current			
Long-term prepaid expense	178,162	171,805	1,531,375
Other	14,312	11,015	98,182
Total	¥192,474	¥182,820	\$1,629,557

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

(Thousands of U.S. dollars)

	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
Historical cost							
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:

(Millions of yen)

	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
Accumulated depreciation and impairment losses							
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)

(Thousands of U.S. dollars)

	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
Accumulated depreciation and impairment losses							
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:

(Millions of yen)

	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
Carrying amounts							
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

(Thousands of U.S. dollars)

	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
Carrying amounts							
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:

(Thousands of U.S. dollars)

	(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.

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."

The amount of property, plant and equipment pledged as collateral for interest-bearing debt or other is

13. Goodwill and intangible assets

Changes in goodwill and intangible assets at historical cost are as follows:

Historical cost	Intangible assets with indefinite useful lives						Intangible assets with finite useful lives					Total
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	
As of April 1, 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
Purchases	–	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
Purchases	–	17,454	–	55,551	–	1,837	–	–	22	–	177,169	252,033
Internal development	–	–	–	5,265	–	–	–	–	–	–	18,989	24,254
Business combinations	2,659,035	–	–	2,142	538,076	149,215	–	–	5,946	–	445	695,824
Loss of control	(89,834)	–	–	(99)	–	–	–	(101,842)	–	–	(241)	(102,182)
Disposals	–	–	–	(79,614)	–	(109)	(1,367)	–	(256)	–	(1,329)	(82,675)
Transfer of accounts	–	–	1	114,764	–	23	–	–	–	–	(114,927)	(139)
Exchange differences	26,734	(13,939)	(3,625)	(1,185)	7,119	(2,968)	(758)	(10,592)	(185)	–	(867)	(27,000)
Other	–	36,386	1	2,405	–	518	–	–	56	–	(696)	38,670
As of March 31, 2017	¥4,221,598	¥4,100,651	¥714,257	¥1,648,242	¥545,195	¥1,129,621	¥163,485	¥	¥64,828	¥117,233	¥209,573	¥8,693,085

(Millions of yen)

(Thousands of U.S. dollars)

Historical cost	Intangible assets with indefinite useful lives						Intangible assets with finite useful lives					Total
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	
As of March 31, 2016 . . .	\$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
Purchases	–	155,575	–	495,151	–	16,374	–	–	196	–	1,579,188	2,246,484
Internal development . .	–	–	–	46,929	–	–	–	–	–	–	169,258	216,187
Business combinations . .	23,701,177	–	–	19,092	4,796,114	1,330,021	–	–	52,999	–	3,966	6,202,192
Loss of control	(800,731)	–	–	(882)	–	–	–	(907,764)	–	–	(2,148)	(910,794)
Disposals	–	–	–	(709,635)	–	(972)	(12,185)	–	(2,282)	–	(11,846)	(736,920)
Transfer of accounts . . .	–	–	9	1,022,943	–	205	–	–	–	–	(1,024,396)	(1,239)
Exchange differences . . .	238,291	(124,245)	(32,312)	(10,562)	63,455	(26,454)	(6,757)	(94,411)	(1,649)	–	(7,728)	(240,663)
Other	–	324,325	9	21,437	–	4,617	–	–	499	–	(6,204)	344,683
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	\$77,485,382

Changes in the accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

(Millions of yen)

Accumulated amortization and impairment losses	Intangible assets with indefinite useful lives						Intangible assets with finite useful lives					Total
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	
As of April 1, 2015	¥ (9,788)	¥ –	¥ (7,404)	¥(606,074)	¥ –	¥(397,637)	¥(31,742)	¥(83,325)	¥(3,627)	¥ (1,019)	¥(19,974)	¥(1,150,802)
Amortization	–	–	–	(228,753)	–	(173,860)	–	(26,951)	(1,932)	(5,742)	(5,175)	(442,413)
Impairment loss	(6,086)	–	(4,125)	(589)	–	(1,342)	–	–	–	–	(51)	(6,107)
Loss of control	–	–	–	2,521	–	–	–	56,186	7	–	446	59,160
Disposals	–	–	–	59,984	–	–	–	–	48	–	54	60,086
Exchange differences . . .	–	–	286	11,573	–	31,383	3,110	1,500	325	–	746	48,923
Other	–	–	–	(5,527)	–	151	(17,736)	–	–	–	(890)	(24,002)
As of March 31, 2016 . . .	(15,874)	–	(11,243)	(766,865)	–	(541,305)	(46,368)	(52,590)	(5,179)	(6,761)	(24,844)	(1,455,155)
Amortization	–	–	–	(228,538)	(22,301)	(137,608)	–	(6,851)	(2,161)	(6,658)	(4,280)	(408,397)
Impairment loss	(30,260)	–	–	(1,327)	–	–	–	–	–	–	(714)	(2,041)
Loss of control	–	–	–	74	–	–	–	54,206	–	–	119	54,399
Disposals	–	–	–	78,284	–	77	1,367	–	100	–	1,021	80,849
Exchange differences . . .	–	–	17	(883)	–	(1,405)	(227)	5,235	(34)	–	332	3,035
Other	–	–	–	(6,053)	–	(574)	(13,503)	–	(22)	–	1,016	(19,136)
As of March 31, 2017 . . .	¥(46,134)	¥ –	¥(11,226)	¥(925,308)	¥(22,301)	¥(680,815)	¥(58,731)	¥ –	¥(7,296)	¥(13,419)	¥(27,350)	¥(1,746,446)

