To Our Shareholders:

Disclosed information on the Internet at the Time of Notifying Convocation of the 38th Annual General Meeting of Shareholders

June 5, 2018

SoftBank Group Corp.

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

Status of SoftBank Group Corp. (“SBG”)

(5) Overview of system to ensure the appropriateness of the operation and its implementation status

The overview of the system established in SBG to ensure the appropriateness of the operations and its implementation status is as follows.

[1] System to ensure the appropriateness of the operation

1. System to ensure that the execution of the duties of directors and employees is in compliance with laws, regulations, and the Articles of Incorporation of SBG

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

(1) A chief compliance officer (CCO) is appointed. In addition to proposing and carrying out measures required to establish and enhance SBG’s compliance system, the CCO regularly reports to the Board of Directors on compliance-related issues and the status of addressing those issues.

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

(3) The Internal Audit department carries out audits on the effectiveness of the system for compliance with laws, regulations, and the Articles of Incorporation, and the results of those audits are reported to the CEO and director in charge. The Internal Audit department also works in cooperation with the Audit & Supervisory Board Members by providing them with the results of those audits.

2. System for the storage and management of information regarding the execution of duties by directors

SBG has established the following system to appropriately store and maintain documents and other important information related to the execution of duties by directors including minutes and proposals of the Board of Directors meetings and requests for approval:

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

(2) A chief information security officer (CISO) has been appointed as the person responsible for information security to promote the establishment and reinforcement of the information security system.

3. Regulations and system relating to managing the risk of loss

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

(1) Responsible departments are designated to address various risks, manage risks in each responsible department and work to reduce risks and prevent the occurrence of risk events based on the Risk Management Regulations. In addition, when an emergency situation arises, an Emergency Response Department will be established according to the designated escalation flow, and efforts will be made to minimize the damage (loss) based on the instructions of the Emergency Response Department.

(2) The General Administration Department will summarize the status of risk evaluation, analysis and response at each responsible department, and regularly report its findings to the Board of Directors.

(3) The Internal Audit department carries out audits on the effectiveness of the risk management process.

4. System to ensure the efficiency of directors in the execution of their duties

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

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

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

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

(4) The scope of operations, authority and responsibilities necessary for operations are clearly defined in the Regulations on Segregation and Authority of Duties.

5. System to ensure appropriateness of the Group operations

SBG has formulated the SoftBank Group Charter to promote fundamental concepts and policies shared throughout the Group and the SoftBank Group companies Management Regulations which spell out policy and system of the Group companies management. In addition, the following have been established to determine rules that should be abided by Group companies as well as their directors and employees, in the light of the size, materiality and other factors of Group companies:

(1) A group compliance officer (GCO) has been appointed to promote the establishment and reinforcement of Group-wide compliance systems, as the person ultimately responsible for compliance throughout the Group. A Group Hotline has also been established to receive reports and provide

consultation to directors and employees of Group companies to quickly identify, rectify, and prevent the reoccurrence of any inappropriate issues in corporate activities. SBG ensures that persons who have reported or consulted on the Group Hotline will not be treated disadvantageously by prohibiting the disadvantageous treatment of persons on the grounds of having reported or consulted on the Group Hotline in the SoftBank Group Compliance Rules.

(2) A group chief information security officer (GCISO) has been appointed to promote the establishment and reinforcement of Group-wide information security systems, as the person ultimately responsible for information security throughout the Group.

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

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

(5) While each Group company addresses risk in an effort to reduce and prevent any possible risks, in the event of emergency, each Group company follows the escalation flow of SBG to minimize damage (loss) in accordance with SBG’s instruction.

6. System for excluding antisocial forces

SBG clearly states in the SoftBank Group Officer and Employee Code of Conduct its policy of having absolutely no association with antisocial forces that pose a threat to public order and safety. The General Administration Department is responsible for dealing with inappropriate requests from antisocial forces and will firmly refuse those requests in a resolute manner in cooperation with the police and other external specialist institutions.

7. System relating to support staff that assists the Audit & Supervisory Board Members, matters relating to the independence of the relevant employees from the directors, and matters relating to ensuring the effectiveness of instructions given to the relevant employees

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

8. System for reporting to the Audit & Supervisory Board Members

Directors and employees of SBG will report the following matters to the Audit & Supervisory Board Members:

(1) Important matters related to the management, finances, or business execution of the Group companies.

(2) Matters related to the compliance system or use of the hotlines.

(3) The development status of internal control systems.

(4) Matters which could cause significant damage to SBG.

(5) Matters relating to violations of laws, regulations, or the Articles of Incorporation.
(6) Results of audits conducted by the Internal Audit department.
(7) Other matters that the Audit & Supervisory Board Members have decided that need to be reported in order for them to execute their duties.

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

(1) When the Audit & Supervisory Board Members deem it necessary, opportunities shall be provided for them to interview directors or employees of Group companies. In addition, the Audit & Supervisory Board Members periodically meet with the independent auditor and the Audit & Supervisory Board Members of major subsidiaries and other entities for an exchange of information and to ensure cooperation.
(2) SBG ensures that persons who have reported or consulted with the Audit & Supervisory Board Members will not be treated disadvantageously by prohibiting the disadvantageous treatment of persons on the grounds of having reported or consulted with the Audit & Supervisory Board Members in the Softbank Group Compliance Rules.
(3) SBG shall pay expenses relating to the independent auditor, the attorneys and other professionals, and other expenses associated with the execution of duties by the Audit & Supervisory Board Members.

[2] Overview of the implementation status of system to ensure the appropriateness of the operation

1. Matters concerning compliance

SBG continues to conduct the compliance training for Directors and employees of the Group, as well as the offering of information and giving of advice, etc., as necessary, to CCO by GCO for enhancing the compliance system. In addition, SBG works to ensure the effectiveness of compliance of the entire Group through setting and operating hotlines so that Directors and employees of the Group can report and consult directly. Effects of these measures are reviewed and improved, as necessary.

2. Matters concerning risk management

Based on the Risk Management Rules, responsible departments of each risk at SBG manage risks and continously work on reducing risks and preventing the occurrence thereof. In addition, the General Administration Department summarizes the status of risk evaluation and analysis, as well as measures against and responses to risks, implemented in each responsible department, and regularly reports its findings to the Board of Directors. The Group companies also manage risks individually and continously work on reducing risks and preventing the occurrence thereof.

3. In managing and overseeing Group companies as a holding company, SBG has formulated the SoftBank Group Charter, the SoftBank Group companies Management Regulations and other rules to be followed by Group companies and their officers and employees. These rules and regulations are applied to Group companies, except for those including listed companies that are deemed to have a sufficient internal structure in place and special purpose companies. With respect to the Group companies which joined the Group in FY2017, to which the application of these rules and regulations may be in violation of the laws and regulations or the restrictions, SBG is working to apply these rules and regulations within the scope legally permitted, in accordance with the

coordination and other arrangements with relevant authorities. SBG continuously works on enhancing and strengthening the system of Group management through these and other measures.

4. Matters concerning internal audits

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

5. Matters concerning the execution of duties by Directors and employees

SBG ensures efficiency of the execution of duties by its Directors and employees based on internal regulations such as the Board of Directors Regulations, Internal Approval Regulations and Regulations on Segregation and Authority of Duties. SBG also ensures an environment where matters can be fully discussed at the Board of Directors meetings by Directors including independent External Directors.

6. Matters concerning the execution of duties by Audit & Supervisory Board Members

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

Consolidated Statement of Changes in Equity

(Fiscal year ended March 31, 2018)

(Millions of yen)

	Equity attributable to owners of the parent				
	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock
As of April 1, 2017	238,772	245,706	-	2,958,355	(67,727)
Comprehensive income					
Net income	-	-	-	1,038,977	-
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,038,977	-
Transactions with owners and other transactions					
Issuance of other equity instruments	-	-	496,876	-	-
Cash dividends	-	-	-	(47,933)	-
Distribution to owners of other equity instruments	-	-	-	(15,852)	-
Transfer of accumulated other comprehensive income to retained earnings	-	-	-	7,438	-
Purchase and disposal of treasury stock	-	-	-	(726)	1,269
Changes from business combination	-	-	-	-	-
Changes in interests in subsidiaries	-	(31,293)	-	-	-
Changes in associates' interests in their subsidiaries	-	(5,133)	-	-	-
Changes in interests in associates' capital surplus	-	40,820	-	-	-
Share-based payment transactions	-	6,668	-	-	-
Other	-	-	-	-	-
Total transactions with owners and other transactions	-	11,062	496,876	(57,073)	1,269
As of March 31, 2018	238,772	256,768	496,876	3,940,259	(66,458)

	Equity attributable to owners of the parent		Non-controlling interests	Total equity
	Accumulated other comprehensive income	Total		
As of April 1, 2017	211,246	3,586,352	883,378	4,469,730
Comprehensive income				
Net income	-	1,038,977	198,835	1,237,812
Other comprehensive income	114,151	114,151	(22,431)	91,720
Total comprehensive income	114,151	1,153,128	176,404	1,329,532
Transactions with owners and other transactions				
Issuance of other equity instruments	-	496,876	-	496,876
Cash dividends	-	(47,933)	(30,889)	(78,822)
Distribution to owners of other equity instruments	-	(15,852)	-	(15,852)
Transfer of accumulated other comprehensive income to retained earnings	(7,438)	-	-	-
Purchase and disposal of treasury stock	-	543	-	543
Changes from business combination	-	-	52,673	52,673
Changes in interests in subsidiaries	-	(31,293)	(4,410)	(35,703)
Changes in associates' interests in their subsidiaries	-	(5,133)	-	(5,133)
Changes in interests in associates' capital surplus	-	40,820	-	40,820
Share-based payment transactions	-	6,668	12,131	18,799
Other	-	-	(441)	(441)
Total transactions with owners and other transactions	(7,438)	444,696	29,064	473,760
As of March 31, 2018	317,959	5,184,176	1,088,846	6,273,022

Non-consolidated Statement of Changes in Equity

(For the fiscal year from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity							
		Capital surplus		Retained earnings				
					Other retained earnings			
	Capital stock	Legal capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2017	¥238,772	¥472,079	¥472,079	¥1,414	¥3,061,720	¥3,063,134	¥(67,727)	¥3,706,258
Changes of items during period								
Dividends of surplus	—	—	—	—	(47,933)	(47,933)	—	(47,933)
Net income	—	—	—	—	204,676	204,676	—	204,676
Purchase of treasury shares	—	—	—	—	—	—	(41)	(41)
Disposal of treasury shares	—	—	—	—	(726)	(726)	1,310	584
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during period	—	—	—	—	156,017	156,017	1,269	157,286
Balance as of March 31, 2018	¥238,772	¥472,079	¥472,079	¥1,414	¥3,217,737	¥3,219,151	¥(66,458)	¥3,863,544

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of April 1, 2017	¥(447)	¥(22)	¥(469)	¥2,016	¥3,707,806
Changes of items during period					
Dividends of surplus	—	—	—	—	(47,933)
Net income	—	—	—	—	204,676
Purchase of treasury shares	—	—	—	—	(41)
Disposal of treasury shares	—	—	—	—	584
Net changes of items other than shareholders' equity	4,588	22	4,610	6,688	11,298
Total changes of items during period	4,588	22	4,610	6,688	168,584
Balance as of March 31, 2018	¥4,141	—	¥4,141	¥8,704	¥3,876,390

Notes to Consolidated Financial Statements

(Basis of Presentation of Consolidated Financial Statements)

1. Basis of preparation of consolidated financial statements

The consolidated financial statements of SoftBank Group Corp. and its subsidiaries are prepared on the basis of International Financial Reporting Standards (“IFRSs”) pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under IFRSs.

