To Our Shareholders:

Disclosed information on the Internet at the Time of Notifying Convocation of the 37th Annual General Meeting of Shareholders

June 6, 2017

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 SBG or 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 SBG and 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 SBG and 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. 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.

4. 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.

5. 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 SBG and the Group, as necessary. In addition, they continue to enhance cooperation by holding regular meetings with the Independent Auditor and Audit & Supervisory Board Members, etc. of major subsidiaries. Through these efforts, Audit & Supervisory Board Members ensure the effectiveness of audits.

(Translation)

Consolidated Statement of Changes in Equity

(Fiscal year ended March 31, 2017)

(Millions of yen)

	Equity attributable to owners of the parent			
	Common stock	Capital surplus	Retained earnings	Treasury stock
As of April 1, 2016	238,772	261,234	2,166,623	(314,752)
Comprehensive income				
Net income	-	-	1,426,308	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,426,308	-
Transactions with owners and other transactions				
Cash dividends	-	-	(48,042)	-
Transfer of accumulated other comprehensive income to retained earnings	-	-	10,140	-
Purchase and disposal of treasury stock	-	-	(1,479)	(348,170)
Retirement of treasury stock	-	-	(595,195)	595,195
Changes from business combination	-	-	-	-
Changes from loss of control	-	-	-	-
Changes in interests in subsidiaries	-	1,670	-	-
Changes in associates' interests in their subsidiaries	-	(4,236)	-	-
Changes in interests in associates' capital surplus	-	(15,360)	-	-
Share-based payment transactions	-	2,398	-	-
Other	-	-	-	-
Total transactions with owners and other transactions	-	(15,528)	(634,576)	247,025
As of March 31, 2017	238,772	245,706	2,958,355	(67,727)

	Equity attributable to owners of the parent		Non-controlling interests	Total equity
	Accumulated other comprehensive income	Total		
As of April 1, 2016	261,736	2,613,613	891,658	3,505,271
Comprehensive income				
Net income	-	1,426,308	48,122	1,474,430
Other comprehensive income	(40,350)	(40,350)	(179)	(40,529)
Total comprehensive income	(40,350)	1,385,958	47,943	1,433,901
Transactions with owners and other transactions				
Cash dividends	-	(48,042)	(43,467)	(91,509)
Transfer of accumulated other comprehensive income to retained earnings	(10,140)	-	-	-
Purchase and disposal of treasury stock	-	(349,649)	-	(349,649)
Retirement of treasury stock	-	-	-	-
Changes from business combination	-	-	2,218	2,218
Changes from loss of control	-	-	(25,997)	(25,997)
Changes in interests in subsidiaries	-	1,670	6,189	7,859
Changes in associates' interests in their subsidiaries	-	(4,236)	-	(4,236)
Changes in interests in associates' capital surplus	-	(15,360)	-	(15,360)
Share-based payment transactions	-	2,398	8,087	10,485
Other	-	-	(3,253)	(3,253)
Total transactions with owners and other transactions	(10,140)	(413,219)	(56,223)	(469,442)
As of March 31, 2017	211,246	3,586,352	883,378	4,469,730

(Translation)

Statement of Changes in Equity

(For the fiscal year from April 1, 2016, to March 31, 2017)

（Millions of yen）

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance as of April 1, 2016	¥238,772	¥472,079	¥472,079	¥1,414	¥960,487	¥961,901	¥(314,752)	¥1,358,000
Changes of items during period								
Dividends of surplus	—	—	—	—	(48,042)	(48,042)	—	(48,042)
Net income	—	—	—	—	2,745,949	2,745,949	—	2,745,949
Purchase of treasury shares	—	—	—	—	—	—	(350,857)	(350,857)
Disposal of treasury shares	—	—	—	—	(1,479)	(1,479)	2,687	1,208
Retirement of treasury shares	—	—	—	—	(595,195)	(595,195)	595,195	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during period	—	—	—	—	2,101,233	2,101,233	247,025	2,348,258
Balance as of March 31, 2017	¥238,772	¥472,079	¥472,079	¥1,414	¥3,061,720	¥3,063,134	¥(67,727)	¥3,706,258

	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, 2016	¥2,516	¥(69)	¥2,447	¥20	¥1,360,467
Changes of items during period					
Dividends of surplus	—	—	—	—	(48,042)
Net income	—	—	—	—	2,745,949
Purchase of treasury shares	—	—	—	—	(350,857)
Disposal of treasury shares	—	—	—	—	1,208
Retirement of treasury shares	—	—	—	—	—
Net changes of items other than shareholders' equity	(2,963)	47	(2,916)	1,996	(920)
Total changes of items during period	(2,963)	47	(2,916)	1,996	2,347,339
Balance as of March 31, 2017	¥(447)	¥(22)	¥(469)	¥2,016	¥3,707,806

(Translation)

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 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
ARM	ARM Holdings plc
Brightstar	Brightstar Global Group Inc.
Sprint Communications	Sprint Communications, Inc.
Clearwire	Clearwire Corporation
Alibaba	Alibaba Group Holding Limited
GungHo	GungHo Online Entertainment, Inc.
Supercell	Supercell Oy

2. Scope of consolidation

Number of consolidated subsidiaries: 762

Names of main consolidated subsidiaries

SoftBank Corp., Sprint Corporation, Yahoo Japan Corporation, Brightstar Global Group Inc., ARM Holdings plc, and SoftBank Group Capital Limited.

Name of main entities newly consolidated and reasons for consolidation

West Raptor Holdings, LLC	Newly established
ARM Holdings plc	Newly acquired

Name of main entities excluded from consolidation and reasons for exclusion

Supercell Oy	Disposition of shares
Foxconn Ventures Pte. Ltd. (Formerly SOFTBANK GROUP CAPITAL APAC PTE. LTD.)	Changed to equity method associate due to a decrease in the percentage of voting rights resulting from the allocation of new shares to a third party

3. Scope of entities applying equity method

Number of entities applying the equity method: 147

Name of main entity applying the equity method

Alibaba Group Holding Limited

Name of main entity newly included in scope of entities applying equity method and reason for equity method application

Foxconn Ventures Pte. Ltd. (Formerly SOFTBANK GROUP CAPITAL APAC PTE. LTD.)	Changed from consolidated subsidiary due to a decrease in the percentage of voting rights resultimg from the allocation of new shares to a third party

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

GungHo Online Entertainment, Inc.	Transfer of shares to GungHo

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

Jasper Infotech Private Limited
ANI Technologies Private Limited
Grab Inc.

