ANNUAL REPORT 2019

From April 1,2018 to March 31,2019

Financial Book

SoftBank Corp.

Contents

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

a. Consolidated Statement of Financial Position

	Notes	As of April 1, 2017 restated[1]	As of March 31, 2018 restated[1]	(Millions of yen) As of March 31, 2019	(Thousands of U.S. dollars) As of March 31, 2019
ASSETS					
Current assets					
Cash and cash equivalents		¥ 70,909	¥ 121,043	¥ 357,971	$ 3,225,255
Trade and other receivables	8,24	1,122,554	1,186,754	1,186,904	10,693,792
Other financial assets	9,24	73,077	6,251	1,652	14,884
Inventories	10	102,992	125,645	114,321	1,030,012
Other current assets	11	70,654	129,387	95,474	860,203
Total current assets		1,440,186	1,569,080	1,756,322	15,824,146
Non-current assets					
Property, plant and equipment	12	1,811,385	1,707,289	1,657,254	14,931,561
Goodwill	13	187,489	187,489	198,461	1,788,098
Intangible assets	13	716,415	1,051,293	1,046,010	9,424,363
Contract costs	14	184,281	174,314	208,114	1,875,070
Investments accounted for using the equity method		38,471	56,325	68,341	615,740
Other financial assets	9,24	321,429	414,094	716,500	6,455,536
Deferred tax assets	18	70,592	58,495	36,611	329,859
Other non-current assets	11	89,628	87,188	87,432	787,747
Total non-current assets		3,419,690	3,736,487	4,018,723	36,207,974
Total assets		¥ 4,859,876	¥ 5,305,567	¥ 5,775,045	$ 52,032,120

	Notes	As of April 1, 2017 restated[1]	As of March 31, 2018 restated[1]	(Millions of yen) As of March 31, 2019	(Thousands of U.S. dollars) As of March 31, 2019
LIABILITIES AND EQUITY					
Current liabilities					
Interest-bearing debt	19,24, 26	¥ 1,031,521	¥ 2,260,435	¥ 909,944	$ 8,198,432
Trade and other payables	20,24	746,209	841,536	817,532	7,365,817
Contract liabilities	31	93,371	100,676	113,950	1,026,669
Income taxes payable		118,497	100,878	91,310	822,687
Provisions	22	8,668	16,407	7,909	71,259
Other current liabilities	21	92,625	77,542	105,630	951,707
Total current liabilities		2,090,891	3,397,474	2,046,275	18,436,571
Non-current liabilities					
Interest-bearing debt	19,24, 26	986,778	966,098	2,379,497	21,438,841
Other financial liabilities	24	3,752	3,127	11,583	104,361
Defined benefit liabilities	23	12,633	12,031	11,087	99,892
Provisions	22	40,867	34,493	54,750	493,288
Other non-current liabilities	21	6,501	7,084	7,398	66,654
Total non-current liabilities		1,050,531	1,022,833	2,464,315	22,203,036
Total liabilities		3,141,422	4,420,307	4,510,590	40,639,607
Equity					
Equity attributable to owners of the Company					
Common stock	28	177,251	197,694	204,309	1,840,787
Capital surplus	28	993,962	204,906	202,685	1,826,156
Retained earnings	28	528,445	458,230	893,880	8,053,698
Accumulated other comprehensive income (loss)	28	(118)	5,743	(53,781)	(484,557)
Total equity attributable to owners of the Company		1,699,540	866,573	1,247,093	11,236,084
Non-controlling interests		18,914	18,687	17,362	156,429
Total equity		1,718,454	885,260	1,264,455	11,392,513
Total liabilities and equity		¥ 4,859,876	¥ 5,305,567	¥ 5,775,045	$ 52,032,120

Note:

1. Upon adoption of International Financial Reporting Standard ("IFRS") 15 "Revenue from Contracts with Customers," and due to the impact of transactions under common control for the fiscal year ended March 31, 2019, the comparative information as of April 1, 2017 and March 31, 2018 has been restated. For further details regarding the restatement, refer to "(1) Application of new accounting standards and interpretations" in "Note 4. Changes in accounting policies."

b. Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Notes	Fiscal year ended March 31, 2018 restated[2]	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. dollars)
Revenue	7,31	¥ 3,582,635	¥ 3,746,305	$ 33,753,536
Cost of sales	32	(2,040,770)	(2,114,948)	(19,055,302)
Gross profit		1,541,865	1,631,357	14,698,234
Selling, general and administrative expenses	32	(893,522)	(911,817)	(8,215,307)
Other operating income	33	4,047	4,689	42,247
Other operating expenses	33	(14,457)	(4,770)	(42,977)
Operating income		637,933	719,459	6,482,197
Share of losses of associates accounted for using the equity method		(3,770)	(25,337)	(228,282)
Financing income	34	2,205	1,648	14,848
Financing costs	34	(38,814)	(57,130)	(514,731)
Gain on sales of equity method investments		-	5,522	49,752
Impairment loss on equity method investments		-	(12,614)	(113,650)
Profit before income taxes		597,554	631,548	5,690,134
Income taxes	18	(196,149)	(205,976)	(1,855,807)
Net income[1]		¥ 401,405	¥ 425,572	$ 3,834,327
Net income attributable to				
Owners of the Company		¥ 400,749	¥ 430,777	$ 3,881,223
Non-controlling interests		656	(5,205)	(46,896)
		¥ 401,405	¥ 425,572	$ 3,834,327
Earnings per share attributable to owners of the Company				
Basic earnings per share (Yen)	36	¥ 97.64	¥ 89.99	$ 0.81
Diluted earnings per share (Yen)	36	¥ 97.63	¥ 89.35	$ 0.81

Notes:

1. All net income of SoftBank Corp. and its subsidiaries for the fiscal years ended March 31, 2018 and 2019 was generated from continuing operations.
2. Upon adoption of IFRS 15 “Revenue from Contracts with Customers,” and due to the impact of transactions under common control for the fiscal year ended March 31, 2019, the comparative information for the fiscal year ended March 31, 2018 has been restated. For further details regarding the restatement, refer to “(1) Application of new accounting standards and interpretations” in “Note 4. Changes in accounting policies.”

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended March 31, 2018 restated[1]	Fiscal year ended March 31, 2019 (Millions of yen)	Fiscal year ended March 31, 2019 (Thousands of U.S. dollars)
Net income		¥ 401,405	¥ 425,572	$ 3,834,327
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plan	23,35	(64)	1	9
Changes in the fair value of equity instruments at FVTOCI	24,35	-	(54,938)	(494,981)
Total items that will not be reclassified to profit or loss		(64)	(54,937)	(494,972)
Items that may be reclassified subsequently to profit or loss				
Gain on revaluation of available-for-sale financial assets	24,35	5,774	-	-
Cash flow hedges	24,35	-	(4,675)	(42,121)
Exchange differences on translation of foreign operations	35	71	(135)	(1,216)
Share of other comprehensive income (loss) of associates accounted for using the equity method	35	16	(559)	(5,037)
Total items that may be reclassified subsequently to profit or loss		5,861	(5,369)	(48,374)
Total other comprehensive income (loss), net of tax		5,797	(60,306)	(543,346)
Total comprehensive income		¥ 407,202	¥ 365,266	$ 3,290,981
Total comprehensive income attributable to				
Owners of the Company		¥ 406,546	¥ 370,357	$ 3,336,850
Non-controlling interests		656	(5,091)	(45,869)
		¥ 407,202	¥ 365,266	$ 3,290,981

Notes:

1. Upon adoption of IFRS 15 “Revenue from Contracts with Customers,” and due to the impact of transactions under common control for the fiscal year ended March 31, 2019, the comparative information for the fiscal year ended March 31, 2018 has been restated.
2. Income taxes related to the components of other comprehensive income are described in “Note 35. Other comprehensive income.”

c. Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2018

(Millions of yen)

	Notes	Equity attributable to owners of the Company						
		Common stock	Capital Surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
As of April 1, 2017		¥177,251	¥963,924	¥397,788	¥(149)	¥1,538,814	¥6,967	¥1,545,781
Cumulative effect of adopting a new accounting standard[1]		-	-	120,169	-	120,169	-	120,169
Retrospective adjustments from transactions under common control[2]		-	30,038	10,488	31	40,557	11,947	52,504
As of April 1, 2017 - restated		177,251	993,962	528,445	(118)	1,699,540	18,914	1,718,454
Comprehensive income								
Net income		-	-	400,749	-	400,749	656	401,405
Other comprehensive income		-	-	-	5,797	5,797	0	5,797
Total comprehensive income		-	-	400,749	5,797	406,546	656	407,202
Transactions with owners and other transactions								
Cash dividends	29	-	(744,402)	(396,153)	-	(1,140,555)	(228)	(1,140,783)
Issuance of new shares		20,443	20,443	-	-	40,886	-	40,886
Changes from transactions under common control[2, 3]		-	(70,245)	(74,747)	-	(144,992)	(3,030)	(148,022)
Changes from business combinations		-	-	-	-	-	439	439
Changes from loss of control		-	-	-	-	-	-	-
Changes in interests in subsidiaries[2, 4]		-	(138)	-	-	(138)	564	426
Changes in interests in existing subsidiaries		-	(172)	-	-	(172)	1,372	1,200
Share-based payment transactions	30	-	5,458	-	-	5,458	-	5,458
Transfer from accumulated other comprehensive income to retained earnings	28	-	-	(64)	64	-	-	-
Total transactions with owners and other transactions		20,443	(789,056)	(470,964)	64	(1,239,513)	(883)	(1,240,396)
As of March 31, 2018		¥197,694	¥204,906	¥458,230	¥5,743	¥866,573	¥18,687	¥885,260

For the fiscal year ended March 31, 2019

(Millions of yen)

	Notes	Equity attributable to owners of the Company						
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
As of April 1, 2018		¥197,694	¥204,906	¥458,230	¥5,743	¥866,573	¥18,687	¥885,260
Comprehensive income								
Net income		-	-	430,777	-	430,777	(5,205)	425,572
Other comprehensive income (loss)		-	-	-	(60,420)	(60,420)	114	(60,306)
Total comprehensive income		-	-	430,777	(60,420)	370,357	(5,091)	365,266
Transactions with owners and other transactions								
Cash dividends	29	-	-	(161)	-	(161)	(226)	(387)
Issuance of new shares		6,615	13,207	-	-	19,822	-	19,822
Changes from transactions under common control[2, 3]		-	(25,652)	5,872	-	(19,780)	(4,100)	(23,880)
Changes from business combinations	6	-	-	-	-	-	4,422	4,422
Changes from loss of control		-	-	-	58	58	(228)	(170)
Changes in interests in subsidiaries		-	-	-	-	-	-	-
Changes in interests in existing subsidiaries		-	667	-	-	667	3,898	4,565
Share-based payment transactions	30	-	9,557	-	-	9,557	0	9,557
Transfer from accumulated other comprehensive income to retained earnings	28	-	-	(838)	838	-	-	-
Total transactions with owners and other transactions		6,615	(2,221)	4,873	896	10,163	3,766	13,929
As of March 31, 2019		¥204,309	¥202,685	¥893,880	¥(53,781)	¥1,247,093	¥17,362	¥1,264,455

For the fiscal year ended March 31, 2019

(Thousands of U.S. dollars)

	Notes	Equity attributable to owners of the Company						
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
As of April 1, 2018		$1,781,187	$1,846,167	$4,128,570	$ 51,743	$7,807,667	$168,367	$7,976,034
Comprehensive income								
Net income		-	-	3,881,223	-	3,881,223	(46,896)	3,834,327
Other comprehensive income (loss)		-	-	-	(544,373)	(544,373)	1,027	(543,346)
Total comprehensive income		-	-	3,881,223	(544,373)	3,336,850	(45,869)	3,290,981
Transactions with owners and other transactions								
Cash dividends	29	-	-	(1,451)	-	(1,451)	(2,036)	(3,487)
Issuance of new shares		59,600	118,992	-	-	178,592	-	178,592
Changes from transactions under common control[2, 3]		-	(231,120)	52,906	-	(178,214)	(36,940)	(215,154)
Changes from business combinations	6	-	-	-	-	-	39,841	39,841
Changes from loss of control		-	-	-	523	523	(2,054)	(1,531)
Changes in interests in subsidiaries		-	-	-	-	-	-	-
Changes in interests in existing subsidiaries		-	6,010	-	-	6,010	35,120	41,130
Share-based payment transactions	30	-	86,107	-	-	86,107	0	86,107
Transfer from accumulated other comprehensive income to retained earnings	28	-	-	(7,550)	7,550	-	-	-
Total transactions with owners and other transactions		59,600	(20,011)	43,905	8,073	91,567	33,931	125,498
As of March 31, 2019		$1,840,787	$1,826,156	$8,053,698	$(484,557)	$11,236,084	$156,429	$11,392,513

Notes:

1. Upon adoption of IFRS 15 "Revenue from Contracts with Customers," the cumulative effect of initially applying this standard retrospectively on periods before the fiscal year ended March 31, 2018 was recognized as an adjustment to the opening balance of retained earnings as of April 1, 2017. For further details, refer to "(1) Application of new accounting standards and interpretations" in "Note 4. Changes in accounting policies."
2. As described in "(2) Acquisition of investments in subsidiaries and associates" under "Note 6. Business combinations," transactions under common control are accounted for as if such transactions were executed by SoftBank Corp. and its subsidiaries on the later of the acquisition date of the transferred companies by SoftBank Group Corp. or the opening balance sheet date of the comparative period as part of the consolidated financial statements of SoftBank Corp. and its subsidiaries. For further details regarding the restatement, refer to "(1) Application of new accounting standards and interpretations" in "Note 4. Changes in accounting policies."
3. The changes in "Capital surplus" and "Retained earnings" represent the differences between the amount paid by SoftBank Corp. for subsidiaries that were acquired under common control and SoftBank Group Corp.'s book value of the subsidiaries at the time of acquisition.
4. In relation to transactions under common control, any equity transactions undertaken by subsidiaries under common control with entities outside of SoftBank Corp. and its subsidiaries before the date of the actual transaction by SoftBank Corp. are included within "Cash dividends" and "Changes in interests in subsidiaries."

d. Consolidated Statement of Cash Flows

	Notes	Fiscal year ended March 31, 2018 restated[1]	(Millions of yen) Fiscal year ended March 31, 2019	(Thousands of U.S. dollars) Fiscal year ended March 31, 2019
Cash flows from operating activities				
Net income		¥ 401,405	¥ 425,572	$ 3,834,327
Depreciation and amortization		477,281	452,180	4,074,061
Loss on disposal of property, plant and equipment and intangible assets		31,912	38,039	342,724
Financing income		(2,205)	(1,648)	(14,848)
Financing costs		38,814	57,130	514,731
Share of losses of associates accounted for using the equity method		3,770	25,337	228,282
Gain on sales of equity method investments		-	(5,522)	(49,752)
Impairment loss on equity method investments		-	12,614	113,650
Income taxes		196,149	205,976	1,855,807
Increase in trade and other receivables		(127,455)	(106,468)	(959,258)
(Increase) decrease in inventories		(22,653)	11,809	106,397
Purchases of mobile devices leased to enterprise customers		(30,045)	(32,455)	(292,414)
Increase (decrease) in trade and other payables		39,280	(24,871)	(224,083)
Increase (decrease) in consumption taxes payable		(31,118)	53,138	478,764
Other		(6,011)	(27,111)	(244,265)
Subtotal		969,124	1,083,720	9,764,123
Interest and dividends received		1,128	988	8,902
Interest paid		(38,114)	(70,456)	(634,796)
Income taxes paid		(210,207)	(197,018)	(1,775,097)
Income taxes refunded		4,667	9,348	84,224
Net cash inflow from operating activities		726,598	826,582	7,447,356
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		(643,730)	(366,406)	(3,301,252)
Proceeds from sales of property, plant and equipment and intangible assets		1,481	724	6,523
Payments for acquisition of investments		(44,259)	(279,338)	(2,516,785)
Proceeds from sales/redemption of investments		453	29,367	264,591
Proceeds from obtaining control of subsidiaries		-	3,955	35,634
Increase in short-term loans issued		(52,876)	(1,650)	(14,866)
Proceeds from repayment of short-term loans		119,842	6,561	59,113
Increase in long-term loans issued		(7,569)	(8)	(72)
Proceeds from repayment of long-term loans		8,174	53	478
Other		(2,907)	(7,996)	(72,043)
Net cash outflow from investing activities		(621,391)	(614,738)	(5,538,679)

	Notes	Fiscal year ended March 31, 2018 restated[1]	(Millions of yen) Fiscal year ended March 31, 2019	(Thousands of U.S. dollars) Fiscal year ended March 31, 2019
Cash flows from financing activities				
Proceeds from short-term interest-bearing debt	19	¥ 1,164,673	¥ 263,513	$ 2,374,205
Repayment of short-term interest-bearing debt	19	(250,046)	(1,665,767)	(15,008,262)
Proceeds from long-term interest-bearing debt	19	2,106,064	2,594,842	23,379,061
Repayment of long-term interest-bearing debt	19	(1,811,251)	(1,139,645)	(10,267,997)
Proceeds from stock issuance to non-controlling interests		1,639	5,195	46,806
Cash dividends paid		(1,140,783)	(388)	(3,496)
Payment for purchase of subsidiaries' interests	6	(107,133)	(19,500)	(175,692)
Other		(18,236)	(13,166)	(118,623)
Net cash outflow from financing activities		(55,073)	25,084	226,002
Increase in cash and cash equivalents		50,134	236,928	2,134,679
Cash and cash equivalents at the beginning of the year		70,909	121,043	1,090,576
Cash and cash equivalents at the end of the year		¥ 121,043	¥ 357,971	$ 3,225,255

Notes:

1. Upon adoption of IFRS 15 "Revenue from Contracts with Customers," and due to the impact of transactions under common control for the fiscal year ended March 31, 2019, the comparative information for the fiscal year ended March 31, 2018 has been restated.
2. The consolidated statement of cash flows should be read in conjunction with "Note 37. Supplemental information to the consolidated statement of cash flows."