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

Company name/ abbreviation	Definition
SoftBank Group Corp.	SoftBank Group Corp. (stand-alone basis)
The Company	SoftBank Group Corp. and its subsidiaries
*Each of the following abbreviations indicates the respective company and its subsidiaries, if any.	
Sprint	Sprint Corporation
Brightstar	Brightstar Global Group Inc.
Arm	Arm Limited*
SoftBank Vision Fund	SoftBank Vision Fund L.P. SoftBank Vision Fund (AIV M1) L.P. SoftBank Vision Fund (AIV M2) L.P. SoftBank Vision Fund (AIV S1) L.P.
Delta Fund	SB Delta Fund (Jersey) L.P.
Fortress	Fortress Investment Group LLC
Alibaba	Alibaba Group Holding Limited

Note:

* In the fiscal year ended March 31, 2018, the Company reorganized Arm Holdings plc and its subsidiaries. Following this reorganization, Arm Limited is described as a principal business entity. SoftBank Group Corp. will use a portion of its Arm Limited shares to satisfy approximately $8.2 billion out of its total commitment to SoftBank Vision Fund. At the fiscal year-end, SoftBank Vision Fund held 19.7% stake in Arm Limited. At the time of completion of the commitment by SoftBank Group Corp. related to Arm Limited shares, SoftBank Vision Fund will hold a 24.99% stake in Arm Limited.

2. Scope of consolidation

Number of consolidated subsidiaries: 1,142

Names of main consolidated subsidiaries

SoftBank Corp., Sprint Corporation, Yahoo Japan Corporation, Brightstar Global Group Inc., Arm Limited, SoftBank Vision Fund L.P., SB Delta Fund (Jersey) L.P. and SoftBank Group Capital Limited.

Names of main entities newly consolidated and reasons for consolidation

Fortress Investment Group LLC	Newly acquired
The Japan Net Bank, Limited	Changed from equity method associate due to appointing the majority of The Japan Net Bank, Limited’s directors, along with the change of the shareholders agreement

Name of the main entity excluded from consolidation and the reason for exclusion

SoftBank Group Japan GK	Dissolved as a result of an absorption-type merger with SoftBank Group International GK

3. Scope of entities applying equity method

Number of entities applying the equity method: 396

Name of the main entity applying the equity method

Alibaba Group Holding Limited

Name of the main entity excluded from scope of entities applying the equity method and the reason for exclusion

The Japan Net Bank, Limited	Changed to consolidated subsidiary due to appointing the majority of The Japan Net Bank, Limited's directors, along with the change of the shareholders agreement

Names of main associates not accounted for under the equity method and the reason thereof

WeWork Companies, Inc. Flipkart Private Limited	Investments in associates made by SoftBank Vision Fund are investments held indirectly through venture capital organizations. Therefore these investments are measured at fair value through profit or loss in accordance with paragraph 18 of IAS 28 "Investments in Associates and Joint Venture."

4. Matters regarding the equity method associates for the current fiscal year

The Company applies the equity method to its investment in Alibaba, an associate of the Company, on a three-month time lag, as it is impracticable to unify 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 are publicly announced by Alibaba.

5. Summary of significant accounting policies

(1) Evaluation standards and methods for financial instruments

a. Financial assets

Financial assets are measured at fair value at initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets other than financial assets measured at fair value through profit or loss ("financial assets at FVTPL") are added to the fair value of the financial assets upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets 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," and "available-for-sale financial assets." The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

(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 a 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.

For investments from SoftBank Vision Fund and Delta Fund, please refer to "(b) Investments in associates" and "(c) Other investments" of "b. Portfolio company investments made by SoftBank Vision Fund and Delta Fund", "c. Presentation of the results from SoftBank Vision Fund and Delta Fund business" and "d.

Investments made by the Company based on the premise of transferring to SoftBank Vision Fund and Delta Fund" under "(11) Significant accounting policy regarding SoftBank Vision Fund and Delta Fund."

(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 method 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 method is recognized in profit or loss.

(d) Available-for-sale financial assets

Non-derivative financial assets meeting any of the followings are classified as "available-for-sale financial assets:

・ They are designated as "available-for-sale financial assets"
・ 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. Exchange gain and loss 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 financial 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 negative future cash flows of the financial assets from those events can be reasonably estimated.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value below the cost is considered to be objective evidence of impairment. In addition, objective evidence of impairment of all financial assets could include:

・ Significant financial difficulty of the issuer or borrower;
・ Breach of contract, such as a default or delinquency in interest or principal payments;
・ High possibilities of borrowers' bankruptcy or entering financial reorganization; or
・ Disappearance of an active market for the financial assets.

The Company assesses the existence of objective evidence of impairment individually for separately significant assets or collectively for assets with no individual significance.

When there is objective evidence of impairment on loans and receivables or held-to-maturity investments, the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, is recognized in profit or loss as an impairment loss. The impairment loss is recognized through the use of an allowance account, and the carrying amount of a loan and receivable is written off by offsetting 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 reclassified to profit or loss. Impairment losses on equity instruments classified as available-for-sale financial assets are not reversed.

c. 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 and interest rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair values at the end of fiscal year. Changes in the fair value of derivatives are recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument.

(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 at FVTPL.

(2) Evaluation standards and methods for 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.

(3) Evaluation standards, valuation methods, and depreciation or amortization methods for property, plant, and equipment and intangible assets

a. 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	30 - 50	years
Other	10 - 15	years
Telecommunications equipment		
Wireless equipment, switching equipment, and other network equipment	5 - 30	years
Towers	10 - 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.

b. Intangible assets

Intangible assets are measured at historical cost, less accumulated amortization and accumulated impairment losses.

Intangible assets acquired individually are measured at cost upon initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill upon initial recognition and are measured at fair value at the acquisition date. Any internally-generated research and development expenditure is recognized as an expense 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 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	5 - 24 years
Spectrum migration costs	18 years
Management contracts	1.5 - 10 years
Favorable lease contracts	7 - 23 years
Trademarks (with finite useful lives)	2 - 34 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.

Spectrum migration costs are the amounts that the Company incurred in connection with the costs arising from the migration of the existing users 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.

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.

Intangible assets with indefinite useful lives are as follows:
・ Licenses to use specific frequency spectrums 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 used 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 "(5) Impairment of property, plant, and equipment; intangible assets; and goodwill."

(4) Accounting treatment of goodwill

Please refer to "(10) Accounting treatment for business combinations" for the measurement of goodwill at initial recognition. Goodwill is measured at cost, less accumulated impairment losses.

Goodwill is not amortized, and is tested for impairment when there is an indication of impairment in 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 "(5) Impairment of property, plant, and equipment; intangible assets; and goodwill."

Any excess of the cost of acquisition of an associate or joint venture over the Company's interest in the net fair value of the identifiable assets and liabilities recognized at the date of acquisition is recognized as goodwill and included within the carrying amount of investment in the relevant company. Because goodwill is not separately recognized, it is not tested for impairment separately. Instead, the entire carrying amount of the investment in associates or joint ventures, including goodwill, is tested for impairment as a single asset whenever objective evidence indicates the investment may be impaired.

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

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

At the end of fiscal year, the Company determines whether there is any indication that property, plant, and equipment and intangible assets may be impaired.

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

The intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment annually, regardless of whether there is any indication of impairment.

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

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

At the end of the fiscal year, the Company evaluates whether there is any indication that an impairment loss recognized in prior years for assets other than goodwill has decreased. 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 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.

(6) Accounting treatment of defined benefit 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.

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 for the current fiscal year.

The Company's remeasurement, which comprises actuarial gains and losses and the return on plan assets (excluding amounts included in net interest), is recognized in other comprehensive income and reclassified to retained earnings immediately from accumulated other comprehensive income.

(7) Criteria for recording significant provisions

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

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

The Company recognizes asset retirement obligations, restructuring provisions, provisions for loss on interest repayment, and provisions for unprofitable contracts 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.

Provision for loss on interest repayment is recorded based on an amount representing future expected claims by debtors and others for repayment of interest paid in excess of the rate permitted under the Interest Rate Restriction Act.

(8) Revenue recognition

The Company's main accounting policy for revenue recognition is as follows:

<u>Domestic Telecommunications segment and Sprint segment</u>

a. Mobile Communications service and sales of mobile handsets

The Company provides mobile telecommunications services, which consist of voice communications and data transmission to subscribers, and also sells mobile handsets and accessories to customers.

In the Mobile Communications service, revenues are mainly generated from basic monthly charges, telecommunications services and other fees. Also, 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 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 for lump-sum payments, the maximum amount of revenues to be recognized by the sale of mobile handsets is set by the amounts to be received from subscribers from the sales of those 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 memberships, 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 others. Revenue from premium advertising is recognized over the period in which the 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 Personal Computer software, peripherals, and mobile handsets accessories in Japan. Revenue in the Distribution segment is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably. For transactions conducted by the Company on behalf of third parties, revenue is presented on 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 sell 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.

(9) Criteria for foreign currency translation

a. Transactions denominated in foreign currencies

Financial statements of each group company are prepared in the currency based on the primary economic environment in which it operates (“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 and expenses are translated into Japanese yen 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.

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.

(10) Accounting treatment for 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 gain or loss from the remeasurement, 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 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) as of the date of transition to IFRSs and recorded by that amount after an impairment test.

(11) Significant accounting policy regarding SoftBank Vision Fund and Delta Fund

a. Consolidation of the SoftBank Vision Fund and Delta Fund business by the Company

SoftBank Vision Fund and Delta Fund are Limited Partnerships established by the General Partner which is a wholly-owned subsidiary of the Company, and by their form of organization, qualify as structured entities. SoftBank Vision Fund and Delta Fund are consolidated by the Company for the following reasons.

The various entities comprising SoftBank Vision Fund and Delta Fund make investment decisions through their respective Investment Committee, which were established as committees of SB Investment Advisers (UK) Limited (“SBIA”). SBIA is an advisory company and is a wholly-owned subsidiary of the Company. As such, the Company has power as defined under IFRS 10 “Consolidated Financial Statements” over SoftBank Vision Fund and Delta Fund. Furthermore, SBIA receives performance fees and the Company receives distributions attributable to Limited Partners based on the investment performance as returns from the Funds. The Company has the ability to affect those returns through its power over the Funds, and therefore, the Company is deemed to have control as stipulated in IFRS 10 over each Fund.

Inter-company transactions such as management fees and performance fees to SBIA paid or to be paid from SoftBank Vision Fund and Delta Fund are eliminated in consolidation.

b. Portfolio company investments made by SoftBank Vision Fund and Delta Fund

(a) Investments in subsidiaries

Of the portfolio company investments made by SoftBank Vision Fund, the portfolio companies that the Company is deemed to control under IFRS 10, are subsidiaries of the Company. Accordingly, their results of operations, assets and liabilities are included in the Company’s consolidated financial statements.

Gain and loss on investments in the subsidiaries of the Company which will be recognized at SoftBank Vision Fund are eliminated in consolidation.

(b) Investments in associates

Of the portfolio company investments made by SoftBank Vision Fund and Delta Fund, the portfolio companies over which the Company has significant influence under IAS 28 “Investments in Associates and Joint Ventures”, are associates of the Company.