The reason the equity method is not applied:

Regarding preferred stock investments in associates, the features of preferred stock are substantively different from those of common stock; therefore the above associates are not accounted for using the equity method, and are designated as financial assets at fair value through profit or loss ("financial assets at FVTPL").

4. Matters regarding fiscal year ends of equity method associates

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 conform the reporting period of Alibaba due to the contract with Alibaba. Adjustments are made for significant transactions or events that occurred during the intervening period and which were publicly announced by Alibaba.

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 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.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as "held-to-maturity investments."

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

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables."

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

(d) Available-for-sale financial assets

Non-derivative financial assets are classified as "available-for-sale financial assets," if:

- They are designated as "available-for-sale financial assets" or
- They are classified as neither "financial assets at FVTPL," "held-to-maturity investments," nor "loans and receivables."

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. Exchange differences arising on monetary financial assets classified as available-for-sale financial assets, interest income calculated using the effective interest method relating to available-for-sale financial assets, and dividends received are recognized in profit or loss.

(e) Impairment of financial assets

Among financial assets other than those at FVTPL, available-for-sale equity instruments are assessed for any objective evidence of impairment at the end of the fiscal year and at the end of each quarter, and the other assets are assessed for any objective evidence of impairment at the end of the fiscal year. Financial assets are impaired when there is objective evidence that loss events occurred subsequent to initial recognition of the financial assets and when estimated negative future cash flows of the financial assets from those events can be reasonably estimated.

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

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

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

When there is objective evidence of impairment on loans and receivables or held-to-maturity investments, the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, is recognized in profit or loss as an impairment loss. The impairment loss is recognized through the use of an allowance account, and the carrying amount of a loan and receivable is written off against the allowance account when it is considered uncollectible.

The carrying amount of held-to-maturity investments is reduced by the impairment loss directly. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset does not exceed what the amortized cost would have been, had the impairment not been recognized.

When there is objective evidence that an available-for-sale financial asset is impaired, previously recognized accumulated other comprehensive income is transferred to profit or loss. Impairment losses on equity instruments classified as available-for-sale financial assets are not reversed.

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	12 - 50 years
Other	5 - 15 years
Telecommunications equipment	
Wireless equipment, switching equipment, and other network equipment	5 - 30 years
Towers	15 - 42 years
Other	5 - 40 years
Furniture, fixtures, and equipment	
Leased mobile devices	2 - 3 years
Other	4 - 10 years

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

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

b. Intangible assets

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

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

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

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

Software	
Software related to wireless equipment	5 - 10 years
Other	3 - 5 years
Customer relationships	4 - 24 years
Favorable lease contracts	3 - 23 years
Technologies	8 - 20 years
Trademarks (with finite useful lives)	8 - 34 years
Spectrum migration costs	18 years
Other	4 - 20 years

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

Favorable lease contracts are recognized as intangible assets based on the estimated fair value of the favorable portion of future cash flows if, at the time of business combinations, the terms of operating lease contracts in which the acquiree is the lessee are favorable compared to market terms.

Spectrum migration costs are the amounts that the Company incurred in connection with the costs arising from the migration of the existing users from the 900 MHz band, which SoftBank Corp. acquired, to the other frequency spectrum based on the termination campaign. Useful lives are estimated based on the actual utilization of the frequency spectrum in the past.

Intangible assets with indefinite useful lives are as follows:

- Licenses to use specific frequency spectrum granted by the U.S. Federal Communications Commission ("FCC licenses")
- Trademarks (with indefinite useful lives)

As long as the Company acts within the requirements of the regulatory authorities, the renewal and extension of FCC licenses are reasonably certain at minimal cost. Therefore, it has been determined that FCC licenses have indefinite useful lives.

The Company determined that "Sprint," "Boost Mobile," and other trademarks have indefinite useful lives as they can be legally 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 of the net fair value of the identifiable assets and liabilities recognized at the date of acquisition is recognized as goodwill and included within the carrying amount of investment it 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 that 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.

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 transferred to retained earnings immediately from accumulated other comprehensive income.

(7) Criteria for recording 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 in order to prepare for future claims by debtors and others for repayment of interest paid in excess of the rate permitted under the Interest Rate Restriction Act.

(8) Revenue recognition

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

Domestic Telecommunications segment and Sprint segment

a. Mobile Communications service and sales of mobile handsets

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

In the Mobile Communications service, revenues are mainly generated from basic monthly charges, telecom service 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 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 payment, the maximum amount of revenues to be recognized by the sale of mobile handsets is set by the amounts to be received from subscribers at the sales of mobile handsets. The amount of revenue allocated to the mobile telecommunication services is recognized when the service is provided to the subscribers.

b. Fixed-line Telecommunications service

In the Fixed-line Telecommunications service, revenues are generated mainly from voice communications and digital data transmission services, Internet provider charges, ADSL service fees, IP telephony service fees, and the usage of the network ("revenues from fixed-line telecommunications service").

Revenues from fixed-line telecommunications services are recognized as revenues when services are provided to subscribers, based upon fixed monthly charges, plus the usage of the network.

Yahoo Japan segment

In the Yahoo Japan segment, revenues are generated mainly from sponsored search advertising, display advertising, e-commerce related commission fees, revenue from membership, and product sales.

Sponsored search advertising revenue is recognized when a visitor to the website clicks the advertisement. Display advertising comprises premium advertising, Yahoo! Display Ad Network ("YDN"), and others. Revenue from premium advertising is recognized over the period in which related advertisement is displayed. Revenue from YDN is recognized when a visitor to the website clicks the advertisement on the page with the related content. Revenue from e-commerce-related commission fees is recognized when the transaction occurs. Revenue from membership fees is recognized over an effective period of the membership. Revenue from product sales is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably.

Distribution segment

In the Distribution segment, revenues are generated mainly from distribution of mobile handsets to telecommunication service providers and retailers overseas, and sales of 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.

Incomes 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 the resulting gain or loss, if any, is recognized in profit or loss.

Amounts arising from changes in the value of interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the fiscal year, the Company reports in its 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) Accounting method for consumption taxes

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

(Notes to Changes in Presentation)

Consolidated Statement of Income

“Gain on sales of shares of associates,” “Derivative loss,” and “Loss from financial instruments at FVTPL,” which were included in “Other non-operating loss” in the previous fiscal year, have been presented separately for the fiscal year ended March 31, 2017, as its quantitative materiality increased.

“Dilution gain from changes in equity interest,” which was presented separately in the previous fiscal year has been included in “other non-operating income” for the fiscal year ended March 31, 2017, as its quantitative materiality decreased.

(Notes to Changes in Accounting Estimates)

1. Impairment on assets

   The details are described in Note 5 of “1. Other operating loss” under “Notes to Consolidated Statement of Income.”

2. Fair value of financial instruments

   The details are described in “5. Loss from financial instruments at FVTPL” under “Notes to Consolidated Statement of Income.”

(Notes to Business Combinations)

ARM

(1) Overview of the consolidation

On July 18, 2016 (GMT), the Company and ARM, a UK company, entered into an agreement on the terms of a recommended all-cash acquisition by the Company of the entire issued and to be issued share capital of ARM for a total acquisition price of approximately ￡24.0 billion (approximately ¥3.3 trillion) by means of an English court-sanctioned scheme of arrangement (the “Acquisition”). The Acquisition was approved at ARM’s general meeting of shareholders held on August 30, 2016, and at the English court hearing held on September 1, 2016, and be came effective on September 5, 2016.

As a result of the transaction, ARM became a wholly-owned subsidiary of the Company.

(2) Purpose of consolidation

The Company believes ARM is one of the world’s leading technology companies, with strong capabilities in global semiconductor intellectual property and the “Internet of Things” and a proven track record of innovation.

The board and management of the Company believe that the acquisition of ARM will deliver the following benefits:

・Support and accelerate ARM’s position as the global leader in intellectual property licensing and Research and Development (“R&D”) outsourcing for semiconductor companies

The Company’s deep industry expertise and global network of relationships will accelerate adoption of ARM’s intellectual property across existing and new markets.

・Maintain ARM’s dedication to innovation

The Company intends to sustain ARM’s long-term focus on generating more value per device and driving licensing wins and future royalty streams in new growth categories, specifically “Enterprise and Embedded Intelligence.”

・Increased investment to drive the next wave of innovation

The Company intends to support ARM’s multiple growth initiatives by investing in engineering talent and complementary acquisitions with the aim of ensuring ARM maintains a R&D edge over existing and emerging competitors. The Company believes such an investment strategy in long-term growth will be easier to execute as a non-listed company.

・Shared culture and long-term vision

The Company believes the two companies share the same technology-oriented culture, long-term vision, focus on innovation and commitment in attracting, developing and retaining top talent. These common values will be the foundation for the strong strategic partnership necessary to capture the significant opportunities ahead.

・Maintain and grow the UK’s leadership in science and technology

The Company is investing in the UK as a world leader in science and technology development and innovation and, as evidence of this, intends to invest in multiple ARM growth initiatives, at least doubling the number of ARM employees in the UK over the next five years.

(3) Summary of ARM

(a) Name	ARM Holdings plc
(b) Address	110 Fulbourn Road, Cambridge CB1 9NJ, UK
(c) Name and title of representative	Simon Segars, Chief Executive Officer
(d) Nature of business	・Design of microprocessor intellectual property and related technology ・Sale of software tools
(e) Share capital	￡0.7 million (as of December 31, 2015)
(f) Date of incorporation	October 16, 1990
(g) Consolidated net sales	￡968 million (for the fiscal year ended December 31, 2015, under IFRSs)

(4) Acquisition date

September 5, 2016

(5) Consideration transferred and the component

		(Millions of yen) Acquisition date (September 5, 2016)
Payment for the acquisition by cash		3,319,137
Fair value of equity interest in ARM already held at the time of the acquisition		47,867
Total consideration transferred	A	3,367,004

Acquisition-related costs of ¥25,780 million arising from the business combination are recognized in "Other operating loss."

As a result of the remeasurement of the 1.4% equity interest at fair value, which was already held by the Company at the time of the acquisition of control in ARM, the Company recognized a gain of ¥18,168 million through the step acquisition. This gain is presented as "Gain from remeasurement relating to business combination" in the consolidated statement of income.

(6) Fair value of assets and liabilities and goodwill on the acquisition date

		(Millions of yen) Acquisition date (September 5, 2016)
Cash and cash equivalents		16,984
Trade and other receivables		59,782
Other current assets		119,090
Intangible assets[1]		693,432
Other non-current assets		23,649
Total assets		912,937
Current liabilities		61,930
Deferred tax liabilities		127,622
Other non-current liabilities		7,292
Total liabilities		196,844
Net assets	B	716,093
Goodwill[2]	A-B	2,650,911

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 as of the acquisition date (GBP = ¥138.15).

Note:

1. The components of intangible assets are as follows: the estimated useful lives are from 8 years to 20 years for technologies, 13 years for customer relationships, and 8 years for trademarks, and ¥29,379 million of amortization expenses related to intangible assets is recorded as "selling, general and administrative expenses" in the consolidated statement of income.

	(Millions of yen) Acquisition date (September 5, 2016)
Technologies	537,680
Customer relationships	148,649
Trademarks	5,940
Other	1,163
Total	693,432

2. Goodwill reflects excess earning power expected from future business development, congregative human resources related to research and development, and the synergy between the Company and the acquiree.

(7) Payment for the acquisition of control over subsidiaries

	(Millions of yen) Fiscal year ended March 31, 2017
Cash paid for the acquisition	(3,319,137)
Foreign exchange gain relating to settlement*	52,856
Cash and cash equivalents held by the acquiree at the time of acquisition of control	16,984
Cash paid for the acquisition of control over the subsidiaries	(3,249,297)

Note:
*Fluctuation in foreign exchange arising from the acquisition date to the settlement date (September 15, 2016).

(8) Sales and net income of the acquiree

The amounts of the acquiree's sales and net income before elimination of intercompany transactions after the acquisition date, which are recorded in the consolidated statement of income, for the fiscal year ended March 31, 2017 are ¥112,902 million and ¥17,272 million, respectively.
In addition, amortization expenses related to intangible assets recognized on the acquisition date are included in the aforementioned net income.

(Notes 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	325
Trade and other receivables	7,154
Other financial assets (current)	4,397
Inventories	2,818
Property, plant, and equipment	661,029
Investments accounted for using equity method*	154,440
Total	830,163
Secured liabilities:	
Trade and other payables	4,397
Interest-bearing debt	
Short-term borrowings	179
Current portion of long-term borrowings	204,426
Long-term borrowings	79,071
Financial liability for variable prepaid forward contract*	715,448
Total	1,003,521

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

a. Sprint

Approximately $74.4 billion (before consolidation adjustments) in assets of Sprint are pledged as collateral for approximately $8.3 billion in total borrowings and bonds.

b. Brightstar

Approximately $2.0 billion (before consolidation adjustments) in assets of Brightstar are pledged as collateral for the $0.7 billion of borrowings.

Note:
*The details are described in “1. Transaction for sale of Alibaba shares by variable prepaid forward contract” under “Other notes”.

(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	399,402

(3) Others

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	80,847
Intangible assets	26,376
Other non-current assets	19
Total	107,242
Interest-bearing debt	
Current portion of installment payables	36,580
Installment payables	24,268
Total	60,848

2. Allowance for doubtful accounts directly deducted from assets

	(Millions of yen)
Trade and other receivables	63,433
Other financial assets (current)	1,358
Other financial assets (non-current)	31,918
Total	96,709

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

(Millions of yen)

3,530,694

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	313,688
Funded	13,967
Unfunded	299,721

(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	16,632
Guarantee balance	12,997

(3) Litigation

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

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

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

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

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

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

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

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

The order to consolidate lawsuit (b) above with lawsuit (a) above was made on July 29, 2015. SoftBank Corp. modified the amount of claim from approximately ¥14.9 billion to approximately ¥20.4 billion on November 13, 2015, and also modified the amount of claim from approximately ¥20.4 billion to approximately ¥22.3 billion on October 12, 2016, as a result of a review of the remuneration etc. with respect to additional services regarding the lawsuit (a) above.

b. Legal and administrative proceedings to which Sprint and its subsidiaries are party

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

(b) On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications had fraudulently failed to collect and pay more than $100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also seeks recovery of triple damages under the State False Claims Act, as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute requires Sprint Communications to collect and remit the disputed taxes. Sprint Communications' petition for certiorari to the US Supreme Court on grounds of federal preemption was denied. Sprint Communications accrued approximately $200 million during the year ended March 31, 2016, in association with this matter. The parties are now engaged in discovery in the trial court. Sprint Communications will continue to defend this matter vigorously.

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

(c) Sprint Communications is also a defendant in a complaint filed by several stockholders of Clearwire Corporation asserting claims for breach of fiduciary duty by Sprint Communications and related claims and otherwise challenging the Clearwire Acquisition. ACP Master, LTD., et al. v. Sprint Nextel Corp., et al., was filed on April 26, 2013, in Chancery Court in Delaware. Plaintiffs in the ACP Master, LTD. suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock. A trial related to those cases took place in October 2016 and November 2016; the parties have submitted their post-trial briefing, and oral argument was held on April 25, 2017. Spring Communications, Inc. is awaiting a decision on such cases.

(d) Sprint is currently involved in numerous court actions alleging that Sprint is infringing various patents. Most of these cases effectively seek only monetary damages. A small number of these cases are brought by companies that sell products and seek injunctive relief as well. These cases have progressed to various degrees and a small number may go to trial if they are not otherwise resolved. Adverse resolution of these cases could require Sprint to pay significant damages, cease certain activities, or cease selling the relevant products and services. In many circumstances, Sprint would be indemnified for monetary losses that it incurs with respect to the actions of its suppliers or service providers.

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

Further, Sprint is not able to reasonably estimate the amount of any claim for penalties that might be asserted.

(f) Various other suits, inquiries, proceedings, and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against Sprint or its subsidiaries. During the year ended March 31, 2017, Sprint recorded a $103 million charge associated with a state tax matter. If Sprint's interpretation of certain laws or regulations, including those related to various federal or state matters, such as sales, use or property taxes, or other charges, were found to be mistaken, it could result in payments by Sprint.

c. Legal and administrative proceedings to which Brightstar Corp. and its subsidiaries are party

Brightstar Corp. and its subsidiaries are party to various legal and administrative proceedings globally and particularly in Latin American countries, including disputes relating to tax, labor, contract, and other currently pending matters. This litigation mainly consists of five administrative proceedings initiated by tax authorities in Brazil against the subsidiary of Brightstar Corp. involving failure by such entity to pay a portion of taxes owed due, e.g., differences in understanding between such entity and the tax authorities, for which such authorities have claimed an aggregate of $120 million. One of these five administrative proceedings has been filed; however, a subsidiary of Brightstar Corp. has filed an Annulment Action in October 2015 requesting that the case be returned to the administrative level.

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. The threshold amounts of adjusted net interest-bearing debts and leverage ratios shall be reduced when the balance of cash and cash equivalents and the fair value of particular listed shares held by the Company exceed certain amounts, respectively.

Notes:

1. Adjusted net interest-bearing debts: Amounts deducting cash and cash equivalents from interest-bearing debts in the consolidated statement of financial position. Certain adjustments are made, such as excluding certain listed subsidiaries such as Sprint, from the subject.

2. Leverage ratio: Adjusted net interest-bearing debt / adjusted 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 ($24.1 billion) of interest-bearing debts of Sprint are provided with the right to require Sprint to repurchase the interest-bearing debts if there is a change of control and if there is a decline, to a certain extent, in ratings of the applicable interest-bearing debts by the Rating Services.

b. It is required that as of the last day of each quarter, Sprint's ratio of total 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 6.00 as of March 31, 2017.

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 to Consolidated Statement of Income)

1. Other operating loss

The components of other operating loss are as follows:

	(Millions of yen)
Sprint segment	
Gain on spectrum licence exchange[1]	36,385
Loss on disposal of property, plant, and equipment[2]	(55,727)
Loss on contract termination[3]	(15,399)
U.S. state tax charge	(10,600)
Legal reserves	(4,209)
Severance costs associated with reduction in workforce	(2,277)
Other	(8,201)
Yahoo Japan segment	
Loss on disaster[4]	(13,006)
Other	2,269
Distribution segment	
Impairment loss on goodwill[5]	(30,260)
ARM segment	
Acquisition-related costs[6]	(25,780)
Company-wide	
Expense resulting from resignation of director[7]	(8,847)
Other	
Impairment loss on assets[8]	(8,051)
Total	(143,703)

Notes:

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

2. Loss mainly resulting from the write-off of leased devices associated with lease cancellations prior to scheduled customer lease terms where customers did not return the devices to Sprint.

3. Loss mainly resulting from termination of wholesale contracts with NTELOS Holdings Corp.

4. In February 2017, a fire incident occurred at a logistics center of ASKUL, namely, ASKUL Logi PARK Tokyo Metropolitan. The fire inflicted damage on ASKUL's non-current assets and inventories resulting in a temporary operation shutdown. The loss from the fire incident consists of ¥10,230 million of damage on non-current assets, ¥2,510 million of destroyed inventories, and ¥266 million of related costs.

5. Goodwill of Brightstar had been allocated in its entirety to Brightstar (a group of cash-generating units), which had bundled five cash-generating units (Brightstar's United States & Canada, Latin America, Asia & Oceania, SoftBank Commerce & Service Corp., and Europe & Africa); however, in March 2017, its goodwill was reallocated to Brightstar, which bundled four cash-generating units, except for SoftBank Commerce & Service Corp., due to the decision to recognize the Distribution segment. As impairment indicators existed, the impairment test was conducted on goodwill and intangible assets with indefinite useful lives. As a result, the recoverable amount of goodwill was less than its carrying amount, and therefore, ¥30,260 million of impairment loss on goodwill was recorded as "Other operating loss". Value in use was used as the recoverable amount and calculated by discounting the management-approved estimated future cash flow plan of the four cash-generating units by 10.97% - 16.17%, the weighted-average capital cost before tax.

6. Expenses arising from the business combination of ARM. The details of the business combination are described in "Notes to Business Combinations".

7. Expenses resulting from the resignation of Nikesh Arora from his position as a director. Resignation expenses consist of expenses in which payment amounts are defined and expenses in which payment amounts are to be defined depending on the future share price of SoftBank Group Corp. shares. Expenses based on the share price will be settled in two installments, scheduled in June 2017 and March 2018. Payment amount will be determined based on the share price of June 2017 and March 2018. The Company measured the expenses

based on the SoftBank Group Corp. share price as of June 30, 2016, and recorded the entire expense. The expenses will be remeasured every quarter-end based on the stock price of SoftBank Group Corp. until the determination of the final payment amount and the changes will be recognized through profit or loss. Such expense was ¥3,830 million for the fiscal year ended March 31, 2017.

In addition to the above resignation expense, the Company purchased the shares in associate companies from Nikesh Arora for ¥10,744 million, which were previously granted to him in December 2014. The purchase price by the Company was determined based on negotiation with reference to the recent transaction price.

8. As a result of revising the business plan of SoftBank Robotics Corp., the recoverable amount was less than its carrying amount, and therefore the related carrying amount of assets was reduced to its recoverable amount of ¥ 3,471 million determined based on its value in use.

2. Finance cost

The components of finance cost are as follows:

	(Millions of yen)
Interest expense	(467,311)

3. Gain on sales of shares of associates

The Company sold a portion of its Alibaba shares to Alibaba, Gamlight Pte Ltd, a wholly-owned subsidiary of GIC Private Limited, and Aranda Investments Pte. Ltd., a wholly-owned subsidiary of Temasek Holdings Private Limited on June 13, 2016, and to Alibaba Partnership* on July 11, 2016. As a result of the transactions, ¥ 234,418 million was recorded as a gain on sales of shares of associates.

The aggregate amount of its sale was ¥ 359,704 million ($3.4 billion), of which the sale price for Alibaba was ¥ 212,920 million ($ 2.0 billion). The sale price was determined by negotiation with reference to the market price of Alibaba shares.

Note:

*Alibaba Partnership is not an associate of Alibaba.

4. Derivative loss

Derivative loss of ¥232,729 million was recorded related to a collar transaction included in a variable prepaid forward contract. The details of the variable prepaid forward contract are described in “1. Transaction for sale of Alibaba shares by variable prepaid forward contract” in “(Other notes)”

5. Loss from financial instruments at FVTPL

Loss from financial instruments at FVTPL mainly consists of changes in fair value of preferred stock investments, including embedded derivatives, such as ANI Technologies Pvt. Ltd and Jasper Infotech Private Limited in India, designated as financial assets at FVTPL.

6. Other non-operating income and loss

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

	(Millions of yen)
Foreign exchange gain and loss	53,336
Dilution gain from changes in equity interest[1]	77,540
Loss relating to loss of control[2]	(79,278)
Impairment loss on assets classified as held for sale[3]	(42,540)
Other	(1,639)
Total	7,419

Notes:

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

2. On February 24, 2017, the Company entered into an agreement with Foxconn Technology Group in Taiwan to establish a joint venture through its wholly-owned subsidiary, SOFTBANK GROUP CAPITAL APAC PTE. LTD. SOFTBANK GROUP CAPITAL APAC PTE. LTD. accordingly issued new ordinary shares to Foxconn (Far East) Limited on March 3, 2017, and changed its name to Foxconn Ventures Pte. Ltd. as of the same date. As a result of the transaction, the percentage of voting rights of Foxconn Ventures Pte. Ltd. held by the Company was reduced to 45.5% and the entity has become an equity method associate and no longer qualified as a consolidated subsidiary of the Company from March 3, 2017. The loss relating to the loss of control resulting

from the transaction was ¥79,278 million. Of this amount, the amount that was transferred from accumulated other comprehensive income to net loss due to the loss of control was ¥131,529 million and the gain from remeasurement relating to applying equity method was ¥52,251 million.

3. The Company transferred a portion of its GungHo shares to assets classified as held for sale as the Company tendered in the Tender Offer by GungHo on June 23, 2016. Accordingly, the carrying amounts of the shares were reduced to the fair values before deducting expenses arising from the sale (Tender Offer price), and ¥42,540 million was recorded as an impairment loss on assets classified as held for sale. As a result of the transaction, GungHo is no longer qualified as an equity method associate from August 16, 2016.

7. Discontinued operations

Supercell

The Company entered into a definitive agreement with Tencent Holdings Limited and its affiliate (the "Tencent affiliate"), Supercell, and other parties on June 21, 2016, to sell all of its shares of Supercell to the Tencent affiliate. The shares were transferred on July 29, 2016, and as of the date of transfer of the shares, Supercell was excluded from the scope of consolidation of the Company.

Operating results related to Supercell for the fiscal year ended March 31, 2017, are presented separately from continuing operations, as discontinued operations, in the consolidated statement of income.

The operating results from discontinued operations are as follows:

	(Millions of yen)
Revenue	80,735
Expense	(46,075)
Income before income tax from discontinued operations	34,660
Income taxes	(6,414)
Income after income tax from discontinued operations	28,246
Gain on sales of discontinued operations	636,216
Income taxes recognized from sales of discontinued operations	(109,663)
Net income from discontinued operations	554,799

In addition, the above net income from discontinued operations includes amortization expenses that are related to intangible assets recognized at the acquisition date.

(Notes to Consolidated Statement of Changes in Equity)

1. Class and number of outstanding shares as of March 31, 2017

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 22, 2016	Common stocks	24,085	21	March 31, 2016	June 23, 2016	Retained earnings
Board of Directors' meeting held on October 27, 2016	Common Stocks	23,957	22	Septembe r 30, 2016	December 12, 2016	Retained earnings

(2) Dividends for which record date is in the fiscal year ended March 31, 2017, 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 21, 2017	Common stocks	23,964	22	March 31, 2017	June 22, 2016	Retained earnings

3. Number of shares for stock acquisition rights as of March 31, 2017

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

Common stocks	227,400 shares

4. Treasury stock

The Company retired of 100,000 thousand shares of treasury stock on October 31, 2016, pursuant to the Board of Directors' resolution passed on October 7, 2016. As a result, retained earnings and treasury stock each decreased by ¥ 595,195 million.

(Notes 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 with foreign parties and through lending and borrowing from foreign subsidiaries. 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 are increasing due to rising in interest rate. 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	3,377,625	3,436,955
Corporate bonds	7,233,838	7,590,748
Lease obligations	807,606	818,686
Installment payables	29,760	30,908
Total	11,448,829	11,877,297

(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 with variable rates other than its current portion are measured based on the discounted cash flow method using observable inputs, such as market interests. Fair values of non-current portion of long-term borrowings with fixed rate are measured based on discounted cash flow using an interest rate, including the credit spread that would be used for a borrowing with the same terms and maturity.

b. Corporate bonds

Fair values of corporate bonds other than its current portion are mainly measured using the 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 risks.

(2) Redemption schedule for interest-bearing debt

Redemption schedule for interest-bearing debt is as follows:

(Millions of yen)

	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years
Interest-bearing debt				
Short-term borrowings	667,664	668,506	668,506	-
Commercial paper	80,000	80,000	80,000	-
Long-term borrowings (including current portion)	4,506,135	4,558,688	1,132,653	1,955,143
Corporate bonds (including current portion)	7,573,300	7,575,400	336,591	736,620
Lease obligations	1,245,890	1,245,890	438,284	351,248
Financial liability for variable prepaid forward contract	715,448	740,454	-	-
Installment payables	69,933	71,004	40,376	17,804
Total	14,858,370	14,939,942	2,696,410	3,060,815

	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)	584,852	373,082	79,281	433,677
Corporate bonds (including current portion)	1,044,869	671,946	1,229,618	3,555,756
Lease obligations	243,853	153,596	56,388	2,521
Financial liability for variable prepaid forward contract	740,454	-	-	-
Installment payables	9,879	1,683	1,262	-
Total	2,623,907	1,200,307	1,366,549	3,991,954

(Notes to per share data)

Equity per share attributable to owners of the parent	¥3,292.40
Basic earnings per share	
Continuing operations	¥792.16
Discontinued operations	¥494.85
Total	¥1,287.01

(Notes to significant subsequent events)

Investment in Xiaoju Kuaizhi Inc. (“Kuaizhi”)

On April 17, 2017, an overseas subsidiary of SoftBank Group Corp. and Kuaizhi, the operator of a taxi allocation service in China, entered into an agreement whereby the overseas subsidiary will make a total investment of $5.0 billion (approximately ¥550,000 million) in Kuaizhi.

Kuaizhi will not be classified as a subsidiary or an associate of the Company after the investment.

The impact of this agreement on the operating results as of March 31, 2018 has not been determined at present.

(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 the deduction of the amounts from $6.6 billion of the total amount of Trust Securities issuance for the purchase of U.S. Treasury securities in order to fund distributions on the Trust Securities and for the expenses in order to issue Trust Securities.

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

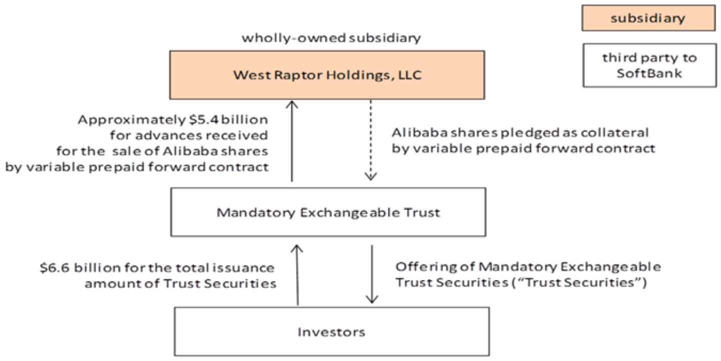
The Company accounts for the variable prepaid forward contract by bifurcating the main contracts and embedded derivatives. The Company received ¥578,436 million and initially recognized ¥674,023 million as financial liabilities relating to sale of shares through the variable prepaid forward contract 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; ¥715,448 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 ¥143,935 million is recognized as derivative liabilities in other financial liabilities (non-current liabilities) in the consolidated statement of financial position as of March 31, 2017; ¥232,729 million is recognized as a derivative loss in the consolidated statement of income for the fiscal year ended March 31, 2017.

WRH LLC has the option (“cash settlement option”) to settle the variable prepaid forward contract by either delivering cash or a combination of cash and Alibaba shares. If WRH LLC elects the cash settlement option, the cash equivalent to the fair value of the number of shares for the settlement, which is determined by the transaction price of ADSs, will be paid.

Also, WRH LLC has the option (“early settlement option”) to settle the variable prepaid forward contract prior to the scheduled settlement date. Settlement of the variable prepaid forward contract may be made prior to the scheduled settlement date if WRH LLC elects the early settlement option or under certain circumstances.

Alibaba shares held by WRH LLC are pledged as collateral. The Company applies the equity method to these shares and they are included in “Investments accounted for using the equity method” in the consolidated statement of financial position as of March 31, 2017. The carrying amount of Alibaba shares pledged as collateral by the Company is ¥154,440 million as of March 31, 2017.

Outline of the transaction



Note:

*In order to represent the main point of the transaction, the outline shows only the main components related to the transaction and the relationship between the Company and each company in a simplified manner.

2. Conditional commitments on investment in WorldVu Satellites Limited (“OneWeb”) and Intelsat S.A. (“Intelsat”) and a conditional service purchase commitment with OneWeb

The Company had investments of $0.68 billion and $1.73 billion in OneWeb and Intelsat, respectively, as of March 31, 2017. Such investments are intended to support the construction of satellite communication systems and operations to provide affordable, high-speed, low-latency Internet to rural and remote communities around the world.

In accordance with a share purchase agreement between the Company and OneWeb with a total investment amount of $1 billion, the Company invested $0.32 billion in the fiscal year ended March 31, 2017, and further invested $0.15 billion in April 2017. With respect to the remaining conditional investment commitment of $0.53 billion, the Company will invest such amount upon OneWeb obtaining certain financing and approvals from relevant regulatory authorities.

The total investment of $1.73 billion in Intelsat will be made subject to the consummation of the merger between OneWeb and Intelsat (the “Merger”) and upon receipt of approvals from relevant authorities. Further, the Merger itself is subject to, among other conditions, the successful completion of debt exchange offers to certain existing Intelsat bondholders, as well as receipt of certain regulatory approvals.

In addition, the Company has a conditional purchase commitment of $4 billion for satellite communication service capacity to the OneWeb group as of March 31, 2017. The minimum payment of $4 billion is subject to OneWeb achieving certain service levels, which are set forth in two stages and include, among other things, the positioning of a particular number of satellites on prescribed orbital planes in operation. An initial payment of $0.5 billion will be made within 12 months of OneWeb completing the first service level, and the remaining $3.5 billion will be paid within 48 months of OneWeb completing the second service level.

3. Commitment to acquire Fortress Investment Group LLC (“Fortress”)

The Company will acquire 100% of the outstanding shares of Fortress for approximately $3.3 billion. The closing of the acquisition is subject to the satisfaction of customary conditions, such as certain regulatory approvals. The Company is planning to bring in partners for a portion of the investment following the closing of this acquisition.

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

Stock issuance cost : Amortized by the month over three years

Bond issuance cost : Amortized by the 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 authorization and credit limit amount.

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 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.

5. Additional information

The Guideline with regard to Recoverability of Deferred Tax Assets (Guideline of Corporate Accounting Standards, No. 26, March 28, 2016) has been adopted effective from the fiscal year ended March 31, 2017.

(Notes to Balance Sheet)

	Millions of yen
1. Accumulated depreciation of property and equipment	¥11,721

2. Borrowings by security lending agreements

Cash receipts as collateral from financial institutions, to whom SoftBank Group Corp. lent a portion of shares of subsidiaries and affiliated companies of ¥2,681million under security lending agreements, are presented as follows:

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

3. Guarantee obligation

Guarantee（Nature of guarantee obligation）	Millions of yen
[Guarantee obligation]	
SBG Cleantech ProjectCo Private Limited (Stand-by letter of credit)	¥11,736
Softbank Group Capital Limited (Lease contract of office space）	1,981
Subtotal	13,717
[Letter of awareness for management service]	
SBG Cleantech ProjectCo Private Limited (Sponsor support agreement)	22,782
Subtotal	22,782
Total	¥36,499

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

	Millions of yen
Short-term monetary receivables	¥96,892
Long-term monetary receivables	1,242,911
Short-term monetary payables	1,118,040
Long-term monetary payables	11,958

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

	Millions of yen
Monetary receivables	¥23
Monetary payables	175

(**Notes to Statement of Income**)

Transactions with subsidiaries and affiliated companies

	Millions of yen
Net sales	¥46,312
Selling, general and administrative expenses	19,307
Non-operating transactions	4,610,602
Incl. dividend income	2,940,658
Purchase of equity securities	1,563,803

(**Notes to Statement of Changes in Equity**)

Class and number of treasury stocks as of March 31, 2017

Number of common stocks	11,378,076 shares

(Notes to tax effect accounting)

Significant components of deferred tax assets and liabilities

Deferred tax assets	Millions of yen
Investments in subsidiaries and affiliated companies	¥487,724
Deferred taxable loss on a sale of shares of a subsidiary to a 100%-owned subsidiary under Japanese group taxation regime	105,719
Tax loss carryforwards	32,546
Deferred assets	6,383
Others	26,621
Gross deferred tax assets	658,992
Less: valuation allowance	(658,992)
Total deferred tax assets	—

Deferred tax liabilities	Millions of yen
Deferred taxable gain on a sale of shares of a subsidiary to a 100%-owned subsidiary under Japanese group taxation regime	(10,004)
Valuation difference on available-for-sale securities	(2,092)
Gain recorded in specified foreign subsidiaries	(40,975)
Others	(1,929)
Total deferred tax liabilities	(55,001)
Net deferred tax liabilities	¥(55,001)

(Translation)

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

1. Subsidiaries and affiliated companies

Category	Name	Voting rights (%)	Nature of transaction	Note	Amount of transaction (Note 10)	Account	Balance at March 31, 2017 (Notes 9, 10)
					Millions of yen		Millions of yen
Subsidiary	SoftBank Corp.	Indirect 99.9%	Dividend receipts		¥416,492		
			Brand royalty revenue	1	45,764	Accounts receivable - trade	¥49,425
			Collection of long-term loans receivable (net of lending)		174,556	Long-term loans receivable	177,373
			Interest receipt	2	12,121	Other current assets	—
			Guarantee provided	3	5,690,973		
Subsidiary	SoftBank Group Japan GK	Direct 100%	Capital contribution	4	2,176,174		
Subsidiary	SoftBank Group International GK	Direct 100%	Capital contribution		137,543		
			Agent of foreign exchange contract	5	137,531	Other current assets	—
			Lending of long-term loans receivable		27,250	Long-term loans receivable	824,860
						Short-term loans receivable	6,390
			Interest receipt	2	20,046	Other current assets	—
Subsidiary	Kahon3 Oy	Indirect 100%	Borrowing of short-term loans (net of repayment)		560,924	Short-term loans payable	560,924
			Interest payment	6	2,051	Accrued expenses	—
Subsidiary	SoftBank Group Capital Limited	Direct 100%	Borrowing of short-term loans (net of repayment)		206,915	Short-term loans payable	206,915
			Interest payment	6	916	Accrued expenses	943
Subsidiary	SoftBank Group Capital Europe Limited	Direct 100%	Borrowing of short-term loans		152,493	Short-term loans payable	152,493
			Interest payment	6	689	Accrued expenses	709
Subsidiary	SB Group US, Inc.	Indirect 100%	Payment of business consignment expenses	7	10,106	Accounts payable - other	8,975
Subsidiary	Brightstar Corp.	Indirect 100%	Lending of long-term loans receivable (net of receipts)		1,141	Long-term loans receivable	125,653
			Interest receipt	2	3,898	Other current assets	—
Subsidiary	SOFTBANK Inc.	Indirect 100%	Payment of business consignment expenses	7	4,201	Accounts payable - other	3,927

Affiliated company	Foxconn Ventures Pte. Ltd.	Direct 36.36 %	Dividend receipts		2,505,561		
			Purchase of equity securities	8	1,433,258		
			Borrowing and repayment of short-term loans payable		2,481,356	Short-term loans payable	—
			Interest payment	6	809	Accrued expenses	—
Subsidiary of affiliated company	SB HP Hold Co.	—	Purchase of equity securities	8	126,590		

The terms of transactions and the policies

(Notes)1. Brand royalty revenue is measured by a rate applied for gross profit. The rate is determined by a reasonable standard.

2. The interest rates for loans to related parties are determined in reference to market interest rates.

3. SoftBank Group Corp. receives joint surety from SoftBank Corp. for borrowings from financial institutions, etc. There is no guarantee fee paid.

4. “Capital contribution” primarily represents the contribution-in-kind of shares of SoftBank Corp.

5. SoftBank Group Corp. enters into foreign exchange contracts on behalf of SoftBank Group International GK due to its demand for foreign exchange funds. No agency fee is received.

6. The interest rates for borrowings from related parties are determined in reference to market interest rates.

7. The terms of transactions are determined similarly to ordinary transactions through negotiation.

8. The purchase price of equity securities was determined based on the market price of those shares near the closing date.

9. The foreign currency-denominated balance is translated at the exchange rate (USD1=JPY112.19) as of March 31, 2017.

10. 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, 2017 (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		¥233	Other current assets	¥23
			Office facility usage	1	43		
			Refund of guarantee deposit (net of receipt)		4	Long-term liabilities-Other liabilities	174
						Accounts payable - other	1

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.

(Per share data）

Shareholders’ equity per share	¥3,402.05
Net income per share	¥2,477.76

(Other notes)

1. Equity commitment in SoftBank Vision Fund

SoftBank Group Corp. has entered into an equity commitment of $25 billion in SoftBank Vision Fund as of March 31, 2017.

2. Conditional commitments on investment in WorldVu Satellites Limited (“OneWeb”) and Intelsat S.A. (“Intelsat”) and a conditional service purchase commitment with OneWeb

The details are described in “(Other notes) 2. Conditional commitments on investment in WorldVu Satellites Limited (“OneWeb”) and Intelsat S.A. (“Intelsat”) and a conditional service purchase commitment with OneWeb” under “Notes to Consolidated Financial Statements.”

3. Commitment to acquire Fortress Investment Group LLC (“Fortress”)

The details of this acquisition are described in “(Other notes) 3. Commitment to acquire Fortress Investment Group LLC (“Fortress”)” under “Notes to Consolidated Financial Statements.”