Notes to Consolidated Financial Statements

1. Reporting entity

SoftBank Corp. (the "Company") is a corporation (*kabushiki kaisha*) under the Companies Act of Japan and is domiciled in Japan. The registered address of its head office is 9-1 Higashi-shimbashi 1-chome, Minato-ku, Tokyo, Japan. These consolidated financial statements are comprised of the Company and its subsidiaries (the "Group"). The parent of the Company is SoftBank Group Japan Corporation ("SBGJ"). The ultimate parent company of the Company is SoftBank Group Corp. ("SBG").

SoftBank Group International GK changed its name to SoftBank Group Japan Corporation as of June 15, 2018 with a corporate form change from a limited liability company (*godo kaisha*) to a corporation (*kabushiki kaisha*). In the following notes to the consolidated financial statements, SoftBank Group Japan Corporation is presented as "SBGJ," including transactions that were entered into prior to the name change.

The Group is engaged in a variety of businesses in the telecommunication and information technology industry centering on its Consumer, Enterprise, and Distribution businesses. For details, refer to "(1) Summary of reportable segments" in "Note 7. Segment information."

2. Basis of preparation of consolidated financial statements

(1) Compliance with International Financial Reporting Standards ("IFRS")

The consolidated financial statements of the Group have been prepared in accordance with IFRS.

(2) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis, except for certain items, such as financial instruments that are measured at fair value, as described in "Note 3. Significant accounting policies."

(3) Presentation currency and unit of currency

The consolidated financial statements have been presented in Japanese yen, which is the currency of the primary economic environment of the Company ("functional currency"). Japanese yen amounts are rounded to the nearest million, except when otherwise indicated. Balances listed as "0" represent amounts less than ¥500 thousand rounded down, and balances listed as "-" represent balances with a nil value.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan and have been made at a rate of ¥110.99 to $1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(4) New accounting standards and interpretations not yet adopted by the Group

New accounting standards and interpretations which are newly established or amended before the approval date of the consolidated financial statements, are not yet adopted by the Group, and which may have potential impacts, are as follows:

IFRS 16 "Leases"

The International Accounting Standards Board ("IASB") issued a new standard for leases in January 2016. This primarily replaces the previous IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement Contains a Lease." Under the new standard, the distinction between finance leases and operating leases in lessee accounting is removed, and for all leases in principle, a right-of-use asset representing a lessee's right to use an underlying asset for the lease term and a lease liability representing a lessee's obligation to make lease payments are recognized in the consolidated statement of financial position. After recognition, depreciation for the right-of-use asset and financing cost on the lease liability are recorded in the consolidated statement of income. Since contracts that were previously classified as operating leases are recorded in the consolidated statement of financial position, lease payments excluding financing costs that were previously presented as cash flows from operating activities are presented as cash flows from financing activities. In addition, since right-of-use assets related to contracts previously classified as operating leases are depreciated, their depreciation is included in "Depreciation and amortization," one of the reconciling items in arriving at cash flows from operating activities. The standard permits either a full retrospective or a modified retrospective approach for adoption. The accounting for lessors does not change significantly.

The standard is effective for accounting periods beginning on or after January 1, 2019 and will be adopted by the Group in the fiscal year beginning April 1, 2019.

The Group will apply the modified retrospective approach and recognize the cumulative effect of the retrospective application as of the date of adoption (April 1, 2019). For leases previously classified as operating leases in accordance with the principles of IAS 17 "Leases," the right-of-use asset is measured at an amount equal to the lease liability at the date of adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of adoption. The standard is not applied to leases of intangible assets held by a lessee.

Due to the effect of adopting IFRS 16, both assets and liabilities are expected to increase by approximately ¥420.0 billion as of April 1, 2019. The cumulative effect of the retrospective application recognized in retained earnings is expected to be immaterial.

3. Significant accounting policies

The accounting policies adopted by the Group have been applied consistently to all periods presented in the consolidated financial statements.

(1) Basis of consolidation

a. Subsidiaries

A subsidiary is an entity that is controlled by the Group.

The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The subsidiaries' financial statements are consolidated from the date when control is acquired ("acquisition date") until the date when control is lost. For the accounting policies for transactions under common control at the time of consolidation, refer to "(2) Business combinations" in "Note 3. Significant accounting policies."

Where the accounting policies adopted by subsidiaries differ from the accounting policies of the Group, adjustments are made to the financial statements of such subsidiaries as necessary.

Non-controlling interests consist of those interests at the acquisition date and any adjustments for subsequent changes in those interests.

Total comprehensive income of subsidiaries is generally attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intragroup balances and transactions and unrealized gains or losses arising from intragroup transactions are eliminated on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in its interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between:

・the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

・the net carrying amount of the assets (including goodwill), liabilities and non-controlling interests of the subsidiary at the date that control is lost.

Any amounts previously recognized in accumulated other comprehensive income in relation to the former subsidiaries are reclassified to profit or loss.

b. Associates and joint ventures

An associate is an entity over which the Group has significant influence in financial and operating policy decisions, but does not have control or joint control.

A joint venture is an investment in which parties including the Group have joint control based on the contractual arrangement that requires unanimous consent related to significant decisions of the business activities and have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The investment is adjusted thereafter to recognize the Group's interest in the profit or loss and other comprehensive income from the date of acquisition to the date of loss of significant influence. For preferred stock investments in associates, when the features of the preferred stock are substantively different from common stock, they are not accounted for using the equity method, rather, they are designated as financial assets at fair value through profit or loss ("Financial assets at FVTPL"). For the Group's accounting policy for financial assets at FVTPL, refer to "(4) Financial instruments" in "Note 3. Significant accounting policies."

When the losses of an associate and a joint venture exceed the Group's interest in the associate and the joint venture, long-term interests that, in substance, form a part of the net investment in the Group are decreased to zero, and no additional loss is recognized except when the Group incurs legal or constructive obligations to or makes payments on behalf of the associate and the joint venture.

Unrealized gains or losses on intercompany transactions with associates and joint ventures are added to or deducted from the carrying amount of the investments only to the extent of the Group's interests in the associates and the joint ventures.

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

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

(2) Business combinations

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

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

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

・deferred tax assets or liabilities and assets or liabilities related to employee benefits are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively;

・liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment," at the acquisition date; and

・assets or disposal groups that are classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

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

On an acquisition-by-acquisition basis, the Group chooses a measurement basis of non-controlling interests at either fair value or by the proportionate share of the non-controlling interests in the recognized amounts of the acquiree's identifiable net assets. When a business combination is achieved in stages, the Group's previously held interest in the acquiree is remeasured at fair value at the acquisition date and is accounted for in the same way that the Group has disposed of the interest in the acquiree. The 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 accounted for in the same way that the Group has disposed of the interest in the acquiree.

If the initial accounting for a business combination is incomplete by the end of the fiscal year, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The Group retrospectively adjusts the provisional amounts recognized at the acquisition date as an adjustment during the measurement period when it acquires new information about facts and circumstances that existed as of the acquisition date that, if known, would have affected the recognized amounts for the business combination. The measurement period shall not exceed one year from the acquisition date.

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

For transactions under common control (all of the combining companies or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory), the Company accounts for those transactions based on the book value of the parent company, and regardless of the actual date of the transaction under common control, retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent, SBG, obtained control of the transferred companies prior to the transfer or the opening balance sheet date of the comparative period as part of the consolidated financial statements of the Group. Payment for the purchase of the equity interest of subsidiaries, through transactions under common control, is presented in cash flows from financing activities in the consolidated statement of cash flows.

(3) Foreign currency translation

Transactions denominated in foreign currencies

The financial statements of each Group company are prepared in their functional currency. Transactions in currencies other than the entity's functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into the functional currency at the rates prevailing at the end of the fiscal year. Non-monetary items measured 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.

Foreign exchange differences arising from translation are recognized in profit or loss, except for those arising from investments in equity instruments at fair value through other comprehensive income which are recognized in other comprehensive income.

(4) Financial instruments

The Group has adopted IFRS 9 from the fiscal year ended March 31, 2019. In accordance with the transitional provisions of IFRS 9, the Group has elected not to restate the comparative information. Therefore, the comparative information is presented in accordance with IAS 39.

The Group's accounting policies for the fiscal year ended March 31, 2019 are as follows:

a. Financial instruments

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

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

b. Non-derivative financial assets

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

All purchases and sales of financial assets made in a regular way are recognized and derecognized on a trade date basis. Purchases and sales made in a regular way refer to acquiring or disposing of financial assets under a contract that requires the delivery of assets within a time frame established by regulation or convention in the marketplace.

(a) Financial assets at amortized cost

Financial assets at amortized cost are classified if both of the following conditions are met:

・the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and

・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(b) Debt instruments at FVTOCI

Debt instruments at FVTOCI are classified if both of the following conditions are met:

・the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and

・the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(c) Equity instruments at FVTOCI

The Group makes an irrevocable election at initial recognition to recognize changes in fair value of certain investments in equity instruments in other comprehensive income, rather than in profit or loss, and classifies them as investments in equity instruments at FVTOCI. Subsequent to initial recognition, investments in equity instruments at FVTOCI are measured at fair value and gains or losses arising from the changes in fair value are recognized in other comprehensive income. The fair value of investments in equity instruments at FVTOCI is measured in the manner described in “(1) Categorization by level within the fair value hierarchy” under “Note 25. Fair value of financial instruments.”

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

(d) Financial assets at FVTPL

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value and gains or losses arising from changes in fair value, dividend income, and interest income are recognized in profit or loss. The fair value of financial assets at FVTPL is measured in the manner described in "(1) Categorization by level within the fair value hierarchy" under "Note 25. Fair value of financial instruments."

(e) Impairment of financial assets

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

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

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

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

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

(f) Derecognition of financial assets

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

c. Non-derivative financial liabilities

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

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

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

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

d. Derivatives and hedge accounting

i. Derivatives

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

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

ii. Hedge accounting

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

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

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

(i) there is an economic relationship between the hedged item and the hedging instrument;

(ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

(iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

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

When the hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the historical cost of the non-financial asset or non-financial liability at initial recognition.

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

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remain in equity and are 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.

iii. Embedded derivatives

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

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

e. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the recognized amounts, and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments with maturities of three months or less that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) Inventories

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

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

(7) Property, plant and equipment

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

Property, plant and equipment is 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 assets under construction are not depreciated.

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

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

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

(8) Goodwill

Refer to "(2) Business combinations" in "Note 3. Significant accounting policies" for the measurement of goodwill at initial recognition. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortized and is tested for impairment whenever there is an indication of impairment in operating segments to which goodwill has been allocated, and at a certain time within the fiscal year, irrespective of whether there is any indication that the operating segment may be impaired. For details relating to impairment, refer to "(11) Impairment of property, plant and equipment, intangible assets, and goodwill" in "Note 3. Significant accounting policies."

The Group's policy for goodwill arising from the acquisition of an associate is described in "(1) Basis of consolidation" in "Note 3. Significant accounting policies."

(9) Intangible assets

Intangible assets are measured on a historical cost basis and are stated 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 when it is incurred, except for expenditure on development activities eligible for capitalization (internally generated intangible assets). The amount of internally generated intangible assets is measured upon initial recognition as the sum of the expenditure incurred from the date when the intangible asset first meets all of the capitalization criteria to the date the development is completed.

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

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

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

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

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

Intangible assets with indefinite useful lives are not amortized. An intangible asset with an indefinite useful life or the cash-generating unit to which the asset belongs is tested for impairment at a certain time within the fiscal year and whenever an indication of impairment exists. For details relating to impairment, refer to "(11) Impairment of property, plant and equipment, intangible assets, and goodwill" in "Note 3. Significant accounting policies."

The Group's only intangible asset with an indefinite useful life is its trademark usage right of the *SoftBank* brand. For further details on the trademark usage right, refer to "Note 13. Goodwill and intangible assets."

(10) Leases

The assessment of whether an arrangement is a lease or contains a lease is made based on all of the facts and circumstances at the inception of the arrangement.

Leases are classified as finance leases whenever all the risks and rewards of ownership of assets are substantially transferred to the lessee. All other leases are classified as operating leases. It is determined that all the risks and rewards of the ownership of the assets are transferred to the lessee when the lease terms account for the major part of the economic life of the assets, or the present values of the total minimum lease payments amount to substantially all of the fair value of the leased asset. The lease terms are the total of the non-cancelable period and the period which is deemed to be reasonably certain that the renewal option will be exercised at the inception of the lease.

a. Finance leases

(The Group as lessee)

At the commencement of the lease term, the Group initially recognizes finance leases as assets and liabilities at the amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments each determined at the inception of the lease.

Subsequent to initial recognition, the accounting policy for assets held under finance leases is consistent with that of assets that are owned. Lease payments are apportioned between financing costs and the reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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, such assets are depreciated over the shorter of the lease term or their estimated useful lives.

(The Group as lessor)

Lease receivables in finance lease transactions are recorded as the uncollected amount of net lease receivables, as of the date the lease is determined, through its maturity. Lease receivables are apportioned between financing income and the repayments of the lease receivable. Lease receivables are measured at amortized cost using the effective interest method. Interest income based on the effective interest rate is recognized in profit.

b. Operating leases

(The Group as lessee)

Lease payments under operating leases are recognized as expenses on a straight-line basis over the relevant lease terms.

(The Group as lessor)

Lease income under operating leases is recognized in income on a straight-line basis over the relevant lease terms.

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

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

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

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

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

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

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

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

b. Impairment of goodwill

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

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

(12) Retirement benefits

Defined contribution plans are post-employment benefit plans under which an employer pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Group primarily adopts defined contribution pension plans.

a. Defined contribution plans

Contributions paid for defined contribution plans are recognized as expenses in the period in which the employees render the related service. Contributions payable are recognized as liabilities.

b. Defined benefit plans

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

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

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and 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 Group's remeasurements, which comprise actuarial gains and losses, are recognized in other comprehensive income and transferred to retained earnings immediately from accumulated other comprehensive income.

Since March 2007, the Group has frozen all defined benefit lump-sum plans. Liabilities for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until they are paid in the form of a lump-sum payment at the time of future retirement of employees. Therefore, service cost is not incurred for those defined benefit plans.

(13) Provisions

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

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

The Group recognizes asset retirement obligations and provisions for onerous contracts as provisions.

(14) Share-based payments

The Group has a remuneration system based on the stock option plan as equity-settled share-based compensation, which has been granted to the directors and employees of the Group.

Equity-settled share-based compensation is measured at fair value at the grant date. The fair value of stock options is calculated using the Black-Scholes model. The fair value determined at the grant date is expensed over the vesting period, based on the estimate of stock options that will eventually vest. The Group regularly reviews the assumptions made and revises estimates of the number of stock options that are expected to vest, when necessary.

In addition, SBG has a remuneration system based on the stock option plan as equity-settled share-based compensation, a portion of which has been granted to the directors and employees of the Group. Equity-settled share-based compensation is measured at fair value at the grant date and is expensed over the vesting period, with a corresponding increase in equity recognized as a contribution from the owners of the Group.

(15) Revenue

a. Revenue

The Group has adopted IFRS 15 from the fiscal year ended March 31, 2019. IFRS 15 has been retrospectively applied to comparative information.

Consumer business

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

(a) Mobile communications services and sales of mobile devices

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

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

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

In mobile communications services, the contractual period is defined as the period during which the parties to the contract have present enforceable rights and obligations based on the terms and conditions of the contract with the subscriber. In addition, if the Group determines that an option to renew the contract is granted to the subscriber and the option provides a "material right" to the subscriber, it identifies the option as a separate performance obligation. As a practical alternative to estimating the stand-alone selling price of an option identified as a separate performance obligation, the Group allocates the transaction price to the telecommunications services pertaining to the option, referring to the telecommunications services that are expected to be provided and the corresponding amount of consideration expected to be received from the subscriber.

Basic charges and mobile communications service fees are billed to subscribers on a monthly basis and are generally due within a short period of time. Mobile device payments for indirect sales are billed to dealers at the time of sale to the respective dealers and are generally due within a short period of time. In addition, mobile device payments for direct sales can be paid in full at the time of sale or paid in monthly installment over the contract period, normally due within a short period of time. As a result of both quantitative and qualitative analysis, the Company has determined that these transaction prices do not include significant financing components due to the timing of payment, and accordingly, they have not been adjusted for such financing components. When the period between the revenue recognition and the payment is one year or less, the Company does not make an adjustment for significant financing components, as a practical expedient permitted by IFRS.

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

The Group provides optional additional warranty services for mobile devices. Under the contracts in which these services are provided, the services are identified as separate performance obligations, and are recognized as revenue when they are provided to subscribers.

i. Indirect sales

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

Basic monthly charges and mobile communications service fees are recognized as revenue when mobile communications services are provided to subscribers. Discounts on mobile communications charges are deducted from the revenues recognized from monthly mobile communications services. Commission fees paid to dealers related to the sales of mobile devices are deducted from sales.

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

ii. Direct sales

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

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

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

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

(b) Broadband services

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

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

<u>Enterprise business</u>

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

(a) Mobile communications services and mobile device rental services

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

(b) Fixed-line communications services

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

(c) Business solution services and other

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

Revenues from business solution services and other are recognized when products or services are provided to subscribers, representing the point when subscribers have obtained control of the product or service, based upon the consideration receivable from subscribers.

Distribution business

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

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

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

b. Contract costs

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

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

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

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

(16) Financing income and costs

Financing income consists primarily of interest income, dividend income, foreign exchange gain, and changes in the fair value of financial assets at FVTPL. Interest income is recognized as incurred using the effective interest method. Dividend income is recognized when the Group’s entitlement to the dividend is established.

Financing costs consist primarily of interest expense, foreign exchange loss, and changes in the fair value of financial assets at FVTPL. Interest expense is recognized as incurred using the effective interest rate method.

(17) Income taxes

Income tax expense is composed of current and deferred taxes, and recognized in profit or loss, except for taxes related to business combinations and items that are recognized in other comprehensive income or directly in equity.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax is the tax expected to be payable or recoverable on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the asset and liability method. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards can be utilized. The recoverability of deferred tax assets is reassessed at the end of each fiscal year.

Deferred tax assets are not recognized for temporary differences from initial recognition of assets and liabilities that do not arise from business combinations and that do not impact accounting profit or taxable income.

In relation to investments in subsidiaries, associates and joint ventures, deferred tax assets are recognized for deductible temporary differences when it is probable that the temporary difference will reverse in the foreseeable future and when there will be sufficient taxable profits against which the temporary differences can be utilized.