(Thousands of U.S. dollars)

Accumulated amortization and impairment losses	Intangible assets with indefinite useful lives						Intangible assets with finite useful lives						Total
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other		
As of March 31, 2016 . . .	\$(141,492)	\$ –	\$(100,214)	\$(6,835,413)	\$ –	\$(4,824,895)	\$(413,299)	\$(468,758)	\$(46,163)	\$(60,264)	\$(221,446)	\$(12,970,452)	
Amortization	–	–	–	(2,037,062)	(198,779)	(1,226,562)	–	(61,066)	(19,262)	(59,346)	(38,150)	(3,640,227)	
Impairment loss	(269,721)	–	–	(11,828)	–	–	–	–	–	–	(6,364)	(18,192)	
Loss of control	–	–	–	660	–	–	–	483,162	–	–	1,061	484,883	
Disposals	–	–	–	697,781	–	686	12,185	–	891	–	9,101	720,644	
Exchange differences . .	–	–	152	(7,871)	–	(12,524)	(2,023)	46,662	(303)	–	2,959	27,052	
Other	–	–	–	(53,954)	–	(5,116)	(120,358)	–	(196)	–	9,056	(170,568)	
As of March 31, 2017 . . .	\$(411,213)	\$ –	\$(100,062)	\$(8,247,687)	\$(198,779)	\$(6,068,411)	\$(523,495)	\$ –	\$(65,033)	\$(119,610)	\$(243,783)	\$(15,566,860)	

The carrying amounts of goodwill and intangible assets are as follows:

(Millions of yen)

Carrying amounts	Intangible assets with indefinite useful lives						Intangible assets with finite useful lives						Total
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other		
As of March 31, 2016 . . .	¥1,609,789	¥4,060,750	¥706,637	¥782,148	¥ –	¥439,800	¥119,242	¥59,844	¥54,066	¥110,472	¥106,186	¥6,439,145	
As of March 31, 2017 . . .	¥4,175,464	¥4,100,651	¥703,031	¥722,934	¥522,894	¥448,806	¥104,754	¥ –	¥57,532	¥103,814	¥182,223	¥6,946,639	

(Thousands of U.S. dollars)

Carrying amounts	Intangible assets with indefinite useful lives						Intangible assets with finite useful lives						Total
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other		
As of March 31, 2017 . . .	\$37,217,791	\$36,550,949	\$6,266,432	\$6,443,836	\$4,660,790	\$4,000,410	\$933,720	\$ –	\$512,808	\$925,341	\$1,624,236	\$61,918,522	

“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	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	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	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	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	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 groups (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 instrument."

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	¥2,888,874	¥2,645,598	\$23,581,407

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	¥393,765	¥342,471	\$3,052,598

(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

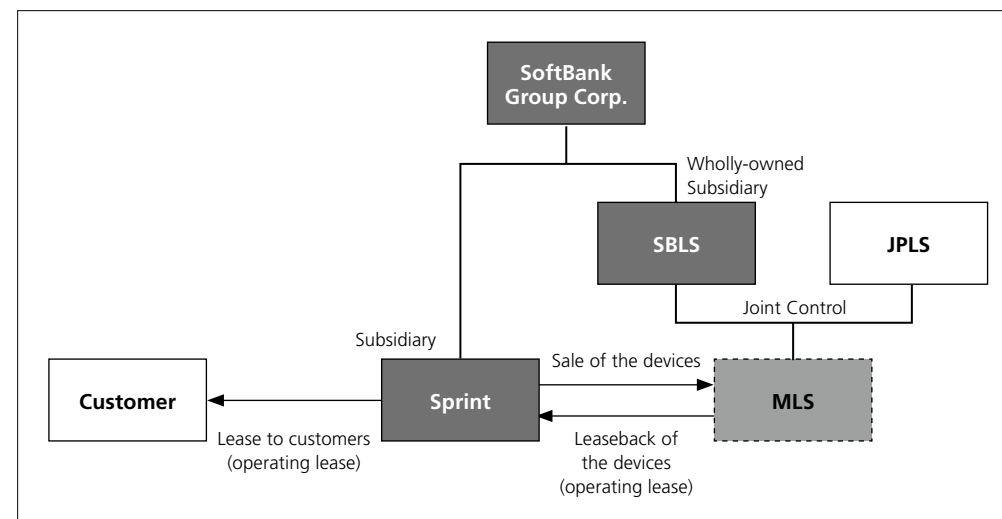
exchange for monthly rental payments to be made by Sprint to MLS. In addition, Brightstar has a contractual agreement with MLS to provide reverse logistics and remarketing services to MLS with respect to the devices that are returned to MLS. The terms and conditions of the transaction are negotiated 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:

- 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.
- 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.
- 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.
- 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.
- 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.
- SoftBank Group International Limited changed its company name to SoftBank Group Capital Limited on April 27, 2016.
- 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

- Sprint (Sprint Corporation and its group companies)
 - 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
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
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	As of March 31, 2017
Current assets	¥ 899,704	¥1,583,724	\$14,116,445
Non-current assets	7,958,438	7,790,217	69,437,713
Current liabilities	1,527,507	1,424,313	12,695,543
Non-current liabilities	5,362,584	6,108,478	54,447,616
Net assets	1,968,051	1,841,150	16,410,999

	(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 sales	¥3,871,647	¥3,623,375	\$32,296,773
Net loss	(230,380)	(148,261)	(1,321,517)
Total comprehensive income	(232,734)	(160,823)	(1,433,488)

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	Fiscal year ended March 31, 2017
Net cash provided by operating activities	¥ 361,001	¥ 373,446	\$ 3,328,692
Net cash used in investing activities	(685,226)	(1,011,880)	(9,019,342)
Net cash provided by financing activities	155,915	658,123	5,866,147
Effect of exchange rate changes on cash and cash equivalents	(16,029)	4,750	42,339
(Decrease) increase in cash and cash equivalents	¥(184,339)	¥ 24,439	\$ 217,836

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) As of March 31, 2016	(Millions of yen) As of March 31, 2017	(Thousands of U.S. dollars) As of March 31, 2017
Accumulated amount attributable to the non-controlling interests of subsidiary group	¥539,584	¥583,106	\$5,197,486

	(Millions of yen) Fiscal year ended March 31, 2016	(Millions of yen) Fiscal year ended March 31, 2017	(Thousands of U.S. dollars) Fiscal year ended March 31, 2017
Net income allocated to the non-controlling interests of subsidiary group	¥97,909	¥73,172	\$652,215

(b) Summarized consolidated financial information

	(Millions of yen) As of March 31, 2016	(Millions of yen) As of March 31, 2017	(Thousands of U.S. dollars) As of March 31, 2017
Current assets	¥806,380	¥ 966,818	\$8,617,684
Non-current assets	555,000	585,974	5,223,051
Current liabilities	366,023	416,168	3,709,493
Non-current liabilities	64,012	119,334	1,063,678
Net assets	931,345	1,017,290	9,067,564

	(Millions of yen) Fiscal year ended March 31, 2016	(Millions of yen) Fiscal year ended March 31, 2017	(Thousands of U.S. dollars) Fiscal year ended March 31, 2017
Net sales	¥652,327	¥853,730	\$7,609,680
Net income	172,492	132,634	1,182,227
Total comprehensive income	173,504	134,436	1,198,289

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) Fiscal year ended March 31, 2016	(Millions of yen) Fiscal year ended March 31, 2017	(Thousands of U.S. dollars) Fiscal year ended March 31, 2017
Net cash provided by operating activities	¥ 107,519	¥128,627	\$1,146,511
Net cash used in investing activities	(112,647)	(58,651)	(522,783)
Net cash (used in) provided by financing activities	(49,358)	23,996	213,887
Effect of exchange rate changes on cash and cash equivalents	(286)	(70)	(624)
(Decrease) increase in cash and cash equivalents	¥ (54,772)	¥ 93,902	\$ 836,991

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	Fiscal year ended March 31, 2017
Net sales	¥1,771,778	¥2,337,597	\$20,836,055
Net income	1,177,794	1,026,796	9,152,295
Other comprehensive income, net of tax	122,648	(120,129)	(1,070,764)
Total comprehensive income	¥1,300,442	¥ 906,667	\$ 8,081,531

	(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:

- 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.
- 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 ¥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	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	Fiscal year ended March 31, 2017
Current tax expenses	¥(219,931)	¥(317,676)	\$(2,831,589)
Deferred tax expenses	(202,746)	524,781	4,677,609
Total	¥(422,677)	¥ 207,105	\$ 1,846,020

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	(0.7)	(1.0)
Actual tax rate	46.0	(29.1)

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

	As of March 31, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	Exchange differences	Other	As of March 31, 2016
(Millions of yen)							
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 comprehensive 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 comprehensive 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:

- 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."
- 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.
- 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).
- 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).
- 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
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
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.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Net operating loss carryforwards (tax basis)			
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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Tax credit carryforwards (tax basis)			
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	¥2,646,609	¥ 2,694,093	\$ 24,013,664		
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	Jun. 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	¥9,275,822	¥12,164,277	\$108,425,680		

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 (Millions of yen) ⁶	As of March 31, 2017 (Millions of yen) ⁶	As of March 31, 2017 (Thousands of U.S. dollars) ⁶	Interest rate (%)	Date of maturity
SoftBank Group Corp.							
35 th Unsecured Straight Bond	Jan. 25, 2011	¥ 10,000 million	¥ 9,988	¥ 9,995 (9,995)	\$ 89,090 (89,090)	1.66	Jan. 25, 2018
36 th Unsecured Straight Bond	Jun. 17, 2011	–	99,982 (99,982)	–	–	1.00	Jun. 17, 2016
39 th Unsecured Straight Bond	Sep. 24, 2012	¥100,000 million	99,852	99,956 (99,956)	890,953 (890,953)	0.74	Sep. 22, 2017
40 th Unsecured Straight Bond	Sep. 14, 2012	¥ 10,000 million	9,986	9,996 (9,996)	89,099 (89,099)	0.73	Sep. 14, 2017
41 st Unsecured Straight Bond	Mar. 12, 2013	–	298,957 (298,957)	–	–	1.47	Mar. 10, 2017
42 nd Unsecured Straight Bond	Mar. 1, 2013	–	69,938 (69,938)	–	–	1.47	Mar. 1, 2017
43 rd Unsecured Straight Bond	Jun. 20, 2013	¥400,000 million	397,795	398,813	3,554,800	1.74	Jun. 20, 2018
44 th Unsecured Straight Bond	Nov. 29, 2013	¥ 50,000 million	49,850	49,883	444,630	1.69	Nov. 27, 2020
45 th Unsecured Straight Bond	May 30, 2014	¥300,000 million	297,608	298,384	2,659,631	1.45	May 30, 2019
46 th Unsecured Straight Bond	Sep. 12, 2014	¥400,000 million	396,497	397,522	3,543,293	1.26	Sep. 12, 2019
47 th Unsecured Straight Bond	Jun. 18, 2015	¥100,000 million	98,919	99,178	884,018	1.36	Jun. 18, 2020
48 th Unsecured Straight Bond	Dec. 10, 2015	¥370,000 million	365,529	366,200	3,264,106	2.13	Dec. 9, 2022
49 th Unsecured Straight Bond	Apr. 20, 2016	¥ 20,000 million	–	19,919	177,547	1.94	Apr. 20, 2023
50 th Unsecured Straight Bond	Apr. 20, 2016	¥ 30,000 million	–	29,862	266,173	2.48	Apr. 20, 2026
51 st Unsecured Straight Bond	Mar. 16, 2017	¥400,000 million	–	394,989	3,520,715	2.03	Mar. 15, 2024
52 nd 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
1 st Unsecured Subordinated Corporate Bond	Dec. 19, 2014	¥400,000 million	393,792	394,887	3,519,806	2.50	Dec. 17, 2021
2 nd Unsecured Subordinated Corporate Bond	Feb. 9, 2015	¥450,000 million	442,811	444,043	3,957,954	2.50	Feb. 9, 2022
1 st 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
2 nd 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
3 rd 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 (468,877)	4,364,435 (119,947)	38,902,175 (1,069,142)		

Company name / Name of bond	Date of issuance	Balance of issue amount ⁵	As of March 31, 2016 (Millions of yen) ⁶	As of March 31, 2017 (Millions of yen) ⁶	As of March 31, 2017 (Thousands of U.S. dollars) ⁶	Interest rate (%)	Date of maturity
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 Canada Facility (Tranche 3) ^{12, 13}	Dec. 17, 2014	\$ 300 million	33,677	33,562	299,153	3.48	Dec. 17, 2019
Export Development Canada Facility (Tranche 4) ¹⁴	Dec. 15, 2015	–	28,120	–	–	6.23	Dec. 15, 2017
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 ¹³	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)		