The investments in associates of the Company made by SoftBank Vision Fund and Delta Fund are accounted for as financial assets at FVTPL in accordance with IAS 28. 18, and presented as “Investments from SoftBank Vision Fund and Delta Fund accounted for using FVTPL” in the consolidated statement of financial position.

(c) Other investments

Investments other than those in subsidiaries or associates of the Company made by the SoftBank Vision Fund and Delta Fund are accounted for as financial assets at FVTPL.

c. Presentation of the results from the SoftBank Vision Fund and Delta Fund business

Income and loss arising from the SoftBank Vision Fund and Delta Fund business are separated from operating income and loss arising from other businesses, recognized as a component of operating income, and presented as “Operating income from SoftBank Vision Fund and Delta Fund” in the consolidated statement of income. Gain and loss arising from “b. Portfolio company investments made by SoftBank Vision Fund and Delta Fund” (realized gain and loss on sales of investments, unrealized gain and loss on valuation of investments, interest and dividend income from investments, except for gain and loss on investments in subsidiaries) and operating expenses such as incorporation expenses of entities that comprise SoftBank Vision Fund and Delta Fund, investment research expenses arising from SBIA and other Japan and U.S. advisory companies which support SBIA, and administrative expenses arising from each entity, are included in “Operating income from SoftBank Vision Fund and Delta Fund.”

d. Investments made by the Company based on the premise of transferring to SoftBank Vision Fund and Delta Fund

Investments in associates or other investments made by SoftBank Group Corp. or its subsidiaries based on the premise of transferring to SoftBank Vision Fund and Delta Fund are designated as financial assets at FVTPL. In cases where the investees are the Company's subsidiaries and the Company is transferring those investments to SoftBank Vision Fund, the investments are accounted for in accordance with the above "(a) Investments in subsidiaries" under "b. Portfolio company investments made by SoftBank Vision Fund and Delta Fund", regardless of whether the investments are agreed to be transferred.

(a) Investments made in the current fiscal year based on the premise of transfer

If the investments are agreed to be transferred from the Company to SoftBank Vision Fund or Delta Fund, and regulatory approval to make the investments by SoftBank Vision Fund or Delta Fund is obtained (such investments, "Agreed Transferable Investments") as of the end of the current fiscal year, the Company presents items relevant to those investments as "Investments from SoftBank Vision Fund and Delta Fund accounted for using FVTPL" in the consolidated statement of financial position and "Operating income from SoftBank Vision Fund and Delta Fund" in the consolidated statement of income, as though SoftBank Vision Fund and Delta Fund made those investments from the date when the Company had initially made the investments.

On the other hand, if the investments have not yet become the Agreed Transferable Investments as of the end of the current fiscal year, the Company presents items relevant to those investments as "Investment securities" in the consolidated statement of financial position and "Other non-operating loss (Gain (loss) from financial instruments at FVTPL)" in the consolidated statement of income.

(b) Investments made prior to the current fiscal year based on the premise of transfer

If the investments become the Agreed Transferable Investments in the current fiscal year, the Company presents items relevant to those investments as "Investments from SoftBank Vision Fund and Delta Fund accounted for using FVTPL" in the consolidated statement of financial position and "Operating income from SoftBank Vision Fund and Delta Fund" in the consolidated statement of income for the current fiscal year, as though the investments were agreed to be transferred at the beginning of the current fiscal year.

e. Contribution from Limited Partners to SoftBank Vision Fund and Delta Fund

SoftBank Vision Fund and Delta Fund call capital from their respective limited partners ("Capital Call").

(a) Contribution from Limited Partners other than the Company

The interests attributable to limited partners of SoftBank Vision Fund and Delta Fund other than the Company ("Third-Party Investors") are classified as financial liabilities, "Third-party interests in SoftBank Vision Fund and Delta Fund" in the consolidated statement of financial position, due to the predetermined finite life (at least 12 years from the final closing) and contractual payment provision to each of the limited partners at the end of the finite life within SoftBank Vision Fund and Delta Fund's limited partnership agreements. The liabilities are classified as "financial liabilities measured at amortized cost" upon initial recognition. The carrying amounts attributable to Third-Party Investors represent the amounts that would be distributed in accordance with the limited partnership agreement in a theoretical liquidation scenario at the end of each quarter.

"Third-party interests in SoftBank Vision Fund and Delta Fund" fluctuate due to the results of SoftBank Vision Fund and Delta Fund in addition to contributions from Third-Party Investors in satisfaction of Capital Calls, and distributions and repayments of investments to Third-Party Investors. The fluctuations due to the results of SoftBank Vision Fund and Delta Fund are presented as "Changes in third-party interests in SoftBank Vision Fund and Delta Fund" in the consolidated statement of income.

Uncalled committed capital from Third-Party Investors is not subject to IAS 39, "Financial Instruments: Recognition and Measurement," and therefore such amount is not recorded in the consolidated statement of financial position. Uncalled committed capital from Third-Party Investors for SoftBank Vision Fund and Delta Fund as of March 31, 2018 is $49.0 billion.

(b) Contribution from the Company

Contribution from the Company to SoftBank Vision Fund and Delta Fund as a limited partner is eliminated in consolidation.

(12) Accounting method for consumption taxes

National consumption tax and local consumption tax are excluded from transaction amounts.

(Notes Relating to Changes in Presentation)

Consolidated Statement of Financial Position

"Investment securities" which was included in "Other financial assets" in the previous fiscal year, has been presented separately for the fiscal year ended March 31, 2018, as its quantitative materiality increased.
"Derivative financial liabilities" which was included in "Other financial liabilities (non-current)" in the previous fiscal year, has been presented separately for the fiscal year ended March 31, 2018, as its quantitative materiality increased.

Consolidated Statement of Income

"Gain from remeasurement relating to business combination" which was presented separately in the previous fiscal year has been included in "Other operating loss" for the fiscal year ended March 31, 2018, as its quantitative materiality decreased.
"Gain on sales of shares of associates" and "Loss from financial instruments at FVTPL" which were presented separately in the previous fiscal year have been included in "Other non-operating loss" for the fiscal year ended March 31, 2018, as their quantitative materiality decreased.

(Notes Relating to Changes in Accounting Estimates)

1. Assessment of useful lives of property, plant, and equipment and intangible assets
   As a result of reviewing the efficiency of communications equipment in SoftBank Corp., it became highly probable that certain communications equipment will be disposed and removed, and therefore, the useful lives were revised. Due to this change "Cost of sales" in the consolidated statement of income for the fiscal year ended March 31, 2018 increased by ¥22,712 million.

2. Accounting estimates for measurement of third-party interests in SoftBank Vision Fund and Delta Fund
   The details are described in "(11) Significant accounting policy regarding SoftBank Vision Fund and Delta Fund" of "5 Summary of significant accounting policies" under "(Basis of Presentation of Consolidated Financial Statements)."

3. Impairment on assets
   The details are described in Note 6 of "1. Other operating loss" under "(Notes Relating to Consolidated Statement of Income)."

4. Write-down of inventories
   The details are described in Note 7 of "1. Other operating loss" under "(Notes Relating to Consolidated Statement of Income)."

5. Fair values of financial instruments
   The Company estimates fair values of investments made by SoftBank Vision Fund and Delta Fund, investments made by SoftBank Group Corp. and its subsidiaries based on the premise of transferring to SoftBank Vision Fund and Delta Fund, and preferred stock investments those features are substantively different from those of common stock as financial assets at FVTPL. The details for the investments relating to SoftBank Vision Fund and Delta Fund are described in "5. Income and loss arising from the SoftBank Vision Fund and Delta Fund business included in the consolidated statement of income" under "(Notes Relating to Consolidated Statement of Income)."

6. Assessment of recoverability of deferred tax assets
   The details are described in "2. Income taxes" under "(Other Notes)."

(Notes Relating to Business Combinations)

1. Fortress

(1) Overview of consolidation

The Company and Fortress entered into a definitive merger agreement under which the Company acquires Fortress for $3.3 billion in cash in February 2017. The acquisition was completed on December 27, 2017 upon satisfaction of all necessary conditions defined in the terms of the merger agreement including approval of the transaction by Fortress shareholders on July 12, 2017 and receipt of all necessary regulatory approvals. Each outstanding Fortress share was converted into the right to receive $8.08 per share in cash, with merger proceeds to be distributed in accordance with payment procedures outlined in Fortress's Definitive Proxy dated June 7, 2017 and merger agreement incorporated therein. Actual payment amounted to $3.1 billion as a result of adjusting the impact of distributions and other factors after the date of the merger agreement.

As a result of the transaction, the Company acquired all equity interests of Fortress and Fortress became a wholly-owned subsidiary of the Company.

(2) Purpose of acquisition

The Company expects that leadership, broad-based expertise and the world-class investment platform of Fortress will foster the Company expanding group capabilities and accelerating our SoftBank 2.0 transformation strategy of bold, disciplined investment and world class execution to drive sustainable long-term growth.

(3) Summary of Fortress

(a) Name	Fortress Investment Group LLC
(b) Address	1345 Avenue of the Americas, New York, NY
(c) Name and title of representative	Peter L. Briger, Jr., Principal and Co-Chief Executive Officer Wesley R. Edens, Co-Founder, Principal and Co-Chief Executive Officer Randal A. Nardone, Co-Founder and Principal
(d) Nature of business	Alternative investment management business
(e) Year of incorporation	1998
(f) Consolidated net sales	$1,163,806 thousand (For the fiscal year ended December 31, 2016 under US GAAP)

(4) Acquisition date

December 27, 2017

(5) Consideration transferred and the component

(Millions of yen)

		Acquisition date (December 27, 2017)
Payment by cash		353,966
Payment not included in consideration transferred*		(58,128)
Total consideration transferred	A	295,838

Acquisition-related costs of ¥6,123 million arising from the business combination are recognized in "Other operating loss."

Note:

* Payment not included in consideration transferred is the payment for a transaction, separate from the business combination, that remunerates employees and former owners of Fortress. For the payment, continuing employment is a condition. The Company recognized "Other current assets" amounting to ¥16,954 million and "Other non-current assets" amounting to ¥41,174 million in accordance with the employment period defined in the condition.

(6) Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

		(Millions of yen) Acquisition date (December 27, 2017)
Cash and cash equivalents		45,572
Trade and other receivables		47,379
Other current assets		6,472
Investments accounted for using the equity method		104,087
Intangible assets[1]		176,690
Non-current assets		30,621
Total assets		410,821
Current liabilities		62,800
Non-current liabilities		51,609
Total liabilities		114,409
Net assets	B	296,412
Non-controlling interests[2]	C	14,849
Goodwill[3]	A-(B-C)	14,275

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 from the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date may be obtained.

The above amount is translated at the exchange rate (USD = JPY113.41) as of the acquisition date.

Note:

1. Intangible assets

The components of intangible assets are as follows; the estimated useful lives are 3 years for software, from 1.5 to 10 years for management contracts, and 10 years for trademarks. The management contracts reflect excess earnings in the future expected from the agreements which Fortress entered into regarding the management of assets under their funds.

	(Millions of yen) Acquisition date (December 27, 2017)
Software	1,762
Management contracts	128,323
Trademarks	5,103
Other	41,502
Total	176,690

2. Non-controlling interests

Non-controlling interests are from subsidiaries of Fortress, and they are measured based on the proportionate interests after the acquisition in the identifiable net assets of the acquiree at the acquisition date.