Deferred tax liabilities are basically recognized for taxable temporary differences, except for:

・temporary differences arising from the initial recognition of assets and liabilities, and related transactions other than business combinations, that affect neither the accounting profit nor the taxable profit;
・taxable temporary differences arising from the initial recognition of goodwill; and
・taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(18) Earnings per share

Basic earnings per share is calculated by dividing net income attributable to owners of the Company by the weighted-average number of common stock (after adjusting for treasury stock) outstanding for the period.

Diluted earnings per share assumes full conversion of the issued potential stocks having a dilutive effect, with an adjustment for net income attributable to owners of the Company and the weighted-average number of common stock (after adjusting for treasury stock) outstanding for the period.

4. Changes in accounting policies

(1) Application of new accounting standards and interpretations

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” from the fiscal year ended March 31, 2019, which resulted in a change to its accounting policies as described below. The effect of adopting IFRS 15 on the previous consolidated statements of financial position and income of the Group is presented in the table below. The adoption of IFRS 9 had no impact on the consolidated statement of financial position as of April 1, 2018.

For transactions under common control (all of the combining companies or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory), the Group, regardless of the actual date of the transaction under common control, retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent, SBG, obtained control of the transferred companies prior to the transfer or the opening balance sheet date of the comparative period as part of the consolidated statement of financial position of the Group. The effect of transactions under common control during the fiscal year ended March 31, 2019 is also presented in the table below.

Consolidated Statement of Financial Position

As of April 1, 2017

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	Adjustment due to adoption of IFRS 15	After retrospective adjustment
ASSETS				
Current assets				
Cash and cash equivalents	49,735	21,174	-	70,909
Trade and other receivables	1,107,597	14,957	-	1,122,554
Other financial assets	59,426	13,651	-	73,077
Inventories	72,056	30,936	-	102,992
Other current assets	93,690	4,406	(27,442)	70,654
Non-current assets				
Property, plant and equipment	1,803,665	7,720	-	1,811,385
Goodwill	186,069	1,420	-	187,489
Intangible assets	713,038	3,377	-	716,415
Contract costs	-	-	184,281	184,281
Investments accounted for using the equity method	38,431	40	-	38,471
Other financial assets	316,221	5,208	-	321,429
Deferred tax assets	124,385	1,998	(55,791)	70,592
Other non-current assets	126,735	6,924	(44,031)	89,628
LIABILITIES AND EQUITY				
Current liabilities				
Interest-bearing debt	1,027,244	4,277	-	1,031,521
Trade and other payables	750,270	41,683	(45,744)	746,209
Contract liabilities	-	-	93,371	93,371
Income taxes payable	115,140	3,357	-	118,497
Provisions	8,606	62	-	8,668
Other current liabilities	141,198	6,236	(54,809)	92,625
Non-current liabilities				
Interest-bearing debt	985,820	958	-	986,778
Other financial liabilities	3,635	117	-	3,752
Defined benefit liabilities	12,579	54	-	12,633
Provisions	40,506	361	-	40,867
Other non-current liabilities	60,269	2,202	(55,970)	6,501
Equity				
Common stock	177,251	-	-	177,251
Capital surplus	963,924	30,038	-	993,962
Retained earnings	397,788	10,488	120,169	528,445
Accumulated other comprehensive income (loss)	(149)	31	-	(118)
Non-controlling interests	6,967	11,947	-	18,914

Consolidated Statement of Financial Position

As of March 31, 2018

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	Adjustment due to adoption of IFRS 15	After retrospective adjustment
ASSETS				
Current assets				
Cash and cash equivalents	90,128	30,915	-	121,043
Trade and other receivables	1,171,822	14,932	-	1,186,754
Other financial assets	5,669	582	-	6,251
Inventories	109,511	16,134	-	125,645
Other current assets	142,517	4,959	(18,089)	129,387
Non-current assets				
Property, plant and equipment	1,700,441	6,848	-	1,707,289
Goodwill	186,069	1,420	-	187,489
Intangible assets	1,044,908	6,385	-	1,051,293
Contract costs	-	-	174,314	174,314
Investments accounted for using the equity method	56,285	40	-	56,325
Other financial assets	409,690	4,404	-	414,094
Deferred tax assets	114,219	1,985	(57,709)	58,495
Other non-current assets	120,226	6,392	(39,430)	87,188
LIABILITIES AND EQUITY				
Current liabilities				
Interest-bearing debt	2,256,201	4,234	-	2,260,435
Trade and other payables	862,786	40,988	(62,238)	841,536
Contract liabilities	-	-	100,676	100,676
Income taxes payable	98,100	2,778	-	100,878
Provisions	16,301	106	-	16,407
Other current liabilities	125,969	6,876	(55,303)	77,542
Non-current liabilities				
Interest-bearing debt	965,892	206	-	966,098
Other financial liabilities	3,045	82	-	3,127
Defined benefit liabilities	11,988	43	-	12,031
Provisions	34,123	370	-	34,493
Other non-current liabilities	54,802	1,908	(49,626)	7,084
Equity				
Common stock	197,694	-	-	197,694
Capital surplus	175,005	29,901	-	204,906
Retained earnings	339,692	(7,039)	125,577	458,230
Accumulated other comprehensive income (loss)	5,743	-	-	5,743
Non-controlling interests	4,144	14,543	-	18,687

Consolidated Statement of Income

Fiscal year ended March 31, 2018

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	Adjustment due to adoption of IFRS 15	After retrospective adjustment
Revenue	3,547,035	64,511	(28,911)	3,582,635
Cost of sales	(1,993,950)	(44,417)	(2,403)	(2,040,770)
Gross profit	1,553,085	20,094	(31,314)	1,541,865
Selling, general and administrative expenses	(914,499)	(17,663)	38,640	(893,522)
Other operating income	4,046	1	-	4,047
Other operating expenses	(697)	(13,760)	-	(14,457)
Operating income	641,935	(11,328)	7,326	637,933
Share of losses of associates accounted for using the equity method	(3,770)	-	-	(3,770)
Financing income	2,062	143	-	2,205
Financing costs	(38,912)	98	-	(38,814)
Profit before income taxes	601,315	(11,087)	7,326	597,554
Income taxes	(190,212)	(4,019)	(1,918)	(196,149)
Net income	411,103	(15,106)	5,408	401,405
Net income attributable to				
Owners of the Company	412,699	(17,358)	5,408	400,749
Non-controlling interests	(1,596)	2,252	-	656
Earnings per share attributable to owners of the Company				
Basic earnings per share (Yen)	100.55	(4.23)	1.32	97.64
Diluted earnings per share (Yen)	100.55	(4.24)	1.32	97.63

a. IFRS 15 "Revenue from Contracts with Customers"

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

The Group applied a full retrospective approach, using the practical expedients allowed under IFRS 15, by restating its consolidated statement of financial position as of March 31, 2018 disclosed as comparative information. The cumulative effect of adopting this standard on periods before the fiscal year ended March 31, 2018 is recognized as an adjustment to the opening balance of retained earnings for the reporting period presented previously. The Group also uses the practical expedient of paragraph C5(a) of IFRS 15 that allows the Group not to restate contracts that have been completed prior to the date of adoption and that began and ended within the same annual reporting period. There was no significant impact arising from the utilization of the practical expedients allowed by the standard.

The impacts of the adoption of IFRS 15 on the Group's results of operations and financial position are mainly as follows:

・The Group's prior accounting policy was to recognize sales commissions to dealers, related to telecommunications service contracts, as expenses when incurred. As a result of adopting IFRS 15, the Group capitalizes sales commissions as acquisition costs. Acquisition costs are amortized on a straight-line basis over the period (two to three years) during which the goods or services directly related to such costs are expected to be provided.

・Under the Group's prior accounting policy, as part of the indirect sales of mobile devices, direct costs related to activation were deferred over the same periods as activation and upgrade fees. As a result of adopting IFRS 15, the Group changed the deferral periods of activation and upgrade fees, and recognizes direct costs related to activation when incurred, except for costs incurred to fulfill contracts that are deferred.

b. IFRS 9 “Financial Instruments”

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

The adoption of IFRS 9 since April 1, 2018, the beginning of this fiscal year, resulted in changes to the Group’s accounting policy. In accordance with the transitional provisions of paragraphs 7.2.15, 7.2.22 and 7.2.26 of IFRS 9, comparative figures have not been restated. Also, in accordance with the transitional provisions of paragraph 7.2.8 of IFRS 9, all financial assets classified as available for sale under IAS 39 have been reclassified to investments in equity instruments at fair value through other comprehensive income on the date of adoption.

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

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

・Those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. There is no significant impact on the classification and carrying value of financial assets and liabilities.

c. Other standards and interpretations

There is no significant impact from the application of other standards and interpretations.

5. Significant judgments and estimates

In preparing the consolidated financial statements under IFRS, management makes judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue, and expenses.

These estimates and underlying assumptions are based on management’s best judgments, through their evaluation of various factors that were considered reasonable as of the respective period-end, based on historical experience and by collecting available information.

By the nature of its estimates or assumptions, however, actual results in the future may differ from those projected estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the fiscal year in which the estimates are revised as well as in the subsequent fiscal years.

(1) Significant judgments

Significant judgments that affect the amounts recognized in the Group’s consolidated financial statements are as follows:

a. Judgments of whether an entity is controlled by the Company in determining the scope of consolidation (“(1) Basis of consolidation” in “Note 3. Significant accounting policies”)

The Company assesses whether or not it has the ability to control subsidiaries based on whether the Company has the practical ability to direct the relevant activities of the subsidiary unilaterally. In making this judgment, the Company considers the absolute size of its equity share, voting interest, contractual rights, and any other factors that may indicate the Company’s ability to direct the relevant activities of the entity. Upon completion of the assessment, the Company will then determine if the subsidiary should be consolidated, accounted for using the equity method, or accounted for as an investment. For further details on where management has specifically applied this judgment, refer to “(2) Acquisition of Wireless City Planning Inc. (“WCP”)” in “Note 6. Business combinations” and “Note 17. Structured entities.”

b. Judgments for accounting treatment of contracts including leases ("(10) Leases" in "Note 3. Significant accounting policies" and "Note 15. Leases")

Determining whether an arrangement contains a lease

The Group assesses its contractual arrangements in order to determine whether contractual arrangements are, or contain, a lease. In making this judgment, the Group assesses whether the fulfillment of any given contractual arrangement is dependent on the use of a specific asset and if the arrangement conveys a right to use the underlying asset. The judgement is primarily applied to contractual arrangements, and as a lessee, the Group enters into contractual arrangements for the usage of transmission lines, network equipment, and land and buildings for the placement of network equipment.

Lease classification

The Group also applies judgment in determining the classification of a lease as either a finance lease or operating lease. In determining whether a lease is a finance lease, the Group assesses the following:

(a) if the lease transfers all the risks and rewards associated with the ownership of the asset;

(b) if ownership of the asset will transfer to the lessee at the conclusion of the lease;

(c) whether the lessee will have the ability to purchase the leased asset at a cost significantly below the asset's fair value;

(d) whether the term of the lease is for a major part of the asset's useful economic life; and

(e) the level of risk that the Group retains in relation to the asset.

If one or a combination of the above is present in relation to the lease, the Group classifies the lease as a finance lease, and all other leases are classified as operating leases.

The Group applies the above judgments in both its position as lessee and lessor. For further information, refer to "Note 15. Leases."

c. Judgments for accounting for revenue recognition ("(15) Revenue" in "Note 3. Significant accounting policies")

Principal versus agent considerations

Gross versus net presentation

When the Group sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating expenses. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Group is considered to be a principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgments impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities, or cash flows.

Timing of revenue recognition for indirect sales

When the Group enters into indirect sales, management determines whether a dealer acts as either an agent or principal. When a dealer acts as a principal for the Group, revenue is recognized when control of the underlying inventory has been transferred to the dealer. When a dealer acts as an agent, revenue is recognized when control of the underlying inventory is transferred to the customer that the dealer has sold to. In performing its assessment, management considers whether control is transferred upon delivery of inventory to the dealer. Where management determines that a dealer acts as a principal, revenue is recognized upon delivery of inventory to the dealer. Alternatively, where the dealer is determined to be acting as an agent, revenue is recognized when goods or services are received by the customer. For further details on the application of this judgment, refer to "(15) Revenue, a. Revenue, (a) Mobile communications services and sales of mobile devices" in "Note 3. Significant accounting policies."

Judgements for determining "contractual period" and whether an arrangement contains a "material right"

The Group determines the duration of contract (i.e. contractual period) during which the parties to the contract have their current enforceable rights and obligations based on the terms and conditions of the contract with the customer.

In addition, the Group determines whether the option will provide a "material right" to the customer if the customer has the option to renew the contract based on the terms and conditions of the contract with the customer and if the customer may receive a discount for future telecommunications services by exercising the option. If the Group determines that the option provides a "material right" to the customer, it identifies the option as a separate performance obligation. As a practical alternative to estimating the stand-alone selling price of the option, the Group allocates the transaction price to the telecommunications services pertaining to the option by reference to the telecommunications services that are expected to be provided and the corresponding amount of consideration expected to be received from the customer.

(2) Significant estimates

Uncertainties involved in estimates and assumptions made by management that carry with them the risk of significant adjustments to the carrying amounts of assets and liabilities during the next fiscal year are summarized as follows:

Estimated residual values and useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets represent a significant portion of the total assets of the Group. Estimates and assumptions made may have a material impact on their carrying amounts and related depreciation and amortization. See "Note 12. Property, plant and equipment" and "Note 13. Goodwill and intangible assets" for further details.

The depreciation charge for an asset is derived using estimates of its expected useful life and in the case of property, plant and equipment, expected residual value. Changes to an asset's expected useful life or residual value could result in material adjustments to both the consolidated statement of financial position and consolidated statement of income. Management determines the useful lives and residual values for assets when they are acquired or generated based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology, expected costs to be incurred upon disposal, and any related contractual arrangements that would be indicative of the useful life of an asset.

Information relating to estimated residual values and useful lives of property, plant and equipment and intangible assets is described in "(7) Property, plant and equipment" and "(9) Intangible assets" under "Note 3. Significant accounting policies."

6. Business combinations

Fiscal year ended March 31, 2018

(1) Acquisition of SB C&S Holdings GK (currently SB C&S Holdings Corp.)

Summary of acquisition

On May 15, 2017, the Company acquired 100% of the equity interest of SB C&S Holdings GK from SBG for ¥106,692 million in cash. SB C&S Holdings GK (currently SB C&S Holdings Corp.) is the parent company of SoftBank Commerce & Service Corp. (currently SB C&S Corp.), which manufactures, distributes, and sells IT-related products and provides IT-related services.

(2) Acquisition of Wireless City Planning Inc. ("WCP")

Summary of acquisition

On March 31, 2018, the Company acquired 32.2% of the equity interest of WCP from SBGJ, a wholly owned subsidiary of SBG, in exchange for 507,976 thousand newly issued common stock of the Company with a respective fair value of ¥316,469 million. WCP is a specialized telecommunications network company that provides telecommunications services based on "Advanced eXtended Global Platform (AXGP)" as its main business.

The Group does not own a majority of the voting rights of WCP. However, directors and executive officers of the Company account for a majority of the members of WCP's Board of Directors, and WCP's business activities depend heavily on the Company. Accordingly, the Company determined that it controls WCP and consequently consolidated it.

The abovementioned acquisitions were accounted for as transactions under common control. For transactions under common control, the Company accounts for those transactions based on the book value of SBG, regardless of the actual date of the transaction under common control, and retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent, SBG, obtained control of the transferred companies prior to the transfer or the opening balance sheet date of the comparative period as part of the consolidated statement of financial position of the Group. For further details on the Group's accounting policy for transactions under common control, refer to "(2) Business combinations" in "Note 3. Significant accounting policies."

Fiscal year ended March 31, 2019

(1) Acquisition of LINE MOBILE Corporation

Summary of acquisition

On April 2, 2018, the Company acquired 51% of the equity interest of LINE MOBILE Corporation ("LINE MOBILE") for ¥10,400 million in cash. LINE MOBILE operates an MVNO (mobile virtual network operator) business and provides Internet access services, telecommunications, Internet telephony, and other information and communications services.

The table below shows the fair value of assets and liabilities, non-controlling interests, and goodwill as of the date of obtaining control:

(Millions of yen)

		Acquisition date (April 2, 2018)
Cash and cash equivalents		11,513
Trade receivables		1,299
Other current assets		252
Non-current assets		22
Total assets		13,086
Current liabilities		4,059
Non-current liabilities		3
Total liabilities		4,062
Net assets	A	9,024
Non-controlling interests[1]	B	4,422
Acquisition cost	C	10,400
Goodwill[2]	C-(A-B)	5,798

Notes:

1. Non-controlling interests that give the holder a pro-rata share of the net assets of the acquiree at the time of liquidation are measured at the recognized amounts of the acquiree's identifiable net assets as of the date of obtaining control, multiplied by the ratio of the non-controlling interests as of the date of obtaining control after the business combination.
2. Goodwill reflects the ability to generate excess earnings resulting from expected future business development and synergies between the Company and the acquiree.

The table below shows proceeds from obtaining control of the subsidiary:

(Millions of yen)

	Acquisition date (April 2, 2018)
Cash and cash equivalents held by the acquiree at the time of obtaining control	11,513
Consideration paid in cash	(10,400)
Cash received from obtaining control of the subsidiary	1,113

Revenue and net income of the acquiree:

Description is omitted as the revenue and net income of the acquiree after the date of obtaining control are immaterial.

(2) Acquisition of investments in subsidiaries and associates

Summary of acquisition

On April 1, 2018, the Company acquired the shares of domestic subsidiaries and associates owned by SBGJ through the issuance of 176,197 thousand shares of the Company with an equivalent value of ¥109,771 million. On May 1, 2018, the Company acquired the shares of domestic subsidiaries owned by Yahoo Japan Corporation (“Yahoo”), which is a subsidiary of SBG, through a cash payment of ¥19,500 million. As a result of this transaction, the number of subsidiaries and associates of the Company increased by 41 companies.