Company name / Name of bond	Date of issuance	Balance of issue amount ⁵	As of March 31, 2016 (Millions of yen) ⁶	As of March 31, 2017 (Millions of yen) ⁶	As of March 31, 2017 (Thousands of U.S. dollars) ⁶	Interest rate (%)	Date of maturity
Sprint Capital Corporation¹¹							
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 LLC¹¹							
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 Notes due 2040	Dec. 8, 2010	\$ 629 million	73,749 (50,073)	71,761 (71,761)	639,638 (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 - Feb. 28, 2017	¥35,200 million	100	35,200 (150)	313,753 (1,337)	0.04 –0.70	May 25, 2017 - Feb. 28, 2024
Subtotal			100	35,200 (150)	313,753 (1,337)		
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 depository 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 through the 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.”

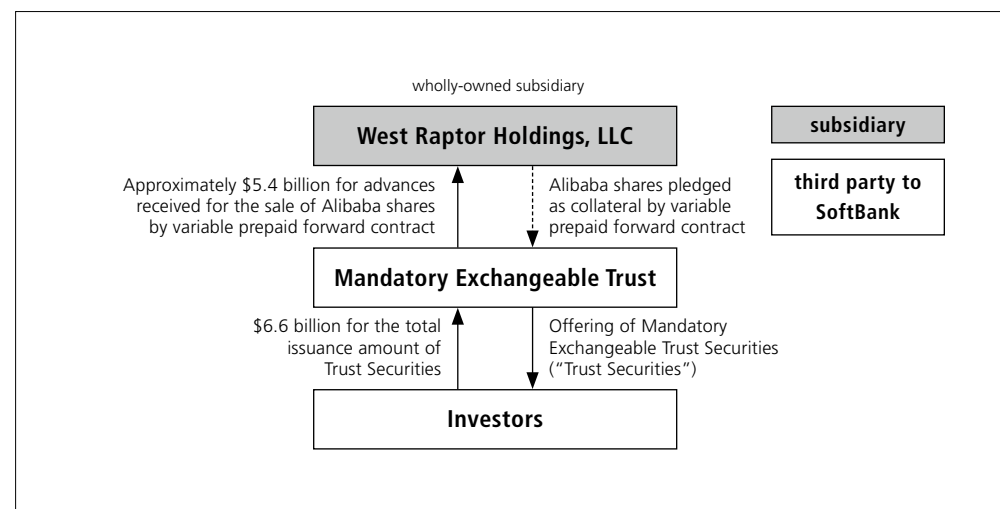
WRH LLC has the option (“cash settlement option”) to settle the variable prepaid forward contract by either delivering cash or a combination of cash and Alibaba shares. If WRH LLC elects the cash settlement option, the cash equivalent to the fair value of the number of shares for the settlement, which 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	¥281,706	¥830,163	\$7,399,617

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	¥190,431	¥1,003,521	\$8,944,835

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	¥144,957	¥107,242	\$955,896

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	60,963	24,268	216,312
Total	¥102,501	¥60,848	\$542,366

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	10,000	38,000	338,711
Total	¥128,135	¥360,216	\$3,210,767

(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	¥2,129,683	¥4,792,530	\$42,717,978

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	Fiscal year ended March 31, 2017
Repayment of long-term borrowings	¥ (684,397)	¥ (920,315)	\$ (8,203,182)
Redemption of corporate bonds	(203,281)	(862,281)	(7,685,899)
Payment of lease obligations	(468,061)	(459,788)	(4,098,298)
Payment of installment payables	(49,029)	(40,683)	(362,625)
Redemption of preferred securities	(200,000)	–	–
Total	¥(1,604,768)	¥(2,283,067)	\$ (20,350,004)

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	As of March 31, 2017
Operating payables	¥1,492,481	¥1,460,839	\$13,021,116
Other	128,714	146,614	1,306,837
Total	¥1,621,195	¥1,607,453	\$14,327,953

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	As of March 31, 2017
Non-current			
Derivative financial liabilities	¥71,677	¥254,146	\$2,265,318
Other	23,987	33,083	294,883
Total	¥95,664	¥287,229	\$2,560,201

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	As of March 31, 2017
Current			
Deferred revenue	¥295,129	¥219,305	\$1,954,764
Short-term accrued employee benefits	129,006	126,628	1,128,692
Accrued interest expense	84,761	80,231	715,135
Consumption tax payable and other	118,070	107,902	961,779
Other	67,999	65,030	579,643
Total	¥694,965	¥599,096	\$5,340,013
Non-current			
Deferred revenue	¥125,778	¥102,270	\$ 911,579
Unfavorable lease contracts	93,618	73,408	654,319
Other	119,469	122,093	1,088,269
Total	¥338,865	¥297,771	\$2,654,167