3. Goodwill

Goodwill reflects excess earning power expected from future business development and the synergy between the Company and the acquiree.

(7) Payment for the acquisition of control over subsidiaries

	(Millions of yen) Fiscal year ended March 31, 2018
Payment for the acquisition by cash	(295,838)
Cash and cash equivalents held by the acquiree at the time of acquisition of control	45,572
Payment for the acquisition of control over the subsidiary by cash	(250,266)

(8) Sales and net loss of the acquiree

The amounts of the acquiree's sales and net loss 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, 2018, are ¥20,525 million and ¥15,201 million, respectively. In addition, amortization expenses related to intangible assets recognized on the acquisition date are included in the aforementioned net loss.

(9) Collateral

Based on a term loan agreement of $1.4 billion which was entered into to finance this acquisition, the equity interests of Fortress and four wholly-owned subsidiaries within this acquisition structure are pledged as collateral.

2. The Japan Net Bank, Limited

(1) Overview of combination

The Board of Directors of Yahoo Japan Corporation held on August 1, 2017 resolved to modify the shareholders agreement with Sumitomo Mitsui Banking Corporation on The Japan Net Bank, Limited and Yahoo Japan Corporation entered into a modified agreement with Sumitomo Mitsui Banking Corporation. Along with such modification, the Company consolidated The Japan Net Bank, Limited by appointing the majority of The Japan Net Bank, Limited's directors, through a resolution in an Extraordinary Meeting of the Shareholders' of The Japan Net Bank, Limited held on February 1, 2018.

In the Yahoo Japan segment, since its commencement of new strategies in the Commerce Business in October 2013, transaction volume has rapidly increased by means of various measures, such as waiving store tenant fees, point rewards measures, and the commencement of the Credit Card business. It is believed it is necessary to strengthen its financial and payment business further in order to revitalize the Commerce Business going forward. The ecosystem of its services in the Yahoo Japan segment is reinforced through the consolidation of The Japan Net Bank, Limited.

In addition, Yahoo Japan Corporation leads the management of The Japan Net Bank, Limited through the consolidation and utilizes the customer base and multi-big data that Yahoo Group has fostered thus far to provide high value-added financial services for The Japan Net Bank, Limited customers.

The voting rights ratio in The Japan Net Bank, Limited held by the Company remained the same as before at 41.2% and the Company did not hold a majority of the shares. However, the Company made The Japan Net Bank, Limited its consolidated subsidiary by appointing the majority of The Japan Net Bank, Limited's directors through a resolution in an Extraordinary Meeting of the Shareholders' of The Japan Net Bank, Limited held on February 1, 2018.

(2) Summary of acquiree

Name	The Japan Net Bank, Limited
Nature of business	Banking business

(3) Acquisition date

February 1, 2018

(4) Consideration transferred and the component

	(Millions of yen) Acquisition date (February 1, 2018)
Fair value of equity interest in The Japan Net Bank, Limited already held at the time of the acquisition	26,224
Total consideration transferred	26,224

As a result of the revaluation of equity interests already held at the time of the acquisition of control by the Company in The Japan Net Bank, Limited at fair value on the acquisition date, the Company recognized a gain on the acquisition of ¥372 million for the fiscal year ended March 31, 2018. This gain is included in "Other operating loss" in the consolidated statements of income.

(5) Fair value of assets and liabilities, and non-controlling interests on the acquisition date

		(Millions of yen) Acquisition date (February 1, 2018)
Cash and cash equivalents		337,224
Other current assets		133,782
Investment securities		244,044
Other non-current assets		103,746
Total assets		818,796
Deposits for banking business (current)		711,317
Other current liabilities		17,278
Non-current liabilities		26,277
Total liabilities		754,872
Net assets	A	63,924
Non-controlling interests*	B	37,700
Net amount	A-B	26,224

Note:
* Non-controlling interests
Non-controlling interests are measured based on the proportionate interests in the fair value of the identifiable net assets of the acquiree.

(6) Proceeds from acquisition of control over subsidiaries

	(Millions of yen) Fiscal year ended March 31, 2018
Cash and cash equivalents held by the acquiree at the time of acquisition of control	337,224
Proceeds in cash from the acquisition of control over the subsidiary	337,224

(7) Sales and net income of the acquiree

The amounts of the acquiree's sales and net income after the acquisition date are immaterial.

(Notes Relating to Consolidated Statement of Financial Position)

1. Borrowings by asset pledged and equity securities-lending contract

(1) Assets pledged as collateral and associated liabilities

Assets pledged as collateral and secured liabilities by the Company are as follows:

	(Millions of yen)
Assets pledged as collateral:	
Cash and cash equivalents	5,698
Trade and other receivables	13,013
Other financial assets (current)	5,323
Inventories	4,447
Property, plant, and equipment	603,477
Intangible assets	5,409
Investments accounted for using the equity method[1,2]	580,566
Investments from SoftBank Vision Fund and Delta Fund accounted for using FVTPL[3]	718,803
Investment securities	10,004
Total	1,946,740
Secured liabilities:	
Interest-bearing debt	
Short-term borrowings[3]	83,952
Current portion of long-term borrowings[3]	438,979
Long-term borrowings[1,3]	1,126,104
Financial liability for variable prepaid forward contract[2]	688,332
Installment payables (current)	555
Installment payables (non-current)	2,197
Total	2,340,119

Note:

1 ¥363,384 million of Alibaba shares (carrying amount on a consolidated basis) held by a wholly-owned subsidiary of the Company, is pledged as collateral for ¥842,313 million of long-term borrowings of the subsidiary as of March 31, 2018. The borrowings include an early settlement clause and an early settlement may be elected under certain circumstances such as a significant decrease in the fair value of pledged Alibaba shares. The borrowings are non-recourse debts, and therefore, SoftBank Group Corp. will not be responsible for the borrowings. The creditors would be able to dispose the asset pledged as collateral upon a circumstance where the early settlement was demanded and the subsidiary did not repay the borrowings, accordingly.

2 ¥217,182 million of Alibaba shares (carrying amount on a consolidated basis) is pledged as collateral for ¥688,332 million of financial liability for variable prepaid forward contract as of March 31, 2018. The details are described in “1. Transaction for sale of Alibaba shares by variable prepaid forward contract” under “(Other Notes).”

3 Investments from SoftBank Vision Fund and Delta Fund aggregating ¥718,803 million accounted for using FVTPL are pledged as collateral for ¥498,407 million of interest-bearing debt of SoftBank Vision Fund and Delta Fund, which is the entire amount of interest-bearing debt of SoftBank Vision Fund and Delta Fund.

Other than the above, the following assets are pledged as collateral:

a. Sprint

Approximately \$67.0 billion (before consolidation adjustments) in assets of Sprint is pledged as collateral for approximately \$10.4 billion in total borrowings and bonds.

b. Brightstar

Approximately \$2.0 billion (before consolidation adjustments) in assets of Brightstar is pledged as collateral for the \$0.4 billion of borrowings.

c. Fortress

Based on a term loan agreement of $1.4 billion which was entered into to finance the acquisition of Fortress, the equity interests of Fortress and four wholly-owned subsidiaries within the acquisition structure are pledged as collateral.

d. Other

¥62,961 million of investment securities are pledged as collateral for financing and exchange settlement by a subsidiary operating banking business. Also, other financial assets (non-current) include ¥40,259 million of margin deposits with a central counterparty.

(2) Borrowings related to equity securities lending contract

The Company entered into securities lending contracts regarding the stock of certain subsidiaries. The amount of cash received is recognized as short-term borrowings and included in interest-bearing debt.

Interest-bearing debt	(Millions of yen)
Short-term borrowings	399,200

(3) Others

a. Assets with limited property rights due to the installment purchase

Assets with limited property rights due to the installment purchase by the Company and the associated interest-bearing debt are as follows:

	(Millions of yen)
Assets with limited property rights:	
Property, plant, and equipment	62,260
Intangible assets	19,737
Total	81,997
Interest-bearing debt	
Current portion of installment payables	15,857
Installment payables	8,060
Total	23,917

b. Deposits at the Bank of Japan

A subsidiary operating banking business is obliged to deposit certain amounts, which is determined by a fixed ratio against the deposits it receives from its customers (“the legal reserve requirement”), in the Bank of Japan in accordance with the Act on Reserve Requirement System in Japan. As of March 31, 2018, cash and cash equivalents include ¥284,234 million of deposits at the Bank of Japan which is more than the legal reserve requirement.

2. Allowance for doubtful accounts directly deducted from assets

	(Millions of yen)
Trade and other receivables	57,403
Other financial assets (non-current)	32,445
Total	89,848

3. Accumulated depreciation and accumulated impairment losses of property, plant, and equipment

	(Millions of yen)
	3,908,923

4. Contingency

(1) Lending commitments

The details of lending commitments, which are mainly related to cashing services incidental to the credit card business, are as follows:

	(Millions of yen)
Lending commitments	525,018
Funded	91,650
Unfunded	433,368

(2) Credit guarantee

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)
Total amount of financial guarantee contract	17,278
Guarantee balance	10,039

(3) Litigation

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

a. Litigation in which SoftBank Corp. is involved as a Party

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

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

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

(b) On April 30, 2015, JPiT filed a lawsuit against SoftBank Corp. and Nomura Research Institute, Ltd. (hereinafter referred to as “NRI”) as co-defendants.

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

SoftBank Corp. intends to fully contest JPiT’s claims in this lawsuit.

The order to consolidate the lawsuit (b) above to the lawsuit (a) above was made on July 29, 2015. SoftBank Corp. gradually increased the amount of claim as a result of a review of the remuneration etc. with respect to additional services regarding the lawsuit (a) above. SoftBank Corp. modified the amount of claim to approximately ¥ 24.0 billion on September 7, 2017.

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, alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a settlement in August 2015, which did not have a material impact to our financial statements. Five stockholder derivative suits related to this 2009 stockholder suit were filed against Sprint Communications and certain of its present and/or former officers and directors. The first, Murphy v. Forsee, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, Randolph v. Forsee, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, Ross-Williams v. Bennett, et al., was filed in state court in Kansas on February 1, 2011; the fourth, Price v. Forsee, et al., was filed in state court in Kansas on April 15, 2011; and the fifth, Hartleib v. Forsee, et. al., was filed in federal court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and Sprint has reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs' attorneys fees in an immaterial amount. The court approved the settlement but reduced the plaintiffs’ attorneys fees. On April 27, 2018, the court of appeals for the state of Kansas affirmed the settlement ruling.

(b) On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications has fraudulently failed to collect and pay more than $100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also seeks recovery of triple damages under the State False Claims Act, as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of

Appeals of New York affirmed the decision of the appellate court that the tax statute requires us to collect and remit the disputed taxes. Our petition for certiorari to the U.S. Supreme Court on grounds of federal preemption was denied. We have paid the principal amount of tax at issue, under protest, while the suit is pending. The parties are now engaged in discovery in the trial court. We will continue to defend this matter vigorously.

Eight related stockholder derivative suits have been filed against Sprint Communications and certain of its current and former officers and directors. Each suit alleges generally that the individual defendants breached their fiduciary duties to Sprint Communications and its stockholders by allegedly permitting, and failing to disclose, the actions alleged in the suit filed by the New York Attorney General. One suit, filed by the Louisiana Municipal Police Employees Retirement System, was dismissed by a federal court. Two suits were filed in state court in Johnson County, Kansas and one of those suits was dismissed as premature; and five suits are pending in federal court in Kansas. The remaining Kansas suits have been stayed pending resolution of the Attorney General's suit.