The major subsidiaries and associates acquired are as follows:

Subsidiaries:

Company name	Business description
SB Media Holdings Corp.	Intermediate holdings company that owns ITmedia Inc.
SoftBank Technology Corp.	Online business solutions and services
SB Players Corp.	Solution services for government

Associates:

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

The acquisition of the subsidiaries above was accounted for as a transaction under common control. For transactions under common control, the Company accounts for those transactions based on the book value of SBG, and regardless of the actual transaction date, retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent, SBG, obtained control of the transferred companies prior to the transfer or the opening balance sheet date of the comparative period as part of the consolidated financial statements of the Group. For details of the impact of the transactions on the consolidated statement of financial position and income previously disclosed, refer to “(1) Application of new accounting standards and interpretations” in “Note 4. Changes in accounting policies.”

The equity interests of the associates acquired in the transaction above are accounted for using the equity method starting on the date on which they were acquired by the Company.

7. Segment information

(1) Summary of reportable segments

The reportable segments of the Group are based on operating segments for which separate financial information is available, and which the Board of Directors (the Group’s chief operating decision maker) regularly reviews to determine the allocation of management resources and evaluate their performance. The Group has “Consumer,” “Enterprise,” and “Distribution” as its reportable segments. No operating segments have been aggregated in arriving at the reportable segments of the Group.

In the “Consumer” segment, the Group provides mobile communications and broadband services to individual customers.

In mobile communications services, the Group provides mobile communications services under the *SoftBank*, *Y!mobile*, and *LINE MOBILE* brands, and sells mobile devices such as phones and tablets. In broadband services, the Group provides Internet services, including *SoftBank Hikari*, and sells and rents related customer-premises equipment for broadband services.

In the "Enterprise" segment, the Group provides a wide range of services to enterprise customers, including mobile communications services, voice call services and fixed-line communications services, data transmission and dedicated services, telecommunications consulting and construction for telecommunications carriers and general service providers, rental and maintenance of telecommunications facilities, housing, data center services, and sales and rental of telecommunications equipment.

In the "Distribution" segment, the Group provides hardware, software, and services in relation to ICT, cloud, and IoT solutions to enterprise customers. The Group also provides PC software, IoT products, and mobile device accessories to individual customers.

Information not included in the preceding reportable segments is summarized in "Other." "Other" mainly includes operating results of subsidiaries, such as SB Payment Service Corp., One Tap BUY Co., Ltd., and SB Cloud Corp.

"Adjustments" includes eliminations of intersegment transactions and expenses not allocated to each reportable segment.

The following segment information includes the financial information of subsidiaries acquired through common control transactions by March 31, 2019 because the Group retrospectively consolidates these subsidiaries as if they were acquired on the opening balance sheet date of the comparative period, that is April 1, 2017, based on the accounting policy of the Group. For further details on the Group's accounting policy for transactions under common control, refer to "(2) Business combinations" in "Note 3. Significant accounting policies."

(2) Segment revenue, income, and other information of reportable segments

Income of reportable segments is defined as "Operating income." Intersegment transaction prices are determined by taking into consideration the equivalent prices for an arm's length transaction or gross costs after price negotiation.

Income and loss which are not attributable to operating income and loss, such as financing income, financing costs, and income and loss on equity method investments, are not managed by each reportable segment and therefore these income and losses are excluded from segment income. Assets and liabilities are not allocated to reportable segments and are not monitored by the Board of Directors.

Fiscal year ended March 31, 2018 restated[1]

(Millions of yen)

	Reportable segments						
	Consumer	Enterprise	Distribution	Total	Other	Adjustments	Consolidated
Revenue							
Sales to external customers	2,608,747	600,134	312,920	3,521,801	60,834	-	3,582,635
Intersegment revenue or transferred revenue	3,118	4,037	34,148	41,303	19,740	(61,043)	-
Total	2,611,865	604,171	347,068	3,563,104	80,574	(61,043)	3,582,635
Segment income	591,966	70,634	13,316	675,916	(37,862)	(121)	637,933
Depreciation and amortization[2]	366,707	104,629	866	472,202	5,079	-	477,281

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments						
	Consumer	Enterprise	Distribution	Total	Other	Adjustments	Consolidated
Revenue							
Sales to external customers	2,674,506	616,043	382,911	3,673,460	72,845	-	3,746,305
Intersegment revenue or transferred revenue	5,970	4,440	34,386	44,796	18,665	(63,461)	-
Total	2,680,476	620,483	417,297	3,718,256	91,510	(63,461)	3,746,305
Segment income	627,436	76,348	15,182	718,966	1,867	(1,374)	719,459
Depreciation and amortization[2]	342,044	103,737	1,229	447,010	5,170	-	452,180

Notes:

1. Upon adoption of IFRS 15 “Revenue from Contracts with Customers,” and due to the impact of transactions under common control for the fiscal year ended March 31, 2019, the comparative information for the fiscal year ended March 31, 2018 has been restated.
2. Depreciation and amortization includes amortization of long-term prepaid expenses which are recorded in “Other non-current assets” in the consolidated statement of financial position.

Reconciliation of segment income to consolidated profit before income taxes is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Segment income	637,933	719,459
Share of losses of associates accounted for using the equity method	(3,770)	(25,337)
Financing income	2,205	1,648
Financing costs	(38,814)	(57,130)
Gain on sales of equity method investments	-	5,522
Impairment loss on equity method investments	-	(12,614)
Profit before income taxes	597,554	631,548

(3) Information about products and services

The nature of products and services provided and related revenue are as described in “Note 31. Revenue.”

(4) Information about regions

The description of revenue by region is omitted as overseas revenue from external customer accounts is not material. The description of non-current assets by region is omitted because the carrying amount of non-current assets attributable to the Group’s operations in Japan accounts for the majority of non-current assets in the consolidated statement of financial position.

(5) Information about major customers

This information is omitted because no revenue from a single external customer exceeds 10% of the Group’s revenue.

8. Trade and other receivables

The components of trade and other receivables are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Trade receivables	550,618	599,193
Installment receivables	504,228	435,059
Non trade receivables	61,805	69,132
Advances paid	29,540	26,047
Deposits	47,385	64,136
Other	3,297	3,863
Allowance for doubtful accounts	(10,119)	(10,526)
Total	1,186,754	1,186,904

Installment receivables represent receivables arising from the Group's advance payments to dealers on behalf of its customers who choose to purchase mobile devices by installments in indirect sales. The amounts are charged to customers together with telecommunications service fees over the periods of installment payments.

The period of installment payments for the receivables above is 24 to 48 months. As such, the amounts due within a year after the period-end date are included in "Trade and other receivables," and those due after one year are included in "Other financial assets (non-current)."

9. Other financial assets

The components of other financial assets are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Current		
Short-term loans	6,707	2,060
Other	600	599
Allowance for doubtful accounts	(1,056)	(1,007)
Total	6,251	1,652
Non-current		
Long-term loans	2,525	228
Installment receivables	293,679	414,593
Investment securities	60,723	225,409
Rental and other deposits	25,446	29,898
Other	40,380	57,113
Allowance for doubtful accounts	(8,659)	(10,741)
Total	414,094	716,500

For further information on installment receivables, refer to "Note 8. Trade and other receivables."

10. Inventories

The components of inventories are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Merchandise	104,597	101,902
Other	21,048	12,419
Total	125,645	114,321

Write-down of inventories recognized as an expense during the fiscal year is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Write-down of inventories	32,581	27,700

Write-downs of inventories are included in “Other operating expenses” in the consolidated statement of income. For further information, refer to “Note 33. Other operating income and other operating expenses.”

11. Other current assets and other non-current assets

The components of other current assets and other non-current assets are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Current		
Prepaid expenses	65,477	55,703
Consumption taxes receivable	32,451	1,278
Contract assets	18,623	33,719
Other	12,836	4,774
Total	129,387	95,474
Non-current		
Long-term prepaid expenses	86,995	86,711
Other	193	721
Total	87,188	87,432

12. Property, plant and equipment

Changes in property, plant and equipment at historical cost are as follows:

(Millions of yen)

Historical cost	Buildings and structures	Building fixtures	Furniture, fixtures, and equipment	Network equipment	Assets under construction	Other	Total
As of April 1, 2017	83,998	80,522	238,529	3,687,623	87,370	20,908	4,198,950
Additions	17	2,264	2,431	9,383	180,089	305	194,489
Business combinations	-	-	60	-	-	-	60
Disposals	(2,863)	(3,179)	(21,528)	(195,472)	(1,244)	(660)	(224,946)
Transfers	416	5,819	35,640	151,988	(170,536)	245	23,572
Other	-	(0)	(81)	7,444	(5)	1	7,359
As of March 31, 2018	81,568	85,426	255,051	3,660,966	95,674	20,799	4,199,484
Additions	10,658	8,682	4,989	12,254	174,112	806	211,501
Business combinations	2,174	508	531	-	95	2,367	5,675
Disposals	(1,228)	(2,889)	(11,410)	(122,597)	(327)	(16)	(138,467)
Transfers	681	6,736	47,426	157,252	(183,063)	303	29,335
Other	-	(9)	(2)	15,392	214	(338)	15,257
As of March 31, 2019	93,853	98,454	296,585	3,723,267	86,705	23,921	4,322,785

Changes in the accumulated depreciation and impairment losses of property, plant and equipment are as follows:

(Millions of yen)

Accumulated depreciation and impairment losses	Buildings and structures	Building fixtures	Furniture, fixtures, and equipment	Network equipment	Assets under construction	Other	Total
As of April 1, 2017	(56,654)	(46,990)	(161,962)	(2,118,150)	(164)	(3,645)	(2,387,565)
Depreciation	(1,867)	(4,472)	(40,943)	(261,643)	-	(317)	(309,242)
Impairment losses	-	(76)	(196)	-	-	-	(272)
Disposals	1,785	2,821	21,162	176,612	9	227	202,616
Transfers	-	-	4,839	10	-	-	4,849
Other	1	15	(13)	(2,583)	-	(1)	(2,581)
As of March 31, 2018	(56,735)	(48,702)	(177,113)	(2,205,754)	(155)	(3,736)	(2,492,195)
Depreciation	(2,257)	(6,126)	(41,546)	(238,004)	-	(614)	(288,547)
Disposals	944	2,018	10,841	101,358	25	(186)	115,000
Transfers	-	1	2,345	15	0	(11)	2,350
Other	(688)	(56)	(267)	(1,503)	1	374	(2,139)
As of March 31, 2019	(58,736)	(52,865)	(205,740)	(2,343,888)	(129)	(4,173)	(2,665,531)

The components of the carrying amounts of property, plant and equipment are as follows:

(Millions of yen)

Carrying amounts	Buildings and structures	Building fixtures	Furniture, fixtures, and equipment	Network equipment	Assets under construction	Other	Total
As of March 31, 2018	24,833	36,724	77,938	1,455,212	95,519	17,063	1,707,289
As of March 31, 2019	35,117	45,589	90,845	1,379,379	86,576	19,748	1,657,254

The amount of “Other” in “Network equipment” included within historical cost includes the amount due to a change in the accounting estimate of asset retirement obligations in the Group. This change was caused by the increased probability of removal of certain network equipment following the consideration of demand of communication traffic, efficient operation of network equipment, and equipment replacements.

The amount of "Transfers" in "Furniture, fixtures, and equipment" is mainly due to the transfer of leased mobile devices from "Inventories" in "Current assets."

The carrying amounts of finance lease assets included in property, plant and equipment are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Buildings and structures	2,928	13,629
Building fixtures	17,715	20,707
Furniture, fixtures, and equipment	41,722	42,876
Network equipment	1,124,750	1,040,097
Other	29	13
Total	1,187,144	1,117,322

Finance lease obligations of the Group are pledged through the lessor's retaining the property rights of lease assets.

Property, plant and equipment with limited property rights due to installment purchases are described in "(2) Assets with limited property rights" under "Note 19. Interest-bearing debt."

13. Goodwill and intangible assets

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

(Millions of yen)

	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives				Total intangible assets
Historical cost		Trademark usage right	Software	Customer relationships	Spectrum migration costs	Other	
As of April 1, 2017	187,489	-	1,258,783	109,688	142,858	14,910	1,526,239
Additions	-	350,003	117,685	-	18,687	244	486,619
Internal development	-	-	7,479	-	-	-	7,479
Business combinations	-	-	222	-	-	2	224
Disposals	-	-	(92,252)	-	-	(366)	(92,618)
Other	-	-	1,851	-	-	7	1,858
As of March 31, 2018	187,489	350,003	1,293,768	109,688	161,545	14,797	1,929,801
Additions	-	-	122,918	-	32,741	314	155,973
Internal development	-	-	5,920	-	-	-	5,920
Business combinations	10,972	-	57	-	-	-	57
Disposals	-	-	(46,741)	-	-	(375)	(47,116)
Other	-	-	692	-	-	(310)	382
As of March 31, 2019	198,461	350,003	1,376,614	109,688	194,286	14,426	2,045,017

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

(Millions of yen)

Accumulated amortization and impairment losses	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives				Total intangible assets
		Trademark usage right	Software	Customer relationships	Spectrum migration costs	Other	
As of April 1, 2017	-	-	(698,707)	(85,251)	(13,958)	(11,908)	(809,824)
Amortization	-	-	(132,294)	(10,141)	(7,057)	(1,135)	(150,627)
Disposals	-	-	82,233	-	-	431	82,664
Other	-	-	(779)	-	-	58	(721)
As of March 31, 2018	-	-	(749,547)	(95,392)	(21,015)	(12,554)	(878,508)
Amortization	-	-	(130,419)	(7,309)	(10,010)	(832)	(148,570)
Disposals	-	-	27,743	-	-	373	28,116
Other	-	-	(81)	-	-	36	(45)
As of March 31, 2019	-	-	(852,304)	(102,701)	(31,025)	(12,977)	(999,007)

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

(Millions of yen)

Carrying amounts	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives				Total intangible assets
		Trademark usage right	Software	Customer relationships	Spectrum migration costs	Other	
As of March 31, 2018	187,489	350,003	544,221	14,296	140,530	2,243	1,051,293
As of March 31, 2019	198,461	350,003	524,310	6,987	163,261	1,449	1,046,010

Spectrum migration costs are, based on the termination campaign, the Company's share of costs arising from the migration of pre-existing users of the spectrum newly assigned to the Company to another spectrum.

Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

On March 31, 2018, the Company entered into a license agreement with SBG, with no expiration date, and acquired the right to use the *SoftBank* trademark for cash consideration of ¥350,003 million, including transaction costs. As the license agreement has no expiration and use of the trademark is expected to produce net cash inflows for an indefinite period, the Group considers the usage rights to be an intangible asset with an indefinite useful life.

The carrying amounts of internally generated intangible assets included in intangible assets are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Software	17,138	16,785

The carrying amounts of finance lease assets included in intangible assets are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Software	313,841	324,177

Finance lease obligations of the Group are pledged through the lessor's retaining the property rights of lease assets.

The intangible assets with limited property rights due to installment purchase are described in "(2) Assets with limited property rights" under "Note 19. Interest-bearing debt."

The aggregate amounts of research and development costs recognized as an expense during the period are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Research and development costs	6,781	14,129

Goodwill and intangible assets with indefinite useful lives acquired as a part of business combinations are allocated to operating segments that are expected to benefit from the synergies arising from the combination and business activities.

The allocation of goodwill and intangible assets with indefinite useful lives to operating segments for impairment testing purposes is as follows:

Goodwill

(Millions of yen)

Operating segments	As of March 31, 2018	As of March 31, 2019
Consumer	143,921	154,893
Enterprise	41,406	41,406
Other	2,162	2,162
Total	187,489	198,461

Intangible assets with indefinite useful lives

(Millions of yen)

Operating segments	As of March 31, 2018	As of March 31, 2019
Consumer	293,956	293,956
Enterprise	51,954	51,954
Distribution	4,093	4,093
Total	350,003	350,003

The recoverable amount is measured at its value in use. Value in use is assessed by discounting to the present value the estimated cash flows in the next three years based on the financial budget approved by management, which reflects past experience and external information, using the pre-tax discount rate of 5.13% of the operating segment (7.15% for the fiscal year ended March 31, 2018). The cash flows beyond three years are estimated using a zero-growth rate.

The impairment test conducted at a certain time within the fiscal year recognized no impairment losses for goodwill and intangible assets with indefinite useful lives.

The Company determined that for operating segments to which the goodwill and intangible assets with indefinite useful lives are allocated, the recoverable amount is unlikely to fall below the carrying amount, even if major assumptions used in the impairment test change to a reasonably foreseeable extent.

14. Contract costs

The components of contract costs are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Contract acquisition costs	171,244	205,114
Contract fulfillment costs	3,070	3,000
Total	174,314	208,114

The components of amortization of contract costs are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Amortization		
Contract acquisition costs	177,753	172,846
Contract fulfillment costs	3,812	2,752
Total	181,565	175,598

15. Leases

(1) Finance leases

(As lessee)

The Group leases radio network equipment, core network equipment, and other network equipment under finance leases. Certain lease contracts have renewal options and/or purchase options, however, none of them are significant. There are no finance lease contracts with escalation clauses.

The components of finance lease obligations are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
The total minimum lease payments		
Within 1 year	465,515	445,786
1 to 5 years	755,914	733,823
Over 5 years	17	12,919
Total	1,221,446	1,192,528
Less – future finance charges	(31,544)	(33,884)
Present value of finance lease obligations	1,189,902	1,158,644

The components of the present value of finance lease obligations are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within 1 year	449,566	431,447
1 to 5 years	740,320	718,183
Over 5 years	16	9,014
Total	1,189,902	1,158,644

The outstanding balance of finance lease obligations by maturity is described in “(2) Financial risk management, c. Liquidity risk” under “Note 24. Financial instruments.”

The future minimum lease payments receivable under non-cancelable subleases are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Future minimum lease payments receivable	35,665	33,660

(As lessor)

The Group provides mobile device rental services for enterprise customers and accounts for certain parts of such transactions as finance leases. Since mobile device leases are provided on the condition that mobile communications services contracts are entered into, consideration arising from these transactions is allocated to the amount of payments to be received for mobile device leases and other based on the fair value of mobile device leases and mobile communications services.