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	¥115,606	¥ 29,897	¥16,890	¥14,583	¥18,116	¥195,092
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	¥115,606	¥ 29,897	¥16,890	¥14,583	¥18,116	¥195,092

	(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	\$1,030,448	\$ 266,485	\$150,548	\$129,985	\$161,477	\$1,738,943
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	\$1,030,448	\$ 266,485	\$150,548	\$129,985	\$161,477	\$1,738,943

Notes:

- 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).
- 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:

	Fiscal year ended March 31, 2016	(Millions of yen) Fiscal year ended March 31, 2017	(Thousands of U.S. dollars) Fiscal year ended March 31, 2017
Retirement benefit cost of defined contribution plans	¥10,678	¥8,676	\$77,333

(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	¥15,133	¥ 93,039	¥ 108,172

	(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	\$ 134,887	\$ 829,299	\$ 964,186

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	¥42,905	¥97,846	¥140,751

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	¥48,866	¥102,499	¥151,365

	(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	\$435,565	\$913,620	\$1,349,185

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	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)

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		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	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 (877,373)	(40,306)	877,373 (877,373)	(72,658)	7,820,421 (7,820,421)	(647,633)
Total	¥ 877,944 (877,373)	¥(40,344)	¥ 877,539 (877,373)	¥(72,661)	\$ 7,821,900 (7,820,421)	\$(647,660)

The above foreign currency exchange contracts are designated as cash flow hedges.

Indian Rupee

	(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	¥(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	Fiscal year ended March 31, 2017
Increase (decrease) in income before income tax	¥4	¥(876)	\$(7,808)

Foreign currency exchange contracts to which hedge accounting is not applied

	As of March 31, 2016		(Millions of yen) As of March 31, 2017		(Thousands of U.S. dollars) 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	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

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

	As of March 31, 2016		(Millions of yen) As of March 31, 2017		(Thousands of U.S. dollars) 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	Contract amounts (of which: maturing in more than one year)	Fair value
Collar transaction	¥ –	¥ –	¥ 740,454 (740,454)	¥(143,934)	\$ 6,600,000 (6,600,000)	\$(1,282,949)
Put option	–	–	56,095 (56,095)	(8,630)	500,000 (500,000)	(76,923)
Stock acquisition rights	40,512 (11,082)	2,424	9,713 (9,713)	6,208	86,576 (86,576)	55,335
Total	40,512 ¥(11,082)	¥2,424	¥ 806,262 (806,262)	¥(146,356)	\$ 7,186,576 (7,186,576)	\$(1,304,537)

(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 March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended 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

	As of March 31, 2016		(Millions of yen) As of March 31, 2017		(Thousands of U.S. dollars) 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	Contract amounts (of which: maturing in more than one year)	Fair value
Interest rate swap	¥ 10,500 (10,500)	¥(75)	¥ 234,880 (224,880)	¥(250)	\$ 2,093,591 (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

	As of March 31, 2016		(Millions of yen) As of March 31, 2017		(Thousands of U.S. dollars) 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	Contract amounts (of which: maturing in more than one year)	Fair value
Interest rate cap	—	—	¥ 132,945 (132,945)	¥1,039	\$ 1,184,999 (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.

(b) Individually impaired financial assets

Individually impaired financial assets 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 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, 2016	Fiscal year ended March 31, 2017	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, 2016	As of March 31, 2017	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	13,569,695	13,567,162	4,256,567	1,279,867	1,475,868	1,680,854	975,377	3,898,629
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	¥ 76,126	¥ 76,126	¥ (1,286)	¥ (5,406)	¥ (5,118)	¥ (4,706)	¥ (2,462)	¥ 95,104

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	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 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	¥ 260,511	¥ 260,511	¥ 1,920	¥ 4,521	¥ 140,246	¥ 3,069	¥ (2,404)	¥ 113,159

(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	147,127,569	147,854,657	38,234,174	27,517,114	23,506,462	10,718,638	12,182,886	35,695,383
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	\$ 2,322,052	\$ 2,322,052	\$ 17,114	\$ 40,298	\$ 1,250,076	\$ 27,355	\$ (21,428)	\$ 1,008,637

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) 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, 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	¥345,629	¥31,297	¥367,786	¥100	¥2,293,709	¥3,038,521
	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	¥ 4,410	¥71,716	¥13,569,695	¥13,645,821		