(c) Sprint Communications is also a defendant in a complaint filed by several stockholders of Clearwire Corporation (Clearwire) 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 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. Trial of those cases took place in October and November 2016. On July 21, 2017, the Delaware Chancery Court ruled in Sprint's favor in both cases. It found no breach of fiduciary duty, and determined the value of Clearwire shares under the Delaware appraisal statute to be $2.13 per share plus statutory interest. The plaintiffs have filed an appeal. On April 23, 2018, the Delaware Supreme Court affirmed the ruling of the Delaware Chancery Court in its entirety.

(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 us to pay significant damages, cease certain activities, or cease selling the relevant products and services. In many circumstances, we would be indemnified for monetary losses that we incur with respect to the actions of our suppliers or service providers.

(e) In October 2013, the FCC Enforcement Bureau began to issue notices of apparent liability (NALs) to other Lifeline providers, imposing fines for intracarrier duplicate accounts identified by the government during its audit function. Those audits also identified a small percentage of potentially duplicative intracarrier accounts related to Sprint’s Assurance Wireless business. No NAL has yet been issued with respect to Sprint and Sprint does not know if one will be issued. Further, Sprint is not able to reasonably estimate the amount of any claim for penalties that might be asserted.

(f) Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against Sprint or Sprint’s subsidiaries. As of March 31, 2018, Sprint has accrued $114 million 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.

(g) During the year ended March 31, 2018, Sprint settled several related patent infringement lawsuits and received payments of approximately $350 million.

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 matters currently pending. This litigation mainly consist 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 approximately $120 million. One case of these four administrative proceedings has been sent to suit, a subsidiary of Brightstar Corp. has filed an Annulment Action requesting that the case be returned to the administrative level.

5. Financial covenants

(1) 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 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 and the balance sheet of SoftBank Corp. at the end of the fiscal year must not show a net capital deficiency.

c. In the Company's consolidated statement of income, 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 debts[1] or leverage ratios[2] 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.

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 EBITDA[3]

3. Adjusted EBITDA: Certain adjustments are made to EBITDA, such as excluding listed subsidiaries such as Sprint.

(2) Financial covenants on interest-bearing debts of Sprint

Major covenants on the interest-bearing debts issued by Sprint are as follows:

a. Holders of a portion ($26.5 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 indebtedness[1] to adjusted EBITDA[2] should not exceed a certain threshold level. Exceeding the ratio could result in the maturities being accelerated. The limit for the ratio was 4.75 as of March 31, 2018.

Note:

1. Total indebtedness: The sum of Sprint's outstanding debt (excluding trade payables) and guarantees of indebtedness, with certain adjustments defined in contracts with lenders.

2. Adjusted EBITDA: Trailing four quarters EBITDA, including adjustments defined in contract with lenders.

(Notes Relating to Consolidated Statement of Income)

1. Other operating loss

The components of other operating income and loss are as follows:

	(Millions of yen)
Domestic Telecommunications segment	
Gain on derecognition of accrual in relation to spectrum migration costs	4,044
Sprint segment	
Gain on spectrum licence exchange[1]	53,435
Litigation[2]	40,159
Loss on disposal of property, plant, and equipment[3]	(95,213)
Loss on contract termination[4]	(24,411)
Other	(4,996)
Yahoo Japan segment	
Insurance income[5]	4,973
Other	5,091
Distribution segment	
Impairment loss on goodwill[6]	(43,128)
Impairment loss on non-current assets[6]	(7,369)
Other	
Income and loss on equity method investments at Fortress	14,953
Write-down of inventories[7]	(13,754)
Acquisition-related costs[8]	(6,123)
Other	(5,365)
Total	(77,704)

Notes:

1. License exchange gain resulting from the exchange of a certain portion of the telecommunications spectrum with other carriers (non-cash transaction). The spectrum is recorded as FCC licenses in intangible assets.

2. Mainly, net benefits in litigation associated with legal settlements for patent infringement lawsuits.

3. Mainly, ¥40,805 million of loss related to cell site construction costs that are no longer expected to be used as a result of changes in Sprint's network plans and ¥55,108 million of loss resulted from the write-off of leased devices related to lease cancellations prior to the end of the scheduled customer lease terms where customers did not return the devices to Sprint are recognized.

4. Loss mainly resulting from termination of network contracts is recognized.

5. Insurance proceeds related to a fire incident that occurred at a logistics center of ASKUL Corporation (ASKUL Logi PARK Tokyo Metropolitan) in February 2017.

6. Impairment losses at Brightstar. The goodwill of Brightstar is allocated to the entire Brightstar entity, which is made up of four cash-generating units (Brightstar's US & Canada, Latin America, Asia & Oceania, and Europe & Africa units). Intangible assets with indefinite useful lives other than goodwill are allocated to three of the cash generating units (Brightstar's US & Canada, Asia & Oceania, and Europe & Africa units). The business plan of Brightstar was revised during the fiscal year ended March 31, 2018, and indicators of impairment were identified at all of the cash-generating units. This included impairment indicators where intangible assets with indefinite useful lives were allocated as well as the entire Brightstar entity where goodwill is allocated. Therefore, the impairment test was conducted on these cash-generating units and the entire Brightstar entity. As a result of the impairment test, an impairment loss was recognized because the recoverable amounts of Brightstar (the entire entity) and Brightstar's Europe & Africa cash-generating unit were less than the carrying amounts. Impairment losses on goodwill, intangible assets, and property, plant and equipment were ¥43,128 million, ¥6,717 million, and ¥652 million, respectively.
   Fair value less disposal cost is used as the recoverable amount and measured using the income approach and the market approach. Under the income approach, fair value is measured by discounting cash flows which are estimated based on business plans for the next 10 years while taking into account 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 10.5-11%. The cash flows from after 10 years are assumed on the basis

of a 3% growth rate. Under the market approach, EV/EBITDA of similar companies which are comparable to Brightstar Global Group Inc. are used.

7. As a result of revising the business plan of Sports Live Entertainment Corporation which operates a sports content distribution business, the net realizable value of inventories was less than its carrying amount and, therefore, a write-down was recognized.

8. Expenses arising from the business combination of Fortress. The details are described in “1. Fortress” under “(Notes Relating to Business Combinations).”

2. Finance cost

The components of finance cost are as follows:

	(Millions of yen)
Interest expense	(516,132)

3. Derivative loss

A derivative loss was recorded for ¥604,156 million related to the Alibaba share collar transaction included in the variable prepaid forward contract. The details are described in “1. Transaction for sale of Alibaba shares by variable prepaid forward contract” under “(Other Notes).”

4. Other non-operating loss

The components of other non-operating income and loss are as follows:

	(Millions of yen)
Dilution gain from changes in equity interest[1]	45,186
Foreign exchange gain and loss	(34,518)
Loss on exchange of corporate bonds[2]	(19,809)
Loss on sales of cryptocurrency[3]	(18,890)
Other	10,980
Total	(17,051)

Notes:

1. Mainly, dilution gain arising from changes in Alibaba’s equity interest held by the Company, due to the exercise of stock options and the allocation of new shares to a third party in Alibaba.

2. On March 7, 2018, SoftBank Group Corp. announced an exchange offer with respect to newly issued notes (the “Exchange Notes”) or a consent solicitation for an amendment of terms and conditions, to the bondholders of foreign-currency-denominated senior notes issued in 2015 (the “Existing Notes”). Issuance of the Exchange Notes to the bondholders who tendered for exchange the Existing Notes to the Exchange Notes was completed on April 3, 2018, however, under requirements of IFRSs, the extinguishment of the Existing Notes and the exchange to the Exchange Notes, was considered to be satisfied on March 22, 2018, the exchange decision date. As a result, SoftBank Group Corp. derecognized the Existing Notes and recognized the Exchange Notes. Also, the difference between the carrying amount of the Existing Notes and face value of the Exchange Notes was recognized as a loss.

3. Loss arising from sales of all bitcoin held by Fortress. The amount of loss represents the difference between the sales price and the fair value of bitcoin which was recognized in the consolidated statement of financial position at the acquisition date.

5. Income and loss arising from the SoftBank Vision Fund and Delta Fund business included in the consolidated statement of income

Income and loss arising from the SoftBank Vision Fund and Delta Fund business included above income before income tax line in the consolidated statement of income are calculated by aggregating income and loss arising from SoftBank Vision Fund and Delta Fund, income and loss arising from each general partner, income and loss arising from SBIA and two advisory companies which support SBIA in the U.S. and Japan, and income and loss such as an expense related to fund establishment arising from the Company. All inter-company transactions have also been eliminated.

	(Millions of yen)
Gain and loss on investments at SoftBank Vision Fund and Delta Fund[1]	
Unrealized gain and loss on valuation of investments	345,975
Interest and dividend income from investments	6,120
	352,095
Operating expenses	(49,114)
Operating income from SoftBank Vision Fund and Delta Fund	302,981
Finance cost[2]	(7,801)
Derivative gain and loss	(8,902)
Change in third-party interests in SoftBank Vision Fund and Delta Fund	(160,382)
Other non-operating income and loss	(281)
Income before income tax	125,615

Notes:
1 “Realized gain and loss on sales of investments” is not recognized for the fiscal year ended March 31, 2018.
2 The amount before elimination of inter-company transactions is ¥(7,895) million.

(Notes Relating to Consolidated Statement of Changes in Equity)

1. Class and number of outstanding shares as of March 31, 2018

Common stocks 1,100,660,365 shares

2. Matters regarding dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Resource of dividend
Shareholders' meeting held on June 21, 2017	Common stocks	23,964	22	March 31, 2017	June 22, 2017	Retained earnings
Board of Directors' meeting held on October 27, 2017	Common stocks	23,969	22	September 30, 2017	December 11, 2017	Retained earnings

(2) Dividends for which record date is in the fiscal year ended March 31, 2018, and effective date for payment is in the following fiscal year

Resolution plan	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Resource of dividend
Shareholders' meeting held on June 20, 2018	Common stocks	23,969	22	March 31, 2018	June 21, 2018	Retained earnings

3. Number of shares for stock acquisition rights as of March 31, 2018

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

There are no applicable items.

4. Other equity instruments

On July 19, 2017, the Company issued USD-denominated Undated Subordinated Non-Call 6 years ("NC6") Resettable Notes and USD-denominated Undated Subordinated Non-Call 10 years ("NC10") Resettable Notes (collectively, the "Hybrid Notes").

The Hybrid Notes are classified as equity instruments in accordance with IFRSs because the Company has the option to defer interest payments, the notes have no maturity date, and the Company has an unconditional right to avoid delivering cash or another financial asset except for distribution of residual assets on liquidation. As a result of this transaction, "Other equity instruments" is increased by ¥496,876 million (after deducting ¥7,034 million of transaction costs) in the consolidated statement of financial position.

The payment of interest was completed on the interest payment date, January 19, 2018 and "Retained earnings" decreased by ¥15,852 million as "Distribution to owners of other equity instruments" in the consolidated statement of changes in equity.

Also, as of March 31, 2018, accrued interest, which is not recognized as a distribution to owners of other equity instruments because the payment has not yet been determined, is ¥6,062 million.