The uncollected amount of lease investments and the present value of the future minimum lease payments receivable under finance lease contracts are as follows:

(Millions of yen)

	Uncollected amount of lease investments		Present value of future minimum lease payments receivable	
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
Within 1 year	12,435	12,391	12,383	12,324
1 to 5 years	9,822	8,819	9,768	8,777
Over 5 years	-	-	-	-
Total	22,257	21,210	22,151	21,101
Interest equivalent	(106)	(109)		
Present value of future minimum lease payments receivable	22,151	21,101		

(2) Operating leases

(As lessee)

The Group leases land, buildings, and transmission lines for the installment of network equipment and others under operating leases. Certain operating lease contracts have automatic renewal options, but no escalation clauses. Most of the Group's contract terms for land only or building only leases to install the base stations are 10 or 20 years. The term is the reasonably certain period during which continuance of the transactions is expected at the time of installation of the base stations.

In addition to the non-cancelable period, an automatic renewal option is included in the lease term to the extent that, at the inception of the lease, it is reasonably certain that the option will be exercised.

The components of the future minimum lease payments under non-cancelable operating leases are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within 1 year	78,234	89,613
1 to 5 years	207,566	211,194
Over 5 years	104,932	97,892
Total	390,732	398,699

In addition to the above, the Company resolved to relocate its head office at the Board of Directors meeting held in January 2019 and, on January 23, 2019, entered into a fixed term building lease contract with a contract term of 20 years from September 2020. This contract has a non-cancellable lease term within the contract term and provides for an option to cancel this contract after the non-cancellable lease term expires. The total amount to be paid, including common area service fee, for the contract term of this contract is ¥164,521 million.

Operating lease payments recognized as expenses for the fiscal year ended March 31, 2019 totaled ¥129,660 million (for the fiscal year ended March 31, 2018: ¥128,671 million).

(As lessor)

Under operating leases, mobile device rental services are primarily provided for enterprise customers. The Group accounts for certain parts of such transactions as operating leases.

Since mobile device leases are provided on the condition that mobile communications services contracts are entered into, consideration arising from these transactions is allocated to the amount of payments to be received for mobile device leases and other based on the fair value of mobile device leases and mobile communications services.

The components of the future minimum lease payments receivable under non-cancelable operating leases are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Within 1 year	27,607	27,430
1 to 5 years	19,011	19,223
Over 5 years	0	-
Total	46,618	46,653

16. Major subsidiaries

Organizational structure

The Group's major subsidiaries are as follows:

Major subsidiaries as of March 31, 2019:

Company Name	Reportable segment	Location	Ownership percentage of voting rights (%)[1]	
			As of March 31, 2018	As of March 31, 2019
Wireless City Planning Inc.[2]	Consumer / Enterprise	Tokyo	32.2	32.2
SB C&S Corp.	Distribution	Tokyo	100	100
SB Payment Service Corp.	-	Tokyo	100	100

Notes:

1. As noted in "(2) Business combinations" under "Note 3. Significant accounting policies," regardless of the actual date of the business combination transaction under common control, the Company retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the acquisition date of the transferred companies by SBG or the opening balance sheet date of the comparative period as part of the consolidated financial statements of the Group. For details of the actual acquisition dates and accounting treatment of the major subsidiaries listed in the table above, refer to "Note 6. Business combinations."
2. The Group does not own a majority of the voting rights of WCP. However, directors and executive officers of the Company account for the majority of the members of WCP's Board of Directors, and WCP's business activities depend heavily on the Company. Accordingly, the Company determined that it controls WCP and consequently consolidated it.

17. Structured entities

Consolidated structured entities

The Group set up a monetary trust (the "Trust") in order to provide funding to SBG on March 31, 2017. Funding from one subsidiary was provided to the Trust through a trust agreement and subsequently lent to SBG through a contractual loan agreement. The original contractual loan agreement was cancelled on March 30, 2018, and the Trust entered into a new contractual loan agreement with the Company on the same date.

The Trust has been designed so that voting rights or similar rights do not constitute a determinant of control. Even though no voting rights or similar rights exist, the Group has determined that the Group has the current ability to direct provision of funding and relevant activities of the Trust. Additionally, the Group has exposure or rights to variable returns from the Trust as interest earned from lending by the Trust is attributable to the Group, and has the ability to use its power over the Trust to affect the variable returns. Accordingly, the Group consolidated the Trust.

The Group has not provided nor intends to provide any material financial or other material assistance to any consolidated structured entities without contractual obligations.

18. Income taxes

(1) Tax expenses

The components of income tax expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Current tax expenses	(185,621)	(181,825)
Deferred tax expenses	(10,528)	(24,151)
Total	(196,149)	(205,976)

(2) Reconciliation of the statutory effective tax rate to actual tax rate

The reconciliation of the statutory effective tax rate to actual tax rate is as follows. The actual tax rate represents the ratio of income taxes to profit before income taxes.

(%)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Statutory effective tax rate	31.7	31.5
Effect of permanent differences	0.4	0.8
Effect of evaluating recoverability of deferred tax assets	1.1	(1.2)
Effect of investments accounted for using the equity method	0.2	1.6
Other	(0.6)	(0.1)
Actual tax rate	32.8	32.6

(3) Movement of deferred tax assets and deferred tax liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	As of April 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2018
Deferred tax assets					
Property, plant and equipment and intangible assets	48,383	694	-	0	49,077
Operating payables and other liabilities	80,011	(13,173)	29	5	66,872
Inventories	7,339	(1,244)	-	-	6,095
Contract liabilities	12,549	1,809	-	-	14,358
Other	11,684	(2,070)	(2)	25	9,637
Total	159,966	(13,984)	27	30	146,039
Deferred tax liabilities					
Leases	(6,043)	(921)	-	-	(6,964)
Contract assets	(229)	(5,457)	-	-	(5,686)
Contract costs	(58,399)	3,564	-	-	(54,835)
Other	(24,723)	6,270	(1,611)	-	(20,064)
Total	(89,394)	3,456	(1,611)	-	(87,549)
Net	70,572	(10,528)	(1,584)	30	58,490

Fiscal year ended March 31, 2019

(Millions of yen)

	As of April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2019
Deferred tax assets					
Property, plant and equipment and intangible assets	49,077	(13,619)	-	5	35,463
Operating payables and other liabilities	66,872	(1,323)	(0)	(54)	65,495
Inventories	6,095	3,698	-	-	9,793
Contract liabilities	14,358	5,386	-	-	19,744
Other	9,637	9,010	2,147	237	21,031
Total	146,039	3,152	2,147	188	151,526
Deferred tax liabilities					
Leases	(6,964)	286	-	-	(6,678)
Contract assets	(5,686)	(4,746)	-	-	(10,432)
Contract costs	(54,835)	(10,634)	-	-	(65,469)
Trademark usage rights	-	(11,011)	-	-	(11,011)
Other	(20,064)	(1,198)	(476)	413	(21,325)
Total	(87,549)	(27,303)	(476)	413	(114,915)
Net	58,490	(24,151)	1,671	601	36,611

(4) Deductible temporary differences and net operating loss carryforwards for which no deferred tax assets have been recognized

Deductible temporary differences and net operating loss carryforwards for which no deferred tax assets have been recognized are as follows. The amounts below are on a tax basis.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Deductible temporary differences	9,709	31,224
Net operating loss carryforwards	10,160	8,316
Total	19,869	39,540

The deductible temporary differences related to the investments in subsidiaries, associates and joint ventures were previously included in "Deductible temporary differences for which no deferred tax assets have been recognized" but, for the sake of clarity, are not included from the current fiscal year.

In order to reflect this change, the total amount of deductible temporary differences of ¥86,877 million (including tax amount and the retrospectively combined amount due to transactions under common control occurred in the current fiscal year) associated with the investments in subsidiaries, associates and joint ventures is not included in the balance as of March 31, 2018 in the above table.

Expiration schedule of net operating loss carryforwards for which no deferred tax assets have been recognized is as follows. There is no deductible temporary difference with an expiry date.

(Millions of yen)

Net operating loss carryforwards (tax basis)	As of March 31, 2018	As of March 31, 2019
1st year	41	57
2nd year	114	32
3rd year	120	14
4th year	63	20
5th year and thereafter	9,822	8,193
Total	10,160	8,316

In addition to the above, total deductible temporary differences (before multiplying by the tax rate) for which no deferred tax assets have been recognized that are related to the investments in subsidiaries, associates and joint ventures as of March 31, 2019 are ¥287,564 million (as of March 31, 2018: ¥243,306 million).

(5) Taxable temporary differences for which no deferred tax liabilities have been recognized that are related to the investments in subsidiaries, associates and joint ventures

Total taxable temporary differences (before multiplying by the tax rate) for which no deferred tax liabilities have been recognized that are related to the investment in subsidiaries, associates and joint ventures as of March 31, 2019 are ¥1,486 million (as of March 31, 2018: ¥10,388 million).

19. Interest-bearing debt

(1) Components of interest-bearing debt

The components of interest-bearing debt are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019	Average interest rate (%)[1]	Maturity[2]
Current				
Short-term borrowings[3,4]	1,400,699	445	0.89	-
Current portion of long-term borrowings[3, 4, 5]	394,313	470,451	0.65	-
Current portion of lease obligations	449,566	431,447	1.52	-
Current portion of installment payables	15,857	7,601	2.14	-
Total	2,260,435	909,944		
Non-current				
Long-term borrowings[3, 4, 5]	217,702	1,651,614	1.24	April 2020 – December 2028
Lease obligations	740,336	727,197	1.52	April 2020 – January 2040
Installment payables	8,060	686	1.75	April 2020 – July 2027
Total	966,098	2,379,497		

Notes:
1. Average interest rate represents the weighted-average interest rate as of March 31, 2019.
2. Maturity represents the maturity of the outstanding balance as of March 31, 2019.

3. There is no collateral pledged on any short or long-term borrowings (including current portion).
4. On August 23, 2018, the Company entered into a loan agreement with financial institutions. Under the loan agreement, on August 31, 2018, the Company borrowed an aggregate of ¥1,600,000 million without any collateral or guarantee. The Company used this loan to repay all of the Company's outstanding borrowings from SBG. As a result, the Company repaid in full ¥1,600,000 million of borrowings from SBG on August 31, 2018. The total amount of the repayment includes ¥238,873 million which the Company borrowed from SBG during the three months ended June 30, 2018.
5. The details of the loan agreement which the Company contracted on August 23, 2018 are as follows:

Interest on the borrowings under the loan agreement will accrue on a floating rate based on a spread over one-month TIBOR, with a weighted-average spread against the borrowed amount of 1.35%. Repayments of the borrowings start from the last business day of September 2018 and are to be made every six months thereafter, to end on the last business day of September 2024.

Under the loan agreement, the Company is subject to certain financial covenants, including:

・a requirement that, at March 31 and September 30 of each year, the Company maintains equity in the consolidated statement of financial position of the Group at a minimum of 75% of that of the same date during the previous fiscal year;
・a requirement that, at March 31 and September 30 of each year, the Company maintains net assets in the non-consolidated balance sheet of the Company at a minimum of 75% of that of the same date during the previous fiscal year;
・a requirement that the Company does not incur operating losses or net losses in the consolidated statement of income of the Group for two consecutive fiscal years;
・a requirement that the Company does not incur operating losses or net losses in the non-consolidated statement of income of the Company for two consecutive fiscal years; and
・a requirement that, at March 31 and September 30 of each year, the Group maintains a net leverage ratio below a certain value:

(a) Net leverage ratio: Net debt (b) divided by adjusted EBITDA (c)
(b) "Net debt" means the total amount of interest-bearing debt shown in the consolidated statement of financial position of the Group after deducting cash and cash equivalents adjusted for certain items. Interest-bearing debt is adjusted for certain items, such as an exclusion of interest-bearing debt resulting from financing transactions using an asset securitization scheme.
(c) "Adjusted EBITDA" means EBITDA adjusted for certain items as specified in the loan agreement.

The loan agreement also contains certain restrictions on the Company's ability to guarantee indebtedness of third parties, including SBG, and the Company's ability to offer loans to third parties (excluding subsidiaries), including SBG.

(2) Assets with limited property rights

Assets with limited property rights due to installment purchases are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Property, plant and equipment	62,260	15,879
Intangible assets	19,737	4,665
Total	81,997	20,544

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Interest-bearing debt		
Current portion of installment payables	15,857	7,601
Non-current portion of installment payables	8,060	686
Total	23,917	8,287

(3) Changes in interest-bearing debt arising from financial activities

Changes in interest-bearing debt arising from financial activities are as follows:

(Millions of yen)

	Short-term borrowings	Long-term borrowings	Lease obligations	Installment payables	Total
As of April 1, 2017	4,252	742,692	1,210,507	60,848	2,018,299
Changes from financing cash flows[1, 2]					
Proceeds from new financing[3]	1,164,673	1,633,793	-	-	2,798,466
Proceeds from sale-leaseback of newly acquired equipment	-	-	472,271	-	472,271
Repayment[3]	(250,046)	(1,282,541)	(492,876)	(35,834)	(2,061,297)
Changes from operating cash flows					
Interest paid	-	-	-	-	-
Non-cash changes					
New lease transactions	-	-	-	-	-
Amortized cost	-	-	-	4	4
Transfers	481,820	(481,820)	-	-	-
Translation adjustment	-	(109)	-	-	(109)
Changes arising from obtaining or losing control of subsidiaries or other businesses	-	-	-	-	-
Other	-	-	0	-	0
Other	-	-	-	(1,101)	(1,101)
As of March 31, 2018	1,400,699	612,015	1,189,902	23,917	3,226,533
Changes from financing cash flows[1, 2]					
Proceeds from new financing[3, 4, 5]	263,513	2,124,394	-	-	2,387,907
Proceeds from sale-leaseback of newly acquired equipment	-	-	470,448	-	470,448
Repayment[3, 4, 5]	(1,665,767)	(608,971)	(514,227)	(16,447)	(2,805,412)
Changes from operating cash flows					
Interest paid	-	(17,421)	-	-	(17,421)
Non-cash changes					
New lease transactions	-	-	12,523	-	12,523
Amortized cost	-	2,345	-	-	2,345
Transfers	-	-	-	-	-
Translation adjustment	-	-	-	-	-
Changes arising from obtaining or losing control of subsidiaries or other businesses	2,000	9,703	23	756	12,482
Other	-	-	(25)	186	161
Other	-	-	-	(125)	(125)
As of March 31, 2019	445	2,122,065	1,158,644	8,287	3,289,441

Notes:

1. Changes from financing cash flows for short-term borrowings above agree with the cash flows from financing activities for short-term interest-bearing debt disclosed in the consolidated statement of cash flows.
2. Changes from financing cash flows for long-term borrowings, lease obligations, and installment payables in the preceding table agree with the cash flows from financing activities for long-term interest-bearing debt disclosed in the consolidated statement of cash flows.
3. Proceeds from the securitization of installment receivables are included in "Proceeds from new financing" in "Long-term

borrowings" and associated payments of the securitization are included in "Repayment" in "Long-term borrowings." Proceeds from the securitization of installment receivables for the fiscal year ended March 31, 2019 totaled ¥514,619 million (for the fiscal year ended March 31, 2018: ¥524,346 million). Payments associated with the securitization for the fiscal year ended March 31, 2019 totaled ¥481,624 million (for the fiscal year ended March 31, 2018: ¥481,144 million).

4. On August 23, 2018, the Company entered into a loan agreement with financial institutions. Under the loan agreement, on August 31, 2018, the Company borrowed an aggregate of ¥1,600,000 million without any collateral or guarantee. The Company used this loan to repay all of its outstanding borrowings from SBG. As a result, the Company repaid in full ¥1,600,000 million of borrowings from SBG on August 31, 2018. The total amount of the repayment includes ¥238,873 million which the Company borrowed from SBG during the three months ended June 30, 2018.
5. For the details of the loan agreement which the Company contracted on August 23, 2018, refer to Note 5 in "(1) Components of interest-bearing debt" under "Note 19. Interest-bearing debt."

20. Trade and other payables

The components of trade and other payables are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Operating payables	375,370	366,610
Fixed asset payables	203,382	199,039
Trade payables	189,145	176,188
Deposits	56,900	61,237
Other	16,739	14,458
Total	841,536	817,532

21. Other current liabilities and other non-current liabilities

The components of other current liabilities and other non-current liabilities are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Current		
Short-term accrued employee benefits	47,179	52,913
Consumption and other taxes payable	22,324	46,298
Other	8,039	6,419
Total	77,542	105,630
Non-current		
Long-term accrued employee benefits	6,082	6,973
Other	1,002	425
Total	7,084	7,398

22. Provisions

Changes in provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provisions for onerous contracts	Total
As of April 1, 2018	42,202	8,698	50,900
Additions	11,759	-	11,759
Used	(5,576)	(5,654)	(11,230)
Change in estimates[1]	13,463	-	13,463
Interest due to passage of time	161	-	161
Other	650	(3,044)	(2,394)
As of March 31, 2019	62,659	-	62,659

Note:

1. Asset retirement obligations of ¥13,463 million were recorded for the fiscal year ended March 31, 2019 due to the increased probability of disposal of certain network equipment following the consideration of demand for communication traffic, efficient operation of network equipment, and equipment replacements.

The components in provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provisions for onerous contracts	Total
As of March 31, 2019			
Current liabilities	7,909	-	7,909
Non-current liabilities	54,750	-	54,750
Total	62,659	-	62,659

Asset retirement obligations

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal or site restoration of equipment such as part of base stations, data centers, network centers, and offices including the corporate headquarters building. The estimate is based on the current business plan and both the amounts provided for and timing of payments are uncertain and dependent on future business plan developments.

Provisions for onerous contracts

The Group has recognized a provision for the excess of expected future cost of delivery for contracted telecommunications services over the contracted amount.

The provision was fully reversed as the relevant contracts for telecommunications services expired in December 2018.

23. Retirement benefits

The Group has two types of pension arrangements for its employees: defined contribution plans and defined benefit lump-sum plans. The principal arrangement relates to defined contribution pension plans.

(1) Defined contribution plans

Retirement benefit cost of defined contribution plans is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Retirement benefit cost of defined contribution plans	3,167	3,263

(2) Defined benefit lump-sum plans

The Company and certain of its consolidated subsidiaries have unfunded defined benefit lump-sum plans.