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	Total
Financial assets						
Current assets						
Trade and other receivables	¥ –	¥ –	¥ –	¥ –	¥2,121,619	¥2,121,619
Other financial assets	23,373	–	574	276,120	494,622	794,689
Non-current assets						
Other financial assets	596,257	28,695	517,334	–	409,981	1,552,267
Total	¥619,630	¥28,695	¥517,908	¥276,120	¥3,026,222	¥4,468,575
	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	¥202,069	¥101,606	¥16,463,078	¥16,766,753		

(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	Total
Financial assets						
Current assets						
Trade and other receivables	\$ –	\$ –	\$ –	\$ –	\$18,910,946	\$18,910,946
Other financial assets	208,334	–	5,116	2,461,182	4,408,789	7,083,421
Non-current assets						
Other financial assets	5,314,707	255,771	4,611,231	–	3,654,346	13,836,055
Total	\$5,523,041	\$255,771	\$4,616,347	\$2,461,182	\$26,974,081	\$39,830,422

	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	73,807	98,433	572,472	744,712
Financial liabilities				
Derivative financial liabilities				
Foreign currency exchange contracts . .	–	76,051	–	76,051
Interest rate swap contracts	–	75	–	75
Total	¥ –	¥76,126	¥ –	¥ 76,126

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	407,271	61,004	697,958	1,166,233
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	¥ –	¥260,511	¥ 43,164	¥ 303,675

	(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	3,630,190	543,755	6,221,214	10,395,159
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	\$ –	\$2,322,052	\$ 384,740	\$2,706,792

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

(Millions of yen)					
	Financial assets	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		¥549,480	¥ 1,548	¥2,424	¥19,020
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)					
	Financial assets	Equity securities	Bonds	Derivative financial assets	Other
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		¥ 668,334	¥1,132	¥6,208	¥22,284
Gains or losses recognized in net income on financial instruments held at March 31, 2017		¥(153,340)	¥ –	¥3,821	¥(1,293)

(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
Repayments and Redemptions	(77,656)
As of March 31, 2017	¥ 43,164
Gains or losses recognized in net income on financial instruments held at March 31, 2017	¥ 2,395

(Thousands of U.S. dollars)

	Financial assets	Equity securities	Bonds	Derivative financial assets	Other
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	\$ 5,957,162	\$ 10,090	\$ 55,335	\$ 198,627	
Gains or losses recognized in net income on financial instruments held at March 31, 2017	\$(1,366,788)	\$ –	\$ 34,059	\$(11,525)	

(Thousands of U.S. dollars)

	Financial liabilities	Interest-bearing debt
As of April 1, 2016	\$ –	\$ –
Gains or losses		
Net income	40,939	9,903
Other comprehensive income	1,026,081	(692,183)
Borrowings	–	–
Repayments and Redemptions	–	–
As of March 31, 2017	\$ 384,740	\$ 21,348
Gains or losses recognized in net income on financial instruments held at March 31, 2017	\$ 21,348	\$ –

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	¥9,275,822	¥8,778,299	¥11,448,829	¥11,877,297	\$102,048,570	\$105,867,698

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)				
Financial assets	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
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

	(Millions of yen)				
Financial liabilities	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
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)				
Financial assets	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
Trade and other receivables	¥129,790	¥(90,319)	¥39,471	¥(26,134)	¥13,337
Other financial assets	31,736	(133)	31,603	(31,551)	52
Total	¥161,526	¥(90,452)	¥71,074	¥(57,685)	¥13,389

	(Millions of yen)				
Financial liabilities	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	¥221,274	¥(90,452)	¥130,822	¥(25,975)	¥104,847
Other financial liabilities	112,971	–	112,971	(31,710)	81,261
Total	¥334,245	¥(90,452)	¥243,793	¥(57,685)	¥186,108

(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	Net amount
Financial assets					
Trade and other receivables	\$1,156,877	\$(805,054)	\$351,823	\$(232,944)	\$118,879
Other financial assets	282,877	(1,185)	281,692	(281,228)	464
Total	\$1,439,754	\$(806,239)	\$633,515	\$(514,172)	\$119,343

(Thousands of U.S. dollars)

	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Financial liabilities					
Trade and other payables	\$1,972,314	\$(806,239)	\$1,166,075	\$(231,526)	\$ 934,549
Other financial liabilities	1,006,962	–	1,006,962	(282,646)	724,316
Total	\$2,979,276	\$(806,239)	\$2,173,037	\$(514,172)	\$1,658,865

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	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	1,200,660	1,100,660

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	(576)	(100,455)
Balance at the end of the year	53,760	11,378

Notes:

- 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.)
- 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	(342)	–	–	–	(342)
As of March 31, 2016	–	32,594	(40,088)	269,230	261,736
Other comprehensive income (attributable to owners of the parent)	10,140	(20,611)	(4,789)	(25,090)	(40,350)
Transfer to retained earnings	(10,140)	–	–	–	(10,140)
As of March 31, 2017	¥ –	¥11,983	¥(44,877)	¥244,140	¥211,246

	(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	(90,382)	–	–	–	(90,382)
As of March 31, 2017	\$ –	\$106,810	\$(400,009)	\$2,176,130	\$1,882,931

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		Record date	Effective date
		(Yen)	(USD)	(Millions of yen)	(Thousands of U.S. dollars)		
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)	(Thousands of U.S. dollars)		
Shareholders' meeting held on June 22, 2016	Common stock	¥21	\$0.19	¥24,085	\$214,680	March 31, 2016	June 23, 2016
Board of Directors' meeting held on October 27, 2016	Common stock	22	0.20	23,957	213,540	September 30, 2016	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)	(Thousands of U.S. dollars)		
Shareholders' meeting held on June 21, 2017	Common stock	¥22	\$0.20	¥23,964	\$213,602	March 31, 2017	June 22, 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	¥17,561	¥21,178	\$188,769

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; and
- 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 Yen ("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		
1st ¹	From May 16, 2012	From May 2, 2022
2nd ²	through March 1, 2013	through February 28, 2023
2013		
1st ³	From May 17, 2013	From May 16, 2023
2nd ⁴	through November 19, 2013	through November 18, 2023
2014		
1st 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	
Valuation method used	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:

Fiscal year ended March 31, 2017	
Year issued / Name	2015 Omnibus incentive plan
Valuation method used	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	609,920	14.00	223,437	26.53
Ending balance –				
Exercisable	206,898	\$26.33	217,812	\$26.46

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	180,937	29.00	5.76
Total	223,437	\$26.53	4.99

(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 (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	63,973,500	429	61,255,300	429 3.82
Ending balance –				
Exercisable	3,522,500	¥360	2,899,300	¥346 \$3.08

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	24,654,400	514	4.58	6.6
Total		61,255,300	¥429	\$3.82	6.1

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 (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	Number of shares exercised	Weighted-average stock price at exercise (Yen)	Year issued / Name	Number of shares exercised	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	¥8,881,777	¥8,901,004	\$79,338,658

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	¥(7,893,059)	¥(7,749,489)	\$(69,074,686)

“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:

- 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).
- 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.”
- Loss mainly resulting from termination of wholesale contracts with NTELOS Holdings Corp.
- 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	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 Trikonsel 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).

4. 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	12,227	–	12,227	(27)	12,200
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	(41,130)	190	(40,940)	10,537	(30,403)
Total	(238,197)	201,030	(37,167)	(15,562)	(52,729)
Total other comprehensive income	¥(225,970)	¥201,030	¥(24,940)	¥(15,589)	¥(40,529)

(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	108,985	–	108,985	(241)	108,744
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	(366,611)	1,694	(364,917)	93,921	(270,996)
Total	(2,123,157)	1,791,871	(331,286)	(138,711)	(469,997)
Total other comprehensive income	\$(2,014,172)	\$1,791,871	\$(222,301)	\$(138,952)	\$(361,253)

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	419,482	866,603	7,724,423
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	38,215	548,406	4,888,190
Total	¥457,697	¥1,415,009	\$12,612,613

	(Thousands of shares)	
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share		
Weighted-average number of ordinary shares	1,178,098	1,108,237
Adjustments:		
Warrants and corporate bonds with stock acquisition rights	556	1,018
Total	1,178,654	1,109,255

	(Yen)	(USD)
Diluted earnings per share		
Continuing operations	¥355.90	\$ 6.96
Discontinued operations	32.42	4.41
Total	¥388.32	\$11.37

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)	(Thousand 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	¥722,124	\$6,436,616

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)	(Thousand 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 sales 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	–
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	–

Name of the company or individual	Nature of relationship	Nature of transaction	(Thousands of U.S. dollars)	
			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	-
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:

- Equipment usage fees are determined based on the ratio of usage.
- Retired from the position of Representative Director, President&COO as of June 22, 2016.
- 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.
- Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights of these companies.
- 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	¥12,863	¥15,809	\$140,913

Notes:

- 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.
- 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	As of March 31, 2017
Lending commitments	¥196,937	¥313,688	\$2,796,042
Funded	9,355	13,967	124,494
Unfunded	¥187,582	¥299,721	\$2,671,548

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	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 US \$8.2 billion of the Company's US \$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

SoftBank Group Corp. and its Consolidated Subsidiaries

Deloitte.

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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.



June 21, 2017

Member of
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