The details of the Hybrid Notes are as follows:

	Undated Subordinated NC6 Resettable Notes	Undated Subordinated NC10 Resettable Notes
1. Total amount of issue	USD 2.75 billion (JPY 307.9 billion)	USD 1.75 billion (JPY 196.0 billion)
2. Issue price	100% of the principal amount	100% of the principal amount
3. Initial interest rate*	6.000% per annum	6.875% per annum
4. Maturity date	None (Perpetual)	None (Perpetual)
5. Optional redemption	The Company may, at its discretion, redeem the NC6 Notes on the first call date on July 19, 2023 or any interest payment date thereafter.	The Company may, at its discretion, redeem the NC10 Notes on the first call date on July 19, 2027 or any interest payment date thereafter
6. Interest payment	Payable semi-annually in arrears on January 19 and July 19 of each year	
7. Closing date	July 19, 2017	
8. Collateral	None	
9. Guarantee	None	
10. Covenants	There are no covenants on the Hybrid Notes.	
11. Subordination	In the event of bankruptcy, etc., the Hybrid Notes shall be subordinated to all of the Company's senior indebtedness (including domestic subordinated bonds issued in 2014 and 2015 by the Company) and shall rank substantially *pari passu* with the domestic hybrid bonds issued in 2016 by the Company and its senior preference shares (if issued in the future) and senior to the Company's common stock.	
12. Listing	Singapore Exchange Securities Trading Limited	
13. Use of proceeds	The Company used the proceeds of issuance of the Hybrid Notes for general corporate purposes.	

Note:

* There is a step-up interest provision on the Undated Subordinated NC6 Resettable Note of 25bps on July 19, 2023 and additional 75bps on July 19, 2038, and on the Undated Subordinated NC10 Resettable Note of 25bps on July 19, 2027 and additional 75bps on July 19, 2042.

(Notes Relating to Financial Instruments)

1. Matters regarding conditions of financial instruments

(1) Market risk

a. Currency risk

The Company is engaged in international businesses through investments, financial contributions, and establishment of joint ventures. The Company undertakes transactions denominated in foreign currencies through foreign currency-denominated borrowings, issuing foreign currency-denominated bonds, lending and borrowing from foreign subsidiaries and transaction with foreign parties. Consequently, there is currency 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. Derivative transactions entered into by the Company are conducted and controlled based on the Company's internal rules for derivative transactions and are limited to the extent of actual demands.

b. Price risk

For the purpose of its 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.

c. Interest rate risk

The Company raises funds through issuing interest-bearing debts. Certain interest-bearing debts are issued with floating interest rates, and are exposed to interest rate risk. Interest-bearing debts with floating interest rates have the risk that interest expenses would increase due to rising interest rates. In order to prevent and reduce interest rate risk, the Company maintains an appropriate mixture of fixed and floating interest rate debts. For certain borrowings and bonds with floating interest rates, the Company also utilizes derivative transactions, such as interest rate swaps, in order to hedge interest rate fluctuation risk, converting floating interests into fixed interests. For floating interest rate debts, the Company continuously monitors interest rate fluctuations.

(2) 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 credit risk of its counterparties. In order to prevent and reduce the risk, the Company does not expose itself to significant concentrations of credit risk for such receivables and financial assets. To manage the credit risk, the Company performs due date controls and balance controls for each customer in accordance with internal customer credit management rules and regularly screens major customers' credit status.

(3) 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 debts ratio into consideration. Funds are mainly invested in short-term deposits and money management funds. The Company also continuously monitors forecasted and actual cash flows and liquidity.

2. Matters regarding fair value of financial instruments

The carrying amounts and fair values of financial instruments are as follows. Financial instruments whose carrying amounts are reasonably similar to fair values are not included in the table below. 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.

(Millions of yen)

	Carrying amount	Fair value
Interest-bearing debt (non-current)		
Long-term borrowings	5,121,591	5,217,022
Corporate bonds	7,234,049	7,257,807
Lease obligations	766,204	777,667
Installment payables	14,607	14,751
Total	13,136,451	13,267,247

(1) Fair value measurement of financial instruments

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

a. Long-term borrowings

Fair values of long-term borrowings are measured using quoted prices in active markets if such prices are available. Where such prices in active markets are not available, fair values of long-term borrowings with variable rates other than its current portion are measured based on the discounted cash flow method using observable inputs, such as market interests, and fair values of long-term borrowings with a fixed rate other than its current portion are measured based on a 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.

b. Corporate bonds

Fair values of corporate bonds other than its current portion are mainly measured using quoted prices in active markets for identical bonds.

c. Lease obligations

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

d. Installment payables

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

(2) Redemption schedule for interest-bearing debt and deposits for banking business

Redemption schedule for interest-bearing debt and deposits for banking business is as follows:

(Millions of yen)

	Carrying amount	Aggregation of redemption schedule	Within 1 year	1 year to 2 years
Interest-bearing debt				
Short-term borrowings	957,573	958,698	958,698	-
Commercial paper	100,000	100,000	100,000	-
Long-term borrowings (including current portion)	6,215,296	6,298,437	1,094,668	814,854
Corporate bonds (including current portion)[1]	7,824,326	7,852,402	586,334	1,026,844
Lease obligations	1,221,874	1,221,874	455,670	334,518
Financial liability for variable prepaid forward contract	688,332	701,184	-	701,184
Installment payables	34,787	35,408	20,185	10,463
Deposits for banking business[2]	708,311	708,547	684,103	6,327
Total	17,750,499	17,876,550	3,899,658	2,894,190

	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Interest-bearing debt				
Short-term borrowings	-	-	-	-
Commercial paper	-	-	-	-
Long-term borrowings (including current portion)	1,390,677	453,364	524,521	2,020,353
Corporate bonds (including current portion)[1]	664,941	1,210,280	782,833	3,581,170
Lease obligations	232,173	139,654	52,669	7,190
Financial liability for variable prepaid forward contract	-	-	-	-
Installment payables	2,427	2,001	332	-
Deposits for banking business[2]	5,446	3,254	3,332	6,085
Total	2,295,664	1,808,553	1,363,687	5,614,798

Notes:

1 On April 20, 2018, the Company notified the holders of its USD-denominated Senior Notes due 2020 and Euro-denominated Senior Notes due 2020 issued on April 23, 2013 (the “Notes”), of which the original maturity date was April 15, 2020, that the Company will redeem on May 21, 2018 all of the outstanding Notes (¥345,581 million).

2 Deposits for banking business payable on demand are included in “Within 1 year.”

(Notes Relating to Per Share Data)

Equity per share attributable to owners of the parent*	¥4,302.26
Basic earnings per share	¥933.54

Note:

* “Equity per share attributable to owners of the parent” is based on “Equity attributable to owners of the parent” excluding the amount not attributable to ordinary shareholders.

(Notes Relating to Significant Subsequent Events)

1. Sprint's merger with T-Mobile US, Inc.

On April 29, 2018 (EST), Sprint and T-Mobile US, Inc. ("T-Mobile") have entered into a definitive agreement to merge in an all-stock transaction at a fixed exchange ratio of 0.10256 T-Mobile shares for each Sprint share (or the equivalent of 9.75 Sprint shares for each T-Mobile share).

The transaction is subject to Sprint and T-Mobile shareholders approval, regulatory approvals and other customary closing conditions. The transaction is expected to close no later than the first half of 2019.

Upon completion of the transaction, the combined company is expected to become an equity method associate of the Company, and Sprint will no longer be a subsidiary of the Company.

(1) Purpose of Merger

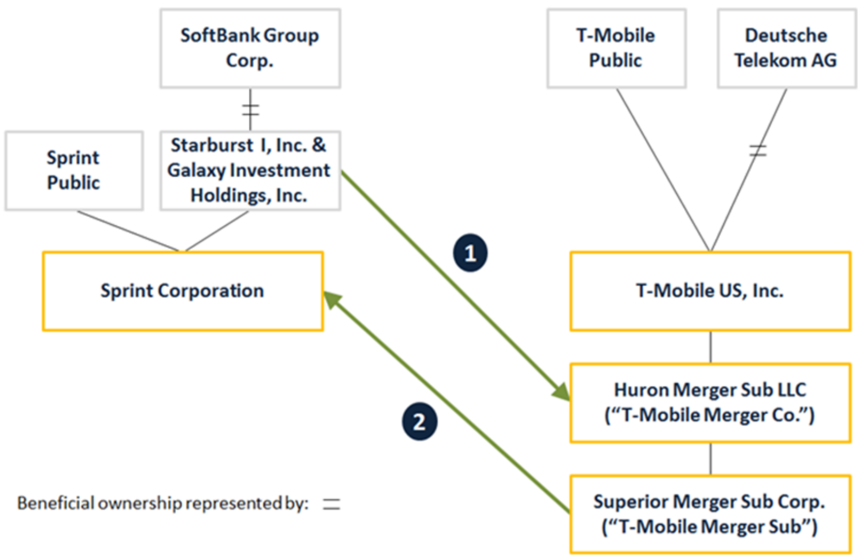
The Company assumes that the transaction will benefit the Company's shareholders by giving the Company an equity interest in a stronger and more competitive combined company that itself will benefit from significant expected synergies.

The Company assumes that the combined company ("New T-Mobile") will be a force for positive change in the U.S. wireless, video, and broadband industries, and will have lower costs, greater economies of scale, and the resources to provide U.S. consumers and businesses with lower prices, better quality, unmatched value, and greater competition.

(2) Transaction Details

The transaction is structured as an all-stock transaction involving two consecutive and related mergers.

a. Mergers



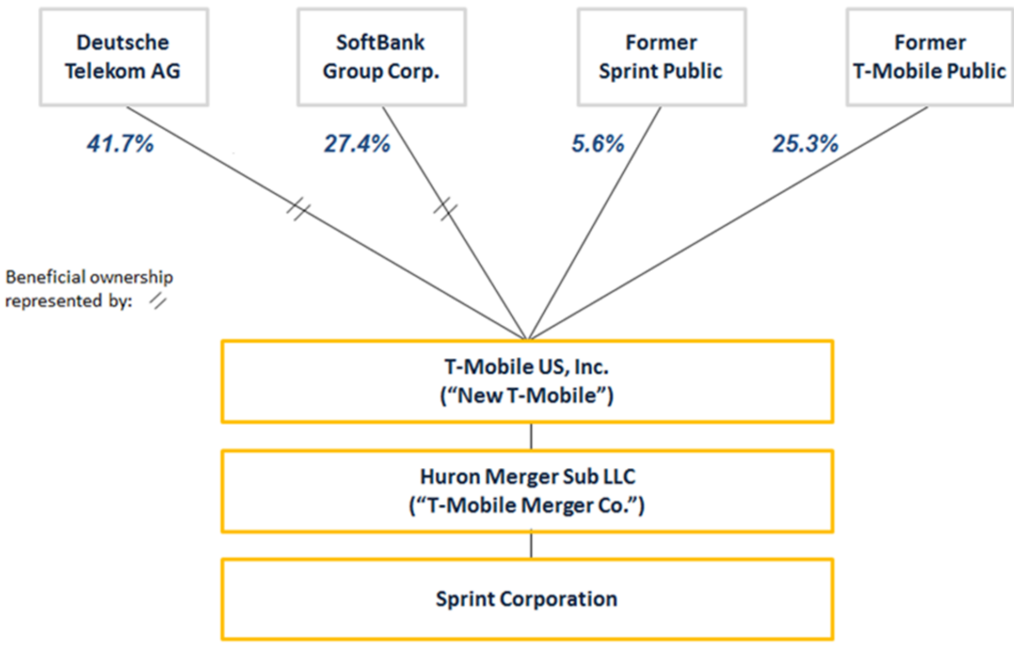
Following receipt of Sprint and T-Mobile shareholders and regulatory approvals and the satisfaction or waiver of the other closing conditions to the transaction, each of Starburst I, Inc. and Galaxy Investment Holdings, Inc. will merge with and into Huron Merger Sub LLC, a U.S. subsidiary owned directly by T-Mobile ("T-Mobile Merger Co."), with T-Mobile Merger Co. as the surviving company (the "HoldCo Mergers").