Since March 2007, the Company has frozen all defined benefit lump-sum plans. The obligations for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until the benefits are paid to employees in the form of a lump-sum payment at the time of retirement.

a. Present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

(Millions of yen)

Defined benefit liabilities	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Balance at the beginning of the year	12,633	12,031
Changes in the present value of defined benefit obligations		
Service cost	8	7
Interest cost	38	24
Remeasurements:		
Actuarial gains (losses) arising from changes in financial assumptions	100	-
Experience adjustments	(7)	(1)
Other	14	(0)
Benefits paid	(755)	(974)
Balance at the end of the year	12,031	11,087

b. Actuarial assumptions

The significant actuarial assumptions used to determine the present value of defined benefit obligations are as follows:

	As of March 31, 2018	As of March 31, 2019
Discount rate (%)	0.2	0.2

c. Sensitivity analysis

Sensitivity of defined benefit obligations is analyzed at the end of the period based on the movement of reasonably estimable actuarial assumptions. The sensitivity analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

The effect of movements in significant actuarial assumptions used to determine the defined benefit obligations is as follows:

As of March 31, 2018

	Changes in rate	Effect on defined benefit obligations
Discount rate	0.5% increase	Decrease of ¥490 million
	0.5% decrease	Increase of ¥522 million

As of March 31, 2019

	Changes in rate	Effect on defined benefit obligations
Discount rate	0.5% increase	Decrease of ¥432 million
	0.5% decrease	Increase of ¥459 million

d. Maturity analysis of the defined benefit obligation

As of March 31, 2019, the weighted-average duration of the defined benefit obligation is 8.0 years.

24. Financial instruments

(1) Capital management

The Group's policy is to realize and maintain an optimum capital composition to maintain mid-term and long-term sustainable growth and maximize corporate value.

Major indicators used for capital management are as follows:

・Equity capital

・Equity capital ratio

Note:
Equity capital is the amount of "Equity attributable to owners of the Company." The equity capital ratio represents "Equity attributable to owners of the Company" divided by "Total liabilities and equity."

Equity capital and the equity capital ratio are as follows:

	As of March 31, 2018	As of March 31, 2019
Equity capital (Millions of yen)	866,573	1,247,093
Equity capital ratio (%)	16.3	21.6

The Group is not subject to regulatory capital requirements imposed by outside institutions, other than general capital requirements under the Companies Act of Japan and other laws.

For details of financial covenants on interest-bearing debt, refer to "(1) Components of interest-bearing debt" in "Note 19. Interest-bearing debt."

(2) Financial risk management

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

a. Credit risk

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

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

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

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

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

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

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

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

The Group considers a financial asset to be in default when the financial asset becomes credit-impaired. In case of events such as those listed below, that have a detrimental impact on the estimated future cash flows of financial assets, the financial assets are deemed to be credit-impaired and the expected credit losses are measured individually. When financial assets are not individually significant, the expected credit losses are measured collectively based on the credit risk characteristics and the nature of the transactions that have occurred.

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

The details of lending commitments and credit guarantees are described in "(1) Lending commitments" and "(2) Credit guarantees" under "Note 39. Contingencies."

There were no financial or non-financial assets acquired as a result of foreclosure of collateral or enforcement of other credit enhancements during the years ended March 31, 2018 and 2019.

In accordance with the transitional provisions of IFRS 9, the Group has elected not to restate the comparative information. Therefore, the comparative information below in (a) the carrying amount of financial assets and contract assets subject to allowance for doubtful accounts and (b) Allowance for doubtful accounts is presented in accordance with IAS 39.

(a) The carrying amount of financial assets and contract assets subject to allowance for doubtful accounts

i. Trade receivables and contract assets

As of March 31, 2018

The table below presents an aging analysis of trade receivables. The amounts in the analysis are presented at the carrying amount before netting allowance for doubtful accounts. The comparative information in the analysis does not include contract assets in accordance with IAS 39.

(Millions of yen)

	Before due	Past due					Total
		Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year	
Trade receivables	514,542	22,675	8,699	3,519	3,015	1,463	553,913
Allowance for doubtful accounts	-	-	-	-	-	-	(9,729)
Total							544,184

The carrying amount and allowance for doubtful accounts for trade receivables that are individually impaired are ¥58 million.

As of March 31, 2019

The table below presents the exposure to credit risk of trade receivables and contract assets. Allowances for doubtful accounts for trade receivables and contract assets are always measured at an amount equal to the expected lifetime credit losses.

(Millions of yen)

	Before due	Past due: Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year	Total
Trade receivables	549,737	27,656	10,718	9,093	4,390	1,461	603,055
Contract assets	33,719	-	-	-	-	-	33,719
Allowance for doubtful accounts	(1,170)	(959)	(1,399)	(1,538)	(3,210)	(1,363)	(9,639)
Total	582,286	26,697	9,319	7,555	1,180	98	627,135

ii. Other receivables and other financial assets

As of March 31, 2018

The table below presents an aging analysis of other receivables and other financial assets.

(Millions of yen)

	Before due	Past due: Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year	Total
Other receivables	636,913	4,048	936	548	291	224	642,960
Other financial assets	360,087	944	377	1,175	2,832	3,620	369,035
Total	997,000	4,992	1,313	1,723	3,123	3,844	1,011,995
Allowance for doubtful accounts	-	-	-	-	-	-	(10,105)
Total							1,001,890

The carrying amount and allowance for doubtful accounts for other receivables and other financial assets that are individually impaired are ¥10,077 million.

As of March 31, 2019

The table below presents the exposure to credit risk of other receivables and other financial assets:

(Millions of yen)

Other receivables and other financial assets	Before due	Past due: Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year	Total
12-month expected credit losses	1,082,013	3,644	-	-	-	-	1,085,657
Lifetime expected credit losses							
Financial assets that are not credit-impaired	-	-	1,330	-	-	-	1,330
Financial assets that are credit-impaired	-	-	-	2,187	4,184	5,207	11,578
Total	1,082,013	3,644	1,330	2,187	4,184	5,207	1,098,565

There are no significant assets held as collateral or other credit enhancements for financial assets.

(b) Allowance for doubtful accounts

The fiscal year ended March 31, 2018

The table below presents changes in the allowance for doubtful accounts for trade receivables, other receivables and other financial assets. The allowance for doubtful accounts is mainly for trade receivables and other financial assets.

	(Millions of yen) Fiscal year ended March 31, 2018
Balance at the beginning of the year	20,529
Additions	12,029
Used	(12,708)
Reversal	(20)
Other	4
Balance at the end of the year	19,834

The fiscal year ended March 31, 2019

i. Trade receivables

The table below presents changes in the allowance for doubtful accounts for trade receivables:

	(Millions of yen) Lifetime expected credit losses
Balance at the beginning of the year	9,678
Additions	3,558
Used	(3,597)
Balance at the end of the year	9,639

ii. Other receivables and other financial assets

The table below presents changes in the allowance for doubtful accounts for other receivables and other financial assets. The allowance for doubtful accounts is mainly for long overdue account receivables.

(Millions of yen)

		Lifetime expected credit losses		
	12-month expected credit losses	Financial assets that are not credit-impaired	Financial assets that are credit-impaired	Total
Balance at the beginning of the year	2,213	282	7,661	10,156
Additions	1,580	379	7,787	9,746
Used	(6)	(0)	(5,949)	(5,955)
Reversal	(771)	-	(46)	(817)
Other	(496)	-	-	(496)
Balance at the end of the year	2,520	661	9,453	12,634

Additions to and reversal of allowance for doubtful accounts are recorded as “Selling, general and administrative expenses” in the consolidated statement of income.

For the fiscal year ended March 31, 2019, there were no significant changes in the gross carrying amount that affected changes in the allowance for doubtful accounts, and there were no financial assets that were directly written off but are still subject to recovery.

b. Market risk

(a) Foreign exchange risk

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

(b) Price risk

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

Sensitivity analysis for the price of securities

The table below presents the effect of a 10% decrease in market price for securities traded in active markets on other comprehensive income (before tax effect) assuming that all other factors are constant:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Decrease in other comprehensive income (before tax effect)	(1,983)	(18,740)

(c) Interest rate risk

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

i. Interest rate sensitivity analysis

The table below presents the effect of adding an additional 1% to interest rates for the Group's floating interest rate debt on profit before income taxes in the consolidated statement of income assuming that all other factors are constant. The analysis excludes floating interest rate debt with interest rate payments that are fixed using interest rate swap agreements.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Decrease in profit before income taxes	(16,746)	(12,861)

ii. Derivatives (interest rate swaps)

The Group designates interest rate swap agreements as cash flow hedges. The hedge is determined to have been effective by confirming that there is an economic relationship between the hedged item and the hedging instrument through assessing effectiveness at the inception of the hedge and on a regular basis. As the main terms of the hedging instrument match the terms of the hedged item, hedge ineffectiveness is not recognized. During the fiscal year ended March 31, 2019, there were no transactions for which hedge accounting had been applied but was discontinued because they were no longer expected to occur.

The details of hedging instruments designated as cash flow hedges are presented in the table below:

As of March 31, 2018

Not applicable.

As of March 31, 2019

(Millions of yen)

	Total amount of agreement	Amount of agreement with maturity over 1 year	Carrying amount		Average interest rate	Line item on the consolidated statement of financial position
			Assets	Liabilities		
Interest rate risk						
Interest rate swaps	500,000	500,000	-	6,822	1.96%	Other financial liabilities
Total	500,000	500,000	-	6,822	1.96%	

Changes in accumulated other comprehensive income (after tax effect) related to designated hedging instruments are as follows:

(Millions of yen)

Interest risk Interest rate swaps	Fiscal year ended Match 31, 2019
Balance as of April 1, 2018	-
Amounts arising during the year	(5,200)
Reclassification adjustments[1]	525
Balance as of March 31, 2019	(4,675)

Note:

1. The adjustments, which are the amount reclassified from other comprehensive income to profit or loss when the hedged item affects profit or loss, are recorded in "Financing costs" in the consolidated statement of income.

c. Liquidity risk

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

In order to prevent and reduce liquidity risk, the Group maintains access to diversified fundraising sources including both indirect financing, such as bank borrowings and leases, and direct financing, such as securitization, taking market conditions and its current/non-current debt ratios into consideration. As part of fund management activities, the Group invests its funds primarily in liquid short-term deposits.

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

(a) Committed lines of credit

The Group entered into committed lines of credit mainly with SBG during the fiscal year ended March 31, 2018 and mainly with financial institutions during the fiscal year ended March 31, 2019 to reduce liquidity risk. The Group's credit facilities are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Credit facilities	1,818,250	2,950
Drawn	1,375,714	-
Undrawn	442,536	2,950

(b) Financial liabilities by maturity

The table below presents the analysis of financial liabilities (including derivative financial instruments) by maturity. Receivables and payables arising from derivative transactions are presented on a net basis.

As of March 31, 2018

(Millions of yen)

	Carrying amount	Aggregation of redemption schedule	Within 1 year[1]	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings	1,400,699	1,400,699	1,400,699	-	-	-	-	-
Long-term borrowings (including current portion)	612,015	612,015	394,313	156,444	48,309	12,949	-	-
Lease obligations	1,189,902	1,189,902	449,566	328,873	225,818	134,944	50,685	16
Installment payables	23,917	23,917	15,857	8,060	-	-	-	-
Trade and other payables	841,536	841,536	790,874	41,402	4,724	2,592	1,944	-
Other financial liabilities	3,127	3,127	-	141	88	78	77	2,743
Total	4,071,196	4,071,196	3,051,309	534,920	278,939	150,563	52,706	2,759
Derivative financial liabilities								
Interest rate swaps	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Off-balance sheet items								
Credit guarantees[2]	-	6,405,175	6,405,175	-	-	-	-	-
Lending commitments[2]	-	6,706	6,706	-	-	-	-	-

As of March 31, 2019

(Millions of yen)

	Carrying amount	Aggregation of redemption schedule	Within 1 year[1]	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings	445	445	445	-	-	-	-	-
Long-term borrowings (including current portion)	2,122,065	2,137,141	471,846	391,495	304,309	212,268	222,274	534,949
Lease obligations	1,158,644	1,158,644	431,447	315,951	216,740	135,038	50,454	9,014
Installment payables	8,287	8,287	7,601	409	147	56	46	28
Trade and other payables	817,532	817,532	804,665	7,535	3,388	1,944	-	-
Other financial liabilities	4,761	4,761	-	406	178	171	145	3,861
Total	4,111,734	4,126,810	1,716,004	715,796	524,762	349,477	272,919	547,852
Derivative financial liabilities								
Interest rate swaps	6,822	6,722	1,278	1,531	1,531	1,357	816	209
Total	6,822	6,722	1,278	1,531	1,531	1,357	816	209
Off-balance sheet items								
Credit guarantees[2]	-	-	-	-	-	-	-	-
Lending commitments[2]	-	3,009	3,009	-	-	-	-	-

Notes:
1. Financial liabilities payable on demand are classified as being due “Within 1 year.”
2. For further details regarding credit guarantees and lending commitments, refer to “Note 39. Contingencies.”
3. For the average interest rates of interest-bearing debt, refer to “(1) Components of interest-bearing debt” in “Note 19. Interest-bearing debt.”

(3) Categories of financial instruments

Components of financial instruments (excluding cash and cash equivalents) by category are as follows. In accordance with the transitional provisions of IFRS 9, the Group has elected not to restate the comparative information. Therefore, the comparative information is presented in accordance with IAS 39.

As of March 31, 2018

(Millions of yen)

	Financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Total
Financial assets				
Current assets				
Trade and other receivables	-	-	1,186,754	1,186,754
Other financial assets	-	300	5,951	6,251
Non-current assets				
Other financial assets	7,630	53,093	353,371	414,094
Total	7,630	53,393	1,546,076	1,607,099

	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities			
Current liabilities			
Interest-bearing debt	-	2,260,435	2,260,435
Trade and other payables	-	841,536	841,536
Non-current liabilities			
Interest-bearing debt	-	966,098	966,098
Other financial liabilities	-	3,127	3,127
Total	-	4,071,196	4,071,196

As of March 31, 2019

(Millions of yen)

	Financial assets at FVTPL	Equity instruments at FVTOCI	Financial assets at amortized cost	Total
Financial assets				
Current assets				
Trade and other receivables	-	-	1,186,904	1,186,904
Other financial assets	-	300	1,352	1,652
Non-current assets				
Other financial assets[1]	7,367	218,042	491,091	716,500
Total	7,367	218,342	1,679,347	1,905,056

	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities			
Current liabilities			
Interest-bearing debt	-	909,944	909,944
Trade and other payables	-	817,532	817,532
Non-current liabilities			
Interest-bearing debt	-	2,379,497	2,379,497
Other financial liabilities	6,822	4,761	11,583
Total	6,822	4,111,734	4,118,556

Note:
Equity instruments at FVTOCI increased mainly due to the acquisition of shares of Yahoo Japan Corporation of ¥221,148 million.

(4) Equity instruments at FVTOCI

The Group holds certain investments in equity instruments primarily to maintain or enhance business relationships, and hence categorizes those investments as equity instruments at FVTOCI.

The major industry sectors of equity instruments at FVTOCI and the fair value thereof are as follows:

As of March 31, 2019

(Millions of yen)

Industry sector	Fair value
Information and communications	190,787
Services	17,209

Note:
Investments in the information and communications sector mainly consist of Yahoo Japan Corporation, and the fair value of the investment is ¥166,364 million as of March 31, 2019.

The Group has sold (derecognized) equity instruments that were no longer in line with the Group's investment strategy. The table below presents the fair value at the date of sale and the accumulated gain or loss on sale of equity instruments at FVTOCI that were sold during the period:

(Millions of yen)

	Fiscal year ended March 31, 2019
Fair value at the date of sale	4,969
Accumulated gain or (loss) on sale	973

The Group directly transfers accumulated gains or losses from other comprehensive income to retained earnings in the case of derecognition or significant or prolonged decline in the fair value below cost. The amount transferred from accumulated other comprehensive income or (loss) to retained earnings is ¥ (839) million for the fiscal year ended March 31, 2019.

25. Fair value of financial instruments

(1) Categorization by level within the fair value hierarchy

Financial instruments that are measured at fair value on a recurring basis after initial recognition are classified into three levels of the fair value hierarchy based on the observability and significance of inputs used for valuation.

The fair value hierarchy is defined as follows:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is measured using inputs other than Level 1 that are observable, either directly or indirectly.

Level 3: Fair value is measured using unobservable inputs.

If the fair value measurement uses different levels of inputs, the fair value is categorized based on the lowest level of input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are recognized as if they have occurred at the beginning of each quarter. There were no transfers between Level 1 and Level 2 during the fiscal years ended March 31, 2018 and 2019.

The table below presents financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy:

As of March 31, 2018

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	19,832	-	35,092	54,924
Other	-	400	5,699	6,099
Total	19,832	400	40,791	61,023
Financial liabilities				
Derivative financial liabilities	-	-	-	-
Total	-	-	-	-

As of March 31, 2019

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	187,400	-	30,384	217,784
Other	-	451	7,474	7,925
Total	187,400	451	37,858	225,709
Financial liabilities				
Derivative financial liabilities	-	6,822	-	6,822
Total	-	6,822	-	6,822

The major valuation techniques for financial instruments measured at fair value on a recurring basis are as follows:

a. Equity securities

Equity securities are measured using quoted prices in active markets for identical assets if such prices are available, and are classified as Level 1. Where such quoted prices in active markets for identical assets are not available, they are measured using appropriate valuation techniques such as the comparable company analysis. They are classified as Level 2 if all significant inputs such as quoted prices of comparable companies and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as Level 3. In order to calculate the fair value of financial assets classified as Level 3, the Group uses EBITDA and EBIT multiples of equivalent companies as these are considered to be the significant unobservable inputs of the underlying financial assets.

b. Derivative financial liabilities

The fair value of derivative financial instruments is measured based on prices quoted by financial institutions with which contracts were concluded and is categorized as Level 2.

(2) Fair value measurements of financial instruments that are categorized as Level 3

a. Valuation processes

Fair value is measured by the Group's personnel in the treasury and accounting departments based on internal regulations, using the most appropriate valuation techniques and inputs that reflect the nature, characteristics, and risks of the financial instruments subject to fair value measurement. The fair value of financial instruments that require a high level of knowledge and experience for the valuation is measured by external specialists if the amount of such financial instruments is material. The result of the measurement conducted at the end of each quarter, including the valuation by the external specialists and the analysis of fair value changes and other contents, is reviewed and approved by the personnel responsible in the treasury and accounting departments.

b. Changes in financial instruments categorized as Level 3

Changes in financial instruments categorized as Level 3 are as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	Equity securities	Other
As of April 1, 2017	17,096	3,230
Gains or losses		
Net income	(95)	-
Other comprehensive income	208	(257)
Purchases	18,934	2,904
Sales	(100)	-
Changes in the scope of consolidation	(697)	3
Transfer to Level 1 due to listing	(578)	-
Other	324	(181)
As of March 31, 2018	35,092	5,699

Gains or losses recognized in net income are included in "Financing income" and "Financing costs" in the consolidated statement of income. Gains or losses recognized in other comprehensive income, net of tax, are included in "Gain on revaluation of available-for-sale financial assets" in the consolidated statement of comprehensive income.

Fiscal year ended March 31, 2019

(Millions of yen)

	Equity securities	Other
As of April 1, 2018	35,092	5,699
Gains or losses		
Net income	(4)	(109)
Other comprehensive income	(266)	(214)
Purchases	8,198	794
Sales	(3,007)	(457)
Changes in the scope of consolidation	(7,962)	1,995
Transfer to Level 1 due to listing	(11)	-
Other	(1,656)	(234)
As of March 31, 2019	30,384	7,474

Gains or losses recognized in net income are included in "Financing income" and "Financing costs" in the consolidated statement of income. Gains or losses recognized in other comprehensive income, net of tax, are included in "Changes in the fair value of equity instruments at FVTOCI" in the consolidated statement of comprehensive income.

(3) Carrying amounts and fair values of financial instruments

The table below presents carrying amounts and fair values of financial instruments:

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Interest-bearing debt (non-current)				
Long-term borrowings	217,702	217,124	1,651,614	1,664,622
Lease obligations	740,336	746,366	727,197	735,480
Installment payables	8,060	8,220	686	657

Financial instruments that are measured at fair value or have carrying amounts that are reasonably similar to their fair values are not included in the table above.

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

a. Long-term borrowings

Fair values of the non-current portion of long-term borrowings with floating interest rates are measured based on the discounted cash flow method using observable inputs such as market interests, and are categorized as Level 2.

Fair values of the non-current portion of long-term borrowings with fixed rates are measured based on the discounted cash flow method using an interest rate, considering the credit spread that would be used for a borrowing with the same terms and maturity, and are categorized as Level 3.

b. Lease obligations

Fair values of the non-current portion of lease obligations are measured based on the discounted cash flow method using an interest rate considering the period until payment and credit risk, and are categorized as Level 3.

c. Installment payables

Fair values of the non-current portion of installment payables are measured based on the discounted cash flow method using an interest rate adjusted for the remaining repayment period and credit risks, and are categorized as Level 3.

26. Transfers of financial assets

The Group enters into securitization transactions involving trade and installment receivables.

The major securitization transactions involve the securitization of installment receivables recognized from the mobile device sales business.

For each transaction, the Group transfers receivables to financial institutions and acquires cash and subordinate interest in the transferred receivables for financing purposes. The receivables transferred are not derecognized because in each transaction the Group retains subordinate interest and, therefore, substantially retains all the risks and rewards of ownership of the transferred assets. Cash received from transferring the receivables are included in "Interest-bearing debt" under current liabilities and non-current liabilities.

The following table presents the carrying amount of financial assets and related liabilities that are transferred but do not meet the derecognition criteria, as well as the fair value where related liabilities have recourse only to the transferred assets:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Carrying amount of transferred assets	674,421	741,844
Carrying amount of related liabilities	(614,275)	(657,269)

(Fair value of financial assets and financial liabilities where related liabilities have recourse only to the transferred assets)

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Fair value of transferred assets	674,421	741,844
Fair value of related liabilities	(613,703)	(656,583)
Net position	60,718	85,261

The difference between transferred assets and related liabilities is the subordinate interest which the Group retains on securitization.

27. Offsetting financial assets and liabilities

The following table presents the amount of financial assets and liabilities presented net in the consolidated statement of financial position, as well as the amount of financial assets and liabilities that are under enforceable master netting agreements or similar contracts, but are not offset as they do not meet certain or all criteria for offsetting.

Rights to offset based on the enforceable master netting agreements or similar contracts are enforceable only in certain events such as bankruptcy or obligation default of the counterparty.

Transactions subject to offset consist primarily of receivables and payables that the Group attributes to dealers.

The Group’s receivables from mobile device sales to dealers and the Group’s obligation for incentive fees payable to dealers are presented net in the consolidated statement of financial position as they meet the criteria for offsetting.

As of March 31, 2018

Financial assets

(Millions of yen)

	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	128,208	(78,574)	49,634	(33,588)	16,046
Other financial assets	61	-	61	-	61
Total	128,269	(78,574)	49,695	(33,588)	16,107

Financial liabilities

(Millions of yen)

	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	166,395	(78,574)	87,821	(33,446)	54,375
Other financial liabilities	428	-	428	(142)	286
Total	166,823	(78,574)	88,249	(33,588)	54,661

As of March 31, 2019

Financial assets

(Millions of yen)

	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other receivables	123,025	(78,968)	44,057	(33,111)	10,946
Other financial assets	-	-	-	-	-
Total	123,025	(78,968)	44,057	(33,111)	10,946

Financial liabilities

(Millions of yen)

	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
Trade and other payables	173,204	(78,968)	94,236	(32,986)	61,250
Other financial liabilities	294	-	294	(125)	169
Total	173,498	(78,968)	94,530	(33,111)	61,419

28. Equity

(1) Common stock

a. Shares authorized

The number of shares authorized to be issued is as follows:

(Thousands of shares)

	As of March 31, 2018	As of March 31, 2019
Common stock[1]	8,010,960	8,010,960

b. Shares issued

Changes in the number of shares issued are as follows:

(Thousands of shares)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Balance at the beginning of the current fiscal year	5,861	4,610,948
Increase during the year		
Issuance of new shares[2, 4]	507,976	176,197
Stock split[3]	4,097,111	-
Balance at the end of the current fiscal year	4,610,948	4,787,145

Notes:

1. Shares issued by the Company are common stock with no par value. Shares issued have been fully paid.
2. The Company acquired WCP during the fiscal year ended March 31, 2018 in exchange for an additional 507,976 thousand newly issued common stock of the Company. For further details in relation to the transaction, refer to "Note 6. Business combinations."
3. On March 26, 2018, the Company conducted a 700-for-1 common stock split in accordance with a resolution by the Board of Directors at the meeting held on February 20, 2018.
4. The increase of 176,197 thousand shares in total issued shares resulted from new issuance of common stock of the Company through a contribution in kind by a third-party allotment to the parent, SBGJ, as of April 1, 2018. For details, refer to "Note 6. Business combinations."

(2) Capital surplus

Capital surplus of the Group includes additional paid-in capital, which is legal capital surplus.

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the proceeds upon issuance of equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.

(3) Retained earnings

Retained earnings of the Group include reserves legally required as legal retained earnings.

The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Accumulated other comprehensive income

Changes in accumulated other comprehensive income are as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

	Remeasurements of defined benefit plan	Equity instruments at FVTOCI	Gain (loss) on revaluation of available-for-sale financial assets	Cash flow hedges	Exchange differences on translation of foreign operations	Share of other comprehensive income (loss) of associates accounted for using the equity method	Total
As of April 1, 2017	-	-	(118)	-	-	0	(118)
Other comprehensive income (attributable to owners of the Company)	(64)	-	5,774	-	71	16	5,797
Changes from loss of control	-	-	-	-	-	-	-
Transfer to retained earnings	64	-	-	-	-	-	64
As of March 31, 2018	-	-	5,656	-	71	16	5,743

Fiscal year ended March 31, 2019

(Millions of yen)

	Remeasurements of defined benefit plan	Equity instruments at FVTOCI	Gain (loss) on revaluation of available-for-sale financial assets	Cash flow hedges	Exchange differences on translation of foreign operations	Share of other comprehensive income (loss) of associates accounted for using the equity method	Total
Cumulative effect of adopting a new accounting standard	-	5,656	(5,656)	-	-	-	-
As of April 1, 2018	-	5,656	-	-	71	16	5,743
Other comprehensive income (attributable to owners of the Company)	1	(55,058)	-	(4,675)	(129)	(559)	(60,420)
Changes from loss of control	-	-	-	-	58	-	58
Transfer to retained earnings	(1)	839	-	-	-	-	838
As of March 31, 2019	-	(48,563)	-	(4,675)	-	(543)	(53,781)

The above amount is presented net of tax effect. The amount of income taxes on each item in other comprehensive income is described in "Note 35. Other comprehensive income."

29. Dividends

Dividends paid are as follows:

Fiscal year ended March 31, 2018

The Company

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Board of Directors' meeting held on June 26, 2017	Common stock	67,527.00	395,802	March 31, 2017	June 29, 2017
Board of Directors' meeting held on March 20, 2018[1]	Common stock	181.43	744,402	-	March 28, 2018

Note:
1. The dividend has no record date and is distributed to shareholders as of the effective date. Also, on March 26, 2018, the Company conducted a 700-for-1 common stock split in accordance with a resolution by the Board of Directors at the meeting held on February 20, 2018. Dividends per share are calculated after taking the stock split into consideration.

Transactions between entities under common control result in the Group retrospectively combining the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent, SBG, obtained control of the transferred companies prior to the transfer or the opening balance sheet date. For further details, refer to "(2) Business combinations" in "Note 3. Significant accounting policies." As a result, the following dividends paid by SB Atwork Corp. and SoftBank Technology Corp. before the date of the transaction under common control is included in "Cash dividends" in the consolidated statement of changes in equity.

SB Atwork Corp.

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Extraordinary meeting of shareholders held on February 2, 2018	Common stock	105,555.55	190	March 31, 2017	February 20, 2018

SoftBank Technology Corp.

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)[1]	Record date	Effective date
General meeting of shareholders held on June 19, 2017	Common stock	30.00	295	March 31, 2017	June 20, 2017

Note:
1. The amount of dividends paid to owners of the Company is ¥161 million.

Fiscal year ended March 31, 2019

SoftBank Technology Corp.

Resolution	Class of shares	Dividends per share[1] (Yen)	Total dividends[2] (Millions of yen)	Record date	Effective date
General meeting of shareholders held on June 18, 2018	Common stock	15.00	297	March 31, 2018	June 19, 2018

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

Dividends whose effective date is in the fiscal year ending March 31, 2020 are as follows:

The Company

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2019	Common stock	37.50	179,518	March 31, 2019	June 10, 2019

30. Share-based payment transactions

The Company grants stock options as share-based payment awards.

Share-based payment awards are granted to directors and employees of the Group based on the terms resolved at shareholders' meetings or Board of Directors' meetings of the Company.

SBG also grants stock options as share-based payment awards. Certain parts of the awards are granted to the Group's directors and employees based on the terms resolved at shareholders' meetings or Board of Directors' meetings of SBG.

Share-based payment awards are accounted for as equity-settled share-based payments. Expense recognized from share-based payment awards is as follows:

Expense arising from share-based payments

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Equity-settled	5,458	9,557

(1) Details of the stock option plan

The details of the stock option plan for the fiscal years ended March 31, 2018 and 2019 are as follows:

a. SoftBank Corp.

The establishment of the stock option plan was approved by the Board of Directors on March 6, 2018 and March 27, 2018. The stock option plan is designed to provide incentives for participants to increase the performance of the Group and maximize shareholder value.

Shares granted by the exercise of stock options are those issued by the Company.

Year issued / Name	Grant date	Due date for exercise
2018 March stock acquisition rights[1]	March 30, 2018	March 31, 2025

Note:

1. Vesting condition

In the case where the common stock of the Company is newly listed on the financial instruments market established by the financial instruments exchange by March 31, 2020, an entitled person is able to exercise the above stock acquisition rights.

The number of rights which an entitled person is able to exercise is as follows:

(a) where the total number of shares granted by the stock acquisition rights initially allotted is from 3,000 to less than 12,000, the number of the stock acquisition rights which an entitled person is able to exercise is limited to:

i. up to 30% of the total allotted rights, exercisable from April 1, 2020 to March 31, 2021;

ii. up to 60% of the total allotted rights including the rights exercised during the period (i), exercisable from April 1, 2021 through March 31, 2022; and

iii. up to 100% of the total allotted rights including the rights exercised during the periods (i) and (ii), exercisable from April 1, 2022 through March 31, 2025.

(b) where the total number of shares granted by the stock acquisition rights initially allotted is 12,000 or more, the number of the stock acquisition rights which an entitled person is able to exercise is limited to:

i. up to 20% of the total allotted rights, exercisable from April 1, 2020 to March 31, 2021;

ii. up to 40% of the total allotted rights including the rights exercised during the period (i), exercisable from April 1, 2021 to March 31, 2022;

iii. up to 60% of the total allotted rights including the rights exercised during the periods (i) and (ii), exercisable from April 1, 2022 to March 31, 2023;

iv. up to 80% of the total allotted rights including the rights exercised during the periods (i), (ii), and (iii), exercisable from April 1, 2023 to March 31, 2024; and

v. up to 100% of the total allotted rights including the rights exercised during the periods (i), (ii), (iii), and (iv), exercisable from April 1, 2024 to March 31, 2025.

When an eligible person (director, employee, or executive officer) retires from the Company and its subsidiaries, the unexercised acquisition rights are forfeited. However, this shall not apply in the case of a good cause, such as resignation due to expiration of the term or mandatory retirement.

b. SoftBank Group Corp.

SBG grants stock options as equity-settled share-based payments.

SBG grants stock options to the Group’s directors and employees.

Shares granted by the exercise of stock options are those issued by SBG.

Year issued / Name	Grant date	Due date for exercise
2016 July stock acquisition rights[1]	July 28, 2016	July 31, 2022
2017 July stock acquisition rights[1]	July 28, 2017	July 31, 2023
2018 August stock acquisition rights[2]	August 31, 2018	August 31, 2025

Notes:

1. Vesting conditions
   Stock acquisition rights vest when service period requirements are met with the vesting period of two years.
   Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

2. Vesting conditions
   Stock acquisition rights vest when service period requirements are met with the vesting period of three years.
   Where the total number of shares granted by the stock acquisition rights initially allotted is 400 or more, the number of the stock acquisition rights which an entitled person is able to exercise is limited to the following, provided that the number of exercisable stock acquisition rights is given by rounding down any fractions of less than one.
   i. up to 25% of the total allotted rights, exercisable from September 1, 2021 to August 31, 2022;
   ii. up to 50% of the total allotted rights including the rights exercised during the period (i), exercisable from September 1, 2022 to August 31, 2023;
   iii. up to 75% of the total allotted rights including the rights exercised during the periods (i) and (ii), exercisable from September 1, 2023 to August 31, 2024; and
   iv. up to 100% of the total allotted rights including the rights exercised during the periods (i), (ii), and (iii), exercisable from September 1, 2024 to August 31, 2025.

   Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

(2) Fair value of stock options granted during the period

Weighted-average fair value at the measurement date and fair value measurement method of the stock options granted during the period are as follows:

a. SoftBank Corp.

There are no stock options granted during the fiscal year ended March 31, 2019. The weighted-average fair value at the measurement date of the stock options granted during the fiscal year ended March 31, 2018 is ¥79.

The method, key inputs, and assumptions used to calculate fair value are as follows:

	Fiscal year ended March 31, 2018
Year issued / Name	2018 March stock acquisition rights
Valuation method used	Black-Scholes model
Key inputs and assumptions:	
Weighted-average stock price	¥623
Weighted-average exercise price	¥623
Volatility of stock price[1]	24.32%
Estimated residual period[2]	5 years
Estimated dividend[3]	¥22 per share
Risk-free interest rate[4]	(0.10)%

Notes:

1. Volatility of the stock price is calculated based on the past performance of stock prices of comparable companies for a period of time equivalent to the estimated residual period.
2. Due to the lack of sufficient data to estimate reasonably, stock acquisition rights are assumed to be exercised at the mid-point of the exercise period.
3. Estimated based on average dividend ratios of comparable companies for the fiscal year ended March 31, 2018.
4. Calculated based on average cumulative interest yields of long-term Japanese government bonds with similar maturities to the acquisition rights.

b. SoftBank Group Corp.

The weighted-average fair value at the measurement date of the stock options granted to the Group's directors and employees during the fiscal year ended March 31, 2019 is ¥10,118 (during the fiscal year ended March 31, 2018: ¥2,281).

The method, key inputs and assumptions used to calculate fair value are as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Year issued / Name	2017 July stock acquisition rights	2018 August stock acquisition rights
Valuation method used	Black-Scholes model	Black-Scholes model
Key inputs and assumptions:		
Weighted-average stock price	¥9,168	¥10,300
Weighted-average exercise price	¥9,582	¥1
Volatility of stock price[1]	35.40%	35.02%
Estimated residual period	4 years	4 years
Estimated dividend	¥44 per share	¥44 per share
Risk-free interest rate	(0.07)%	(0.07)%

Note:

1. Volatility of the stock price is calculated based on the most recent actual performance of the stock prices for a period of time equivalent to the estimated residual period.

(3) Changes in stock options during the period and stock options at the period-end

Changes in stock options during the period and stock options at the period-end are as follows:

a. SoftBank Corp.

	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Beginning balance - Unexercised	-	-	120,002,300	623
Granted	120,002,300	623	-	-
Forfeited	-	-	(2,226,200)	623
Exercised	-	-	-	-
Ending balance - Unexercised	120,002,300	623	117,776,100	623
Ending balance - Exercisable	-	-	-	-

The weighted-average exercise price and weighted-average remaining contract period for unexercised options are ¥623 and six years, respectively, as of March 31, 2019.

b. SoftBank Group Corp.

	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Beginning balance - Unexercised	3,620,000	6,159	7,931,500	8,019
Granted	4,268,000	9,582	112,900	1
Forfeited	(152,000)	7,217	(45,000)	8,888
Exercised	-	-	(935,800)	6,159
Increase due to secondment and other reason	254,500	7,914	48,800	8,687
Decrease due to secondment and other reason	(59,000)	8,596	(111,500)	7,644
Ending balance - Unexercised	7,931,500	8,019	7,000,900	8,143
Ending balance - Exercisable	-	-	2,629,500	6,159

The unexercised options as of March 31, 2019 are as follows:

Range of exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)	Weighted-average remaining contract period (Years)
6,159	2,629,500	6,159	3.3
9,582	4,259,500	9,582	4.3
1	111,900	1	6.4
Total	7,000,900	8,143	4.0

(4) Stock options exercised during the period

The weighted-average stock price at the time of exercise of stock options during the period is ¥10,024.

31. Revenue

(1) Components of revenue

The components of revenue are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Consumer business		
Telecommunications service revenues	1,902,212	1,983,747
Mobile communications	1,585,887	1,622,670
Broadband	316,325	361,077
Revenues from sales of goods and others	706,535	690,759
Subtotal	2,608,747	2,674,506
Enterprise business		
Mobile communications[3]	260,501	263,657
Fixed-line communications	210,758	207,397
Business solution services and others[3]	128,875	144,989
Subtotal	600,134	616,043
Distribution business	312,920	382,911
Other	60,834	72,845
Total	3,582,635	3,746,305

Notes:

1. The components of revenue represent sales to external customers.
2. The components of revenue include revenue from leases. Revenue from leases for the fiscal years ended March 31, 2018 and 2019 is ¥65,101 million and ¥68,419 million, respectively.
3. Mobile communications and business solution services and others within the Enterprise business include telecommunications service revenues and revenues from sales of goods and others. Telecommunications service revenues for the fiscal years ended March 31, 2018 and 2019 are ¥308,921 million and ¥326,554 million, respectively. Revenues from sales of goods and others for the fiscal years ended March 31, 2018 and 2019 are ¥80,455 million and ¥82,092 million, respectively.

(2) Contract balances

The components of contract balances are as follows:

(Millions of yen)

	As of April 1, 2017	As of March 31, 2018	As of March 31, 2019
Receivables from contracts with customers	479,346	546,023	596,629
Contract assets	938	18,623	33,719
Total	480,284	564,646	630,348
Contract liabilities	93,967	101,135	113,950

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer (when that right is conditioned on something other than the passage of time). Major contract assets are as follows:

- Various campaign discounts provided to a customer are accounted for as a reduction of the transaction price. The total of the transaction price is allocated to per performance obligation, and the amount of the Group's right to consideration in exchange for fulfilling the performance obligations, excluding the receivables, is recognized as a contract asset.

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has already received consideration from the customer. Major contract liabilities are as follows:

- Activation fees and upgrade fees received from customers at the inception of a new contract and model change are recognized as contract liabilities.
- Consideration for services already received from the customer, such as advances received, is recognized as contract

liabilities.

Of the revenue recognized during the fiscal years ended March 31, 2018 and 2019, the amounts included in the balance of contract liabilities at the beginning of the year are ¥64,850 million and ¥65,802 million, respectively.

Impairment loss recognized for receivables arising from contracts with customers during the fiscal years ended March 31, 2018 and 2019 are ¥10,346 million and ¥9,895 million, respectively.

(3) Transaction prices allocated to remaining performance obligations

The aggregate amount of transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations as of March 31, 2019 is ¥99,783 million. The unsatisfied performance obligations arise primarily from mobile communications services and mobile device rental services in the enterprise business, and are expected to be recognized as revenue mainly within three years.

As the Group applies the practical expedient in paragraph 121 of IFRS 15, the following transaction prices for the remaining performance obligations are not included:

・the transaction price for a contract that has an original expected duration of one year or less; and

・the transaction price for a contract in which consideration is received from the customer in the amount that corresponds directly with the value of services provided, such as fees charged per use.

32. Cost of sales and selling, general and administrative expenses

The components of cost of sales and selling, general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cost of goods sold	(908,488)	(1,005,761)
Sales commissions and sales promotion expenses	(280,714)	(302,913)
Depreciation and amortization[1]	(477,281)	(452,180)
Amortization of contract costs	(181,565)	(175,598)
Loss on disposal of property, plant and equipment and intangible assets	(31,912)	(38,039)
Telecommunications equipment usage fees	(218,183)	(225,141)
Employees and directors benefit costs	(197,445)	(213,284)
Operating lease expenses	(128,671)	(129,660)
Outsourced service fees	(153,360)	(164,128)
Brand usage fees	(43,803)	-
Other	(312,870)	(320,061)
Total	(2,934,292)	(3,026,765)

Note:

1. “Depreciation and amortization” includes the amortization of long-term prepaid expenses which are recorded in “Other non-current assets” in the consolidated statement of financial position.

33. Other operating income and other operating expenses

Fiscal year ended March 31, 2018

The Group released accruals related to spectrum migration costs as a result of expenses arising from the migration of pre-existing users of the spectrum newly acquired to another spectrum. As a result, the Group recognized ¥4,044 million as "Other operating income."

In addition, the Group reviewed the business plan of the sports content distribution services, which showed that the net realizable value of relevant inventories was below their carrying value. As a result, the Group recognized a write-down of ¥13,754 million for those inventories as "Other operating expenses."

Fiscal year ended March 31, 2019

In the sports content distribution services of the Group, the business partner (the "Licensor") lost its broadcast rights for major soccer leagues due to its delay in payment of license fees for the broadcast rights.

As a result, the Group received a notification from the Licensor which terminated the broadcasting contract. Due to the termination of the broadcasting contract, the Group recognized a write-down of acquired distribution rights from the Licensor of ¥4,770 million as "Other operating expenses." At the same time, the Group recognized a gain on release of related payment obligation to acquire the distribution rights of ¥4,689 million as "Other operating income."

34. Financing income and financing costs

(1) The components of financing income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Dividends received	371	412
Interest received	343	202
Foreign exchange gains	180	-
Realized gain from financial instruments at FVTPL	308	-
Other	1,003	1,034
Total	2,205	1,648

(2) The components of financing costs are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Interest expenses[1]	(38,286)	(55,541)
Foreign exchange losses	-	(1,351)
Realized loss from financial instruments at FVTPL	-	(113)
Other	(528)	(125)
Total	(38,814)	(57,130)

Note:
1. Interest expenses are primarily from financial liabilities measured at amortized cost.

35. Other comprehensive income

The table below presents the amounts arising during the year, reclassification adjustments to profit or loss, and the income tax effect of each item in other comprehensive income:

Fiscal year ended March 31, 2018

(Millions of yen)

	Amounts arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	(93)	-	(93)	29	(64)
Total	(93)	-	(93)	29	(64)
Items that may be reclassified to profit or loss					
Gain (loss) on revaluation of available-for-sale financial assets	7,564	(177)	7,387	(1,613)	5,774
Exchange differences on translation of foreign operations	71	-	71	-	71
Share of other comprehensive income (loss) of associates accounted for using the equity method	16	-	16	-	16
Total	7,651	(177)	7,474	(1,613)	5,861
Total other comprehensive income	7,558	(177)	7,381	(1,584)	5,797

Fiscal year ended March 31, 2019

(Millions of yen)

	Amounts arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	1	-	1	(0)	1
Changes in the fair value of equity instruments at FVTOCI	(54,462)	-	(54,462)	(476)	(54,938)
Total	(54,461)	-	(54,461)	(476)	(54,937)
Items that may be reclassified to profit or loss					
Cash flow hedges	(7,587)	765	(6,822)	2,147	(4,675)
Exchange differences on translation of foreign operations	(135)	-	(135)	-	(135)
Share of other comprehensive income (loss) of associates accounted for using the equity method	(559)	-	(559)	-	(559)
Total	(8,281)	765	(7,516)	2,147	(5,369)
Total other comprehensive income	(62,742)	765	(61,977)	1,671	(60,306)

36. Earnings per share

Basic earnings per share and diluted earnings per share are as follows:

(1) Basic earnings per share

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income used in the calculation of basic earnings per share (Millions of yen)		
Net income attributable to owners of the Company	400,749	430,777
Weighted-average number of shares of common stock outstanding (Thousands of shares)[1]	4,104,364	4,787,145
Basic earnings per share (Yen)	97.64	89.99

(2) Diluted earnings per share

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income used in the calculation of diluted earnings per share (Millions of yen)		
Net income attributable to owners of the Company	400,749	430,777
Effect of dilutive securities issued by subsidiaries and associates	(28)	(7)
Total	400,721	430,770
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share (Thousands of shares)		
Weighted-average number of shares of common stock outstanding[1]	4,104,364	4,787,145
Increase in the number of shares of common stock due to stock acquisition rights	-	34,251
Total	4,104,364	4,821,396
Diluted earnings per share (Yen)	97.63	89.35

Note:

1. On March 26, 2018, the Company conducted a 700-for-1 common stock split. Accordingly, basic earnings per share and diluted earnings per share have been calculated assuming that the stock split took place on April 1, 2017, the opening balance sheet date of the comparative period.

37. Supplemental information to the consolidated statement of cash flows

(1) Scope of purchases of property, plant and equipment and intangible assets

"Purchases of property, plant and equipment and intangible assets" includes cash outflows from long-term prepaid expenses that are included in "Other non-current assets" in the consolidated statement of financial position.

(2) Presentation of cash flows regarding finance leases

For the purchase of network equipment through finance leases, the Group purchases, assembles, installs, and inspects the equipment due to the nature of the equipment. Then the Group sells the equipment to lease companies for sale-leaseback purposes and recognizes it as a leased asset.

The cash outflows from the purchase of the equipment from vendors are included in "Purchases of property, plant and equipment and intangible assets" under cash flows from investing activities, and the cash inflows from the sale of the equipment to lease companies are included in "Proceeds from long-term interest-bearing debt" under cash flows from financing activities.

(3) Significant non-cash transactions

Significant non-cash investing and financing activities are as follows:

(a) Acquisition of investments in subsidiaries and associates

The Company acquired investments in subsidiaries and associates from the parent company, SBGJ, during the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2019. This transaction is a non-cash transaction as the consideration paid was newly issued shares of the Company through a contribution in kind. For further details in relation to the transaction, refer to “Note 6. Business combinations.”

(b) Grant of stock options

The Company granted stock options as equity-settled share-based compensation to the Group’s directors and employees during the fiscal year ended March 31, 2018. This transaction is a non-cash transaction as the granted shares do not include any cash consideration. For further details in relation to the transaction, refer to “Note 30. Share-based payment transactions.”

(c) Assets acquired by finance leases

For further details about the amounts of assets acquired by finance leases, refer to column of the “new lease transactions” column in “(3) Changes in interest-bearing debt arising from financial activities” under “Note 19. Interest-bearing debt.”

38. Related party transactions

(1) Related party transactions and balances

Related party transactions of the Group are as follows:

Fiscal year ended March 31, 2018

(Millions of yen)

			Fiscal year ended March 31, 2018	As of March 31, 2018
Name of the company or individual	Nature of relationship	Nature of transaction	Amount of transaction[3]	Balance at period-end[3]
SoftBank Group Corp.[1, 9]	The ultimate parent company	Borrowing of funds	2,263,341	1,396,184
		Repayment of loans	1,048,214	
		Payment of interest[2]	13,287	310
		Lending of funds[4]	50,800	-
		Loan repayments received[4]	105,800	
		Receipt of interest[2]	167	88
		Purchase of subsidiaries’ interest[5, 6]	106,692	-
		Payment of brand usage fees[7]	43,803	47,306
		Payment of trademark usage right[5, 8]	350,000	-
SoftBank Group Japan Corporation[1]	The parent company	Purchase of subsidiaries’ interest[5, 10]	316,469	-

The terms and conditions of transactions and policy on how to determine those terms and conditions:

1. SoftBank Group Japan GK was the parent company until April 24, 2017, when it was merged into SBGJ.
2. Lending and borrowing rates are determined on an arm’s length basis in reference to market interest rates.
3. Consumption tax is not included in the amount of the transaction, but included in the balance at period-end.
4. Lending of funds from the Group to SBG is provided through the Trust, which is a money trust agreement with the Group as a consignor, a trust bank as a trustee, and SBG as the investment destination.
5. Purchase price was determined based on negotiations with SBG based on a price determined by an independent third party.

6. The Company acquired 100% of the equity interest of SB C&S Holdings GK (currently SB C&S Holdings Corp.) from SBG on May 15, 2017. For further details, refer to "(1) Acquisition of SB C&S Holdings GK (currently SB C&S Holdings Corp.)" in "Note 6. Business combinations."
7. Payment of brand usage fees are calculated as a percentage of the gross profit of the Company and subsidiaries based on negotiations with SBG.
8. The Company entered into a *SoftBank* trademark license agreement with no expiration date, and on March 31, 2018, acquired the right to use the *SoftBank* trademark. For further detail, refer to "Note 13. Goodwill and intangible assets."
9. In addition to the above, the Company guarantees SBG's borrowings from financial institutions with no guarantee fees received. Debt guarantee as of March 31, 2018 is ¥6,405,175 million. Refer to "(2) Credit Guarantees" in "Note 39. Contingencies" for further details. The Company has a borrowing commitment line contract to SBG of ¥1,816,000 million. Unfunded borrowing commitments as of March 31, 2018 are ¥440,286 million. For further details of borrowing commitments, refer to "(2) Financial risk management, c. Liquidity risk" in "Note 24. Financial instruments."
10. The Company acquired 32.2% of the equity interest of WCP from SBGJ on March 31, 2018. For further details, refer to "(2) Acquisition of Wireless City Planning Inc.("WCP")" in "Note 6. Business combinations."

Fiscal year ended March 31, 2019

(Millions of yen)

Name of the company or individual	Nature of relationship	Nature of transaction	Fiscal year ended March 31, 2019 Amount of transaction[2]	As of March 31, 2019 Balance at period-end
SoftBank Group Corp.[4]	The ultimate parent company	Borrowing of funds	238,873	-
		Repayment of loans	1,635,057	
		Payment of interest[1]	16,043	-
SoftBank Group Japan Corporation	The parent company	Acquisition of investments in subsidiaries and associates[3]	109,771	-

The terms and conditions of transactions and policy on how to determine those terms and conditions:
1. Borrowing rates are determined on an arm's length basis in reference to market interest rates.
2. The transaction amount does not include consumption taxes.
3. Purchase price was determined based on negotiations with SBG based on a price determined by an independent third party.
4. Upon the listing of the Company's shares in the fiscal year ended March 31, 2019, the Company's guarantees for SBG's loans and other borrowings, as well as SBG's yen-denominated unsecured ordinary bonds and foreign currency-denominated unsecured ordinary bonds, have been canceled. For credit guarantees, refer to "(2) Credit guarantees" in "Note 39. Contingencies."

(2) Remuneration for key management personnel

Remuneration for key management personnel is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Short-term benefits	1,602	1,949
Share-based payments	1,754	2,054
Total	3,356	4,003

Notes:
1. Remuneration for key management personnel includes all directors of the Company.
2. Key management personnel are not entitled to any post-employment benefits, long-term employment benefits, or termination benefits for the fiscal years ended March 31, 2018 and 2019.

39. Contingencies

(1) Lending commitments

Lending commitments of the Group are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Total lending commitments	9,540	4,315
Funded	2,834	1,306
Unfunded	6,706	3,009

(2) Credit guarantees

Credit guarantees of the Group are as follows. Upon the listing of the Company's shares in the fiscal year ended March 31, 2019, the Company's guarantees for SBG's loans and other borrowings, as well as SBG's yen-denominated unsecured ordinary bonds and foreign currency-denominated unsecured ordinary bonds, have been canceled.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Guarantee balance	6,405,175	-

(3) Litigation

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

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

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

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

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

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

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

40. Commitments

Purchase commitments are as follows:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Inventories	126,546	128,287
Property, plant and equipment and Intangible assets	199,733	134,687
Other[1]	126,587	120,967
Total	452,866	383,941

Note:

1. "Other" primarily includes the amount of unfulfilled contracts regarding outsourced services and investments.

41. Subsequent events

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

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

Pursuant to entrustment issued by the Company's Board of Directors at a meeting on May 7, 2019, Ken Miyauchi, Representative Director, President & CEO of the Company, decided on May 8, 2019 to acquire new shares issued through a third-party allotment (the "Capital Increase by Third-Party Allotment") conducted by Yahoo (Code No. 4689, First Section of the Tokyo Stock Exchange), for which the Company will be the allottee, with the intention of making Yahoo a subsidiary of the Company.

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

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

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

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

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

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

The Company and Yahoo have been enhancing their collaboration, but they also recognize many opportunities for further collaboration. While it is essential for the Company to further strengthen non-telecommunications business fields including FinTech in order to respond to drastic changes in the recent competitive environment and continue to grow, the Company and Yahoo have taken independent initiatives in these fields because they are future growth areas for both companies. The Company has recognized that it is vital for the Company to deepen its collaboration with Yahoo in the non-telecommunications business fields including FinTech to maximize synergies, expand and enhance the customer base, and accelerate the provision of services to customers.

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

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

d. Number of shares to be acquired, acquisition price, and circumstance of shares held before and after acquisition

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

Note:

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

e. Outline of Yahoo

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

Total assets, Total liabilities, Revenue, Operating income, Income before income taxes, and Net income attributable to owners of the parent reported on Yahoo's consolidated financial statements for the fiscal year ended March 31, 2019 are as follows:

(Millions of yen)

Total assets	2,429,601
Total liabilities	1,519,077
Revenue	954,714
Operating income	140,528
Income before income taxes	123,370
Net income attributable to owners of the parent	78,677

f. Source of funds for acquisition of new shares of Yahoo's common stock issued through a third-party allotment

The source of funds is planned to be generated through the Company's funds in hand, borrowings from financial institutions and other sources. In addition, the Company entered into a loan agreement with Mizuho Bank, Ltd. on June 21, 2019 following a resolution at the Board of Directors meeting held on June 18, 2019 for the additional funding required for the acquisition of new shares of Yahoo's common stock.

The main terms and conditions of the loan agreement are as follows. Funds raised under the loan agreement are planned to be repaid through new long-term borrowing arrangements.

(a) Lender: Mizuho Bank, Ltd.
(b) Amount of borrowing: ¥150,000 million
(c) Interest rate: Bank base rate + Spread
(d) Execution date: June 26, 2019
(e) Maturity: Final business day of June 2020

g. Impact on future performance of the Group

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

When Yahoo and its subsidiaries become consolidated subsidiaries of the Company, the Capital Increase by Third-Party Allotment and the Tender Offer will be treated as transactions between entities under common control. In accordance with the Group's accounting policy, these common control transactions are accounted for as if they occurred on April 1, 2018, the beginning of the comparative period, and the financial statements of Yahoo and its