Immediately following the HoldCo Mergers, Superior Merger Sub Corp. ("T-Mobile Merger Sub"), a U.S. subsidiary owned directly by T-Mobile Merger Co., will merge with and into Sprint, with Sprint as the surviving company (such merger together with the HoldCo Mergers, the "Merger Transactions").

As a result of the Merger Transactions:

- Sprint will become an indirect wholly-owned subsidiary of New T-Mobile;
- The Company will beneficially own approximately 27.4% of the fully-diluted common stock of New T-Mobile;
- Current Sprint shareholders other than the Company will own, in the aggregate, approximately 5.6% of the fully-diluted common stock of New T-Mobile; and
- Each option to purchase Sprint common shares (other than under Sprint's employee stock purchase plan) will be converted into an option to purchase common stock of New T-Mobile.

b. Post-transaction



Post-closing, Deutsche Telekom AG ("Deutsche Telekom") and the Company are expected to hold approximately 41.7% and 27.4% of diluted economic ownership of the combined company, respectively, with the remaining approximately 30.9% held by the public.

The Board will consist of 14 directors: 9 nominated by Deutsche Telekom and 4 nominated by the Company.

Subject to certain exceptions, (i) New T-Mobile shares beneficially owned by the Company and its controlled affiliates will be subject to a proxy granted to Deutsche Telekom (pursuant to which the Company will exercise the voting rights in respect of the shares of T-Mobile held directly or indirectly by the Company as directed by Deutsche Telekom), in order to enable Deutsche Telekom to consolidate New T-Mobile into Deutsche Telekom's consolidated financial statements following the consummation of the Merger Transactions, certain transfer restrictions, and a right of first refusal in favor of Deutsche Telekom; and (ii) New T-Mobile shares beneficially owned by Deutsche Telekom and its controlled affiliates will be subject to a right of first refusal in favor of the Company and certain transfer restrictions. Furthermore, the Company and Deutsche Telekom (in each case, including certain of their respective affiliates) will be subject to certain non-compete restrictions until such time as their respective ownership in New T-Mobile has been reduced below an agreed threshold.

The transaction is expected to close no later than the first half of 2019.

(3) About New T-Mobile

(a) Name	T-Mobile US, Inc.
(b) Headquarters	Bellevue, Washington Overland Park, Kansas (second headquarters)
(c) Name and title of representative	Chief Executive Officer John Legere
(d) Nature of business	Telecommunications
(e) Major shareholders and their approximate holdings*	Deutsche Telekom 41.7% The Company 27.4%

Note:

* This is an estimate based on fully diluted shares inclusive of the exercise of the Company's existing warrants to acquire shares of Sprint. Figures represent shares beneficially owned.

(4) Number of Shares Held by the Company Before and After the Merger Transactions[1]

(a) Number of shares of Sprint held before the Merger Transactions (as of April 25, 2018)	3,445,374,483 shares (number of voting rights: 3,445,374,483) (voting ratio: 83.0%)
(b) Number of shares of New T-Mobile held after the Merger Transactions[2]	353,357,607 shares (number of voting rights: 353,357,607)[3] (voting ratio: 27.4%)

Notes:

1 Figures represent shares beneficially owned and include warrants.

2 This is an estimate based on fully diluted shares assuming cash exercise of the Company's existing warrants to acquire shares of Sprint.

3 The Company's voting rights will be subject to proxy arrangements granted in favor of Deutsche Telekom.

(5) Impact on Future Financial Results

Upon completion of the transaction, New T-Mobile is expected to become an equity method associate of the Company and Sprint will no longer be a subsidiary of the Company. The impact of the transaction on the Company's consolidated financial results for the fiscal year ending March 31, 2019 has not been determined.

2. Sale of shares of Flipkart Private Limited

SoftBank Vision Fund entered into a share purchase agreement with WAL-MART INTERNATIONAL HOLDINGS, INC. ("Walmart"), Flipkart Private Limited ("Flipkart", which is the Company's associate) and other parties on May 9, 2018 to sell all of its shares of Flipkart (representing 19.95%* of Flipkart shares on a fully diluted basis).

Expected sales price is approximately $4 billion, subject to certain customary adjustments, however, terms and conditions of the sales are still being negotiated by the parties. The impact from the transaction on the consolidated financial results for the fiscal year ending March 31, 2019 has not yet been determined.

Note:

* The portion of shares is calculated based on the situation as of May 9, 2018.

(Other Notes)

1. Transaction for sale of Alibaba shares by variable prepaid forward contract

On June 10, 2016, West Raptor Holdings, LLC (“WRH LLC”), a wholly-owned subsidiary of the Company, entered into a variable prepaid forward contract to sell Alibaba shares with a newly formed trust, Mandatory Exchangeable Trust (the “Trust”), and received proceeds of ¥578,436 million ($5.4 billion) as advances received on the sale.

The Trust, on the other hand, utilized Alibaba shares scheduled to be transferred from WRH LLC at the time of settlement under the contract and issued $6.6 billion of Mandatory Exchangeable Trust Securities (“Trust Securities”) which are mandatorily exchangeable into American Depositary Shares (“ADSs”) of Alibaba. The proceeds from the sale received by WRH LLC from the Trust was $5.4 billion, which is after certain amounts from the $6.6 billion total of Trust Securities were deducted in order to purchase U.S. Treasury securities, which would fund distributions on the Trust Securities, and 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 a collar transaction.

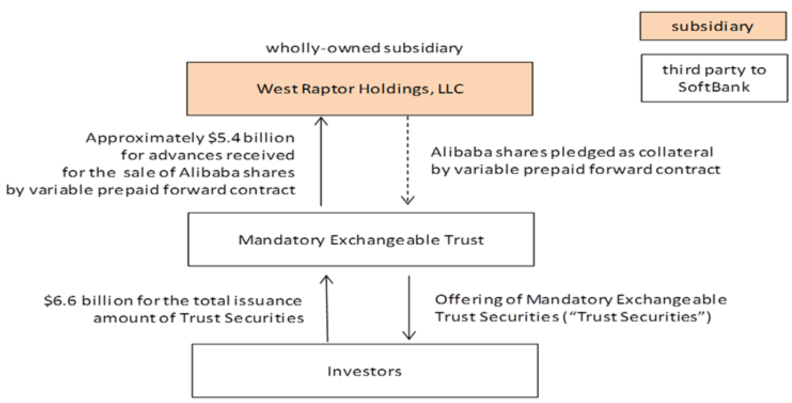
The Company accounts for the variable prepaid forward contract by bifurcating the main contracts and embedded derivatives. The Company received ¥578,436 million and initially recognized ¥674,023 million as financial liabilities relating to the sale of shares through the variable prepaid forward contract and ¥95,587 million 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; ¥688,332 million 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 ¥714,126 million is recognized as derivative financial liabilities (non-current liabilities) in the consolidated statement of financial position as of March 31, 2018; ¥604,156 million is recognized as a derivative loss in the consolidated statement of income for the fiscal year ended March 31, 2018.

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, 2018. The carrying amount of Alibaba shares pledged as collateral by the Company is ¥217,182 million as of March 31, 2018.

Outline of the transaction



2. Income taxes

Due to the enactment of the Tax Cuts and Jobs Act of 2017 in December 2017 in the U.S., a deferred tax liability of ¥776,945 million (translated at the exchange rate as of March 31, 2018) at Sprint was reversed. Also, income taxes in the consolidated statement of income decreased by ¥815,059 million and other comprehensive income increased by ¥8,244 million. The details are as follows.

(1) Reduction in the federal corporate tax rate

The federal corporate tax rate was reduced from 35% to 21% effective January 1, 2018.

Due to the reduction, ¥550,093 million of a part of deferred tax liabilities related to the FCC license and others, which was calculated based on the tax rate as of the acquisition date of Sprint in 2013, was reversed. Also, income taxes decreased by ¥584,026 million.

(2) Abolition of time limit on the use of future loss carryforwards

Net operating losses generated in tax years beginning after December 31, 2017 may be carried forward indefinitely. For Sprint, its tax year starts from April; therefore, net operating losses generated after April 1, 2018 may be carried forward indefinitely.

At Sprint, for certain deductible temporary differences where deferred tax assets could not be previously realized, it was likely to be recoverable because the taxable temporary differences from assets with indefinite lives, such as the FCC licenses, may be a source of future taxable income. As a result of this change, ¥226,852 million of deferred tax assets were recognized (offset by deferred tax liabilities). Also, income taxes decreased by ¥231,033 million and other comprehensive income increased by ¥8,244 million.

Notes to Non-consolidated Financial Statements

(Significant accounting policies)

1. Basis and methods of valuation for assets

(1) Marketable securities and investment securities

Investments in subsidiaries and affiliated companies	: Stated at cost determined by the moving-average method
Available-for-sale securities	
With market quotations	: Stated at fair value, which represents the market prices at the balance sheet date (unrealized gain/loss is reported as a separate component of equity, net of tax; cost of sales is determined by the moving-average method)
Without market quotations	: Stated at cost determined by the moving-average method

(2) Derivative instruments : Stated at fair value

2. Depreciation and amortization

(1) Property and equipment : Calculated using the straight-line method

(2) Intangible assets : Calculated using the straight-line method
Software for internal use is amortized using the straight-line method based on the estimated useful life (five years).

3. Accounting principles for allowances and provisions

(1) Allowance for doubtful accounts

In anticipation of uncollectible receivables, general allowance for doubtful accounts (excluding receivables from subsidiaries) is calculated based on the past credit loss experience. Individual allowances for doubtful accounts deemed to be uncollectible, and receivables from subsidiaries, are calculated considering the collectability of the account.

(2) Provision for bonus

Provision for bonus is calculated based on SoftBank Group Corp.'s computation rule for expected payment.

4. Other basis of presentation of financial statements

(1) Deferred assets

Bond issuance cost : Amortized each month over redemption period

(2) Accounting for hedge transactions

[1] Interest rate swaps

① <Hedge accounting>

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

② <Derivative instruments for hedging and hedged items>

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

③ <Hedging policy>

In accordance with SoftBank Group Corp.'s policy, SoftBank Group Corp. uses derivative financial instruments to hedge the risk of exposures to fluctuations in interest rates, regarding the loans payable with variable interest rates.

④ < Effectiveness of hedge transactions >

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

[2] Currency swaps

① <Hedge accounting>

Corporate bonds and bond interests denominated in foreign currencies for which foreign currency swap contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate if the swap contracts qualify for hedge accounting.

② <Derivative instruments for hedging and hedged items>

Derivative instruments for hedging	: Currency swap contracts
Hedged items	: Foreign currency-dominated corporate bonds and bond interests

③ <Hedging policy>

In accordance with SoftBank Group Corp.'s policy, SoftBank Group Corp. uses derivatives to hedge foreign exchange risk associated with hedged items denominated in foreign currencies.

④ < Effectiveness of hedge transactions >

Currency swaps qualify for hedge accounting. Effectiveness of the hedge transaction is omitted.

(3) Accounting method for consumption taxes

National consumption tax and local consumption taxes are excluded from transaction amounts.

(Notes relating to Balance Sheet)

	Millions of yen
1. Accumulated depreciation of property and equipment	¥10,385

2. Borrowings by securities lending agreements

SoftBank Group Corp. lends shares under securities lending agreements and cash received as collateral are presented as follows:

	Millions of yen
Short-term loans payable	¥400,000

The shares subjected to the transaction above is a portion of shares borrowed from its subsidiary under securities lending agreement. SoftBank Group Corp. has a right to dispose by selling or collateralizing the borrowed shares. In addition, an external borrower has a right to dispose by selling or collateralizing the lent shares.

With regard to the shares borrowed from its subsidiary under the securities lending agreement, the market value of self-owned shares and lent shares are as follows:

	Millions of yen
Market value of self-owned shares	¥233,791
Market value of lent shares	¥571,429
Market value of borrowed shares	¥805,220

3. Guarantee obligation

Guarantee（Nature of guarantee obligation）	Millions of yen
[Guarantee obligation]	
SB Crayon　(Cayman)　Limited (Derivative transaction)	¥46,932
SoftBank Group Capital Limited (Lease contract of office space）	1,959
Subtotal	48,892
[Letter of awareness for management service]	
SBG Cleantech ProjectCo Private Limited (Sponsor support agreement)	36,426
Subtotal	36,426
Total	¥85,318

4. Monetary receivables from and payables to subsidiaries and affiliated companies

	Millions of yen
Short-term monetary receivables	¥2,891,728
Long-term monetary receivables	125,936
Short-term monetary payables	690,240
Long-term monetary payables	1,176,966

5. Monetary receivables from and payables to board members and corporate auditors

	Millions of yen
Monetary receivables	¥23
Monetary payables	174

6. The contribution in kind in SoftBank Vision Fund L.P.

SoftBank Group Corp. invests in SoftBank Vision Fund L.P. by cash and the shares as the contribution in kind.

Though the amount of investment by cash is recorded as "Investments in consolidated and affiliated Godo Kaisha and partnerships" on the Balance Sheet, the shares transferred as the contribution in kind is not treated as a transfer of financial instruments, pursuant to the Article 40 of the "Practical Guidelines on Accounting Standards for Financial Instruments" (JICPA Accounting Practice Committee Statement No. 14). As a result, a part of the amount of the investment in SoftBank Vision Fund L.P. is recorded as "Shares of subsidiaries and associates" on the Balance Sheet.

The amount of the investment in kind in SoftBank Vision Fund L.P. recorded as "Shares of subsidiaries and associates" on the Balance Sheet is as follows:

	Millions of yen
SVF HOLDCO (UK) LIMITED	¥467,689
(Formerly Arm Holdings plc)	

(Notes relating to Statement of Income)

1. Permanent brand licensing fee

Permanent brand licensing fee is the consideration of granting the partial usage right of the "SoftBank" brand trademark, which is effective indefinitely, in principle, and SoftBank Group Corp. received it in a lump sum.

2. Loss on valuation of shares of subsidiaries and associates

The component is mainly as follows:

	Millions of yen
SB Neutron Holdings (UK) Ltd	¥247,618

3. Transactions with subsidiaries and affiliated companies

	Millions of yen
Net sales	¥44,051
Selling, general and administrative expenses	12,418
Non-operating transactions	1,304,913
Incl. Sales of equity securities	668,486
Permanent brand licensing fee	350,000
Purchase of equity securities	156,263
Dividend income	67,601

(Notes relating to Statement of Changes in Equity)

Class and number of treasury stocks as of March 31, 2018

Number of common stocks	11,162,425 shares

(Notes relating to tax effect accounting)

Significant components of deferred tax assets and liabilities

Deferred tax assets	Millions of yen
Investments in subsidiaries and affiliated companies	¥756,281
Tax loss carryforwards	429,784
Deferred taxable loss on the sale of shares of a subsidiary to a 100%-owned subsidiary under Japanese group taxation regime	105,719
Deferred assets	17,815
Others	24,254
Gross deferred tax assets	1,333,853
Less: valuation allowance	(1,324,216)
Total deferred tax assets	9,636

Deferred tax liabilities	Millions of yen
Deferred taxable gain on the sale of shares of a subsidiary to a 100%-owned subsidiary under Japanese group taxation regime	(10,004)
Gain recorded in specified foreign subsidiaries	(9,636)
Foreign exchange gain	(8,040)
Valuation difference on available-for-sale securities	(3,921)
Others	(3,923)
Total deferred tax liabilities	(35,525)
Net deferred tax liabilities	¥(25,889)

(**Notes relating to Related-Party Transactions with SoftBank Group Corp.**)

1. Subsidiaries and affiliated companies

Category	Name	Voting rights (%) (Note 15)	Nature of transaction	Note	Amount of transaction (Note 17)	Account	Balance at March 31, 2018 (Notes 16, 17)
					Millions of yen		Millions of yen
Subsidiary	SoftBank Corp.	Indirect 99.99%	Brand royalty revenue	4	¥43,437	Accounts receivable - trade	¥46,911
			Permanent brand licensing fee	5	350,000	Other current assets	—
			Lending of short-term loans receivable (net of receipts)		1,361,127	Short-term loans receivable	1,361,127
			Collection of long-term loans receivable (net of lending)		177,373	Long-term loans receivable	—
			Interest receipt	6	12,888	Other current assets	—
			Guarantee provided	7	6,405,175		
Subsidiary	SoftBank Group International GK (Note 1)	Direct 100%	Capital contribution	8	623,462		
			Collection of long-term loans receivable (net of lending)		824,860	Long-term loans receivable	—
			Collection of short-term loans receivable		6,390	Short-term loans receivable	—
			Interest receipt	6	14,575	Other current assets	—
			Borrowing of long-term loans payable		220,142	Long-term loans payable	220,142
			Interest payment	9	6	Accrued expenses	6
			Borrowing of securities	10	805,220		
			Payment of securities borrowing fee	10	69	Accounts payable - other	69
Subsidiary	Skywalk Finance GK	Direct 100.0% Indirect 0.0%	Capital contribution	8	419,620		
			Borrowing of long-term loans payable		839,396	Long-term loans payable	839,396
			Interest payment	9	1,593	Accrued expenses	1,527
Subsidiary	Net Culture GK	Direct 100%	Capital contribution		190,448		
			Advance of the purchase of securities		216,701	Other current assets	26,254
Subsidiary	Yahoo Japan Corporation	Indirect 43.0%	Dividend receipts		18,357		

Subsidiary	SoftBank Group Capital Limited	Direct 100%	Capital contribution	8	3,131,624		
			Lending of short-term loans receivable (net of receipts)		19,123	Short-term loans receivable	19,123
			Interest receipt	6	3,116	Other current assets	—
			Repayment of short-term loans payable		206,915	Short-term loans payable	—
			Interest payment	9	199	Accrued expenses	—
Subsidiary	SVF HOLDCO(UK) LIMITED	Direct 21.0% Indirect 79.0%	Dividend receipts	11	2,546,119		
Subsidiary	SB Cayman 2 Ltd.	Indirect 100%	Lending of short-term loans receivable		814,436	Short-term loans receivable	814,436
			Interest receipt	6	4,320	Other current assets	—
Subsidiary	SB Neutron Holdings(UK) Ltd	Direct 100%	Sale of equity securities	12	561,793		
			Capital contribution		247,640		
Subsidiary	SB INVESTMENT HOLDINGS (UK) LIMITED	Indirect 100%	Lending of short-term loans receivable (net of receipts)		541,899	Short-term loans receivable	541,899
			Lending of long-term loans receivable		11,686	Long-term loans receivable	11,686
			Interest receipt	6	4,020	Other current assets	140
Subsidiary	SoftBank Vision Fund L.P.	— (Note2)	Capital contribution	13	469,215		
Subsidiary	Foundation Holdings LP	— (Note3)	Capital contribution		168,457		
Subsidiary	Kahon3 Oy	Indirect 100%	Repayment of short-term loans payable		107,835	Short-term loans payable	453,089
			Interest payment	9	5,074	Accrued expenses	—
Subsidiary	Brightstar Corp.	Indirect 100%	Change of the borrower		117,800	Long-term loans receivable	18,592
			Lending of long-term loans receivable (net of receipts)		10,739		
			Interest receipt	6	288	Other current assets	—
Subsidiary	SoftBank Group Capital Europe Limited	Direct 100%	Repayment of short-term loans payable (net of borrowing)		8,087	Short-term loans payable	144,405
			Interest payment	9	1,505	Accrued expenses	—
Subsidiary	SB Group US, Inc.	Indirect 100%	Payment of business consignment expenses	14	5,435	Accounts payable - other	5,473

The terms of transactions and the policies

(Notes)1. SoftBank Group International GK and SoftBank Group Japan GK conducted an absorption-type merger with SoftBank Group International GK being a surviving company, effective on April 24, 2017.

2. The commitment ratio of Softbank Group Corp. is 30.13% of total committed capital contribution.

3. The investment ratio of SoftBank Group Corp. is 100% of the fund’s contributed capital.

4. Brand royalty revenue is measured by a rate applied for gross profit. The rate is determined by a reasonable standard.
5. Terms and conditions are determined referring to a third party’s valuation.
6. The interest rates for loans to related parties are determined in reference to market interest rates.
7. SoftBank Group Corp. receives joint surety from SoftBank Corp. for borrowings from financial institutions, etc. There is no guarantee fee paid.
8. Capital contribution herein primarily represents the contribution-in-kind of equity shares.
9. The interest rates for borrowings from related parties are determined in reference to market interest rates.
10. Please refer to Note relating to Balance Sheet, 2 “Borrowings by securities lending agreements” for the detail. Securities borrowing fee is determined referring to securities lending transactions with external financial agency.
11. Softbank Group Corp. inherited the amount in the book value for the shares.
12. The sales price of equity securities was determined based on the market price of those shares near the closing date.
¥229,005 million of “Gain on sales of investment securities” is recorded on the Statement of Income.
13. Capital contribution herein primarily represents the contribution-in-kind of SVF HOLDCO (UK) LIMITED shares.
14. The terms of transactions are determined similarly to ordinary transactions through negotiation.
15. For Godo Kaisha, it shows the ratio of investment amount to the total capital and capital surplus.
16. The foreign currency-denominated balance is translated at the exchange rate (USD1=JPY106.24) as of March 31, 2018.
17. Consumption taxes are included in the year-end balance, but not included in the transaction amount.

2. Directors and major individual shareholders

Category	Name	Voting rights (%)	Nature of transaction	Note	Amount of transaction (Note 2)	Account	Balance at March 31, 2018 (Note 2)
					Millions of yen		Millions of yen
Director and shareholder (individual)	Masayoshi Son（Son Assets Management LLC)	Owned directly 21.2%	Temporary advance for expenses on behalf of Son Assets Management LLC		¥236	Other current assets	¥23
			Office facility usage	1	46		
			Refund of guarantee deposit		1	Non-current liabilities-Other liabilities	174

The terms of transactions and the policies
(Notes) 1. “Office facility usage” is determined based on the percentage of facility used similar to subsidiaries and affiliated companies.
2. Consumption taxes are included in the year-end balance, but not included in the transaction amount.

(Notes relating to Per share data)

Shareholders’ equity per share ¥3,549.97

Net income per share ¥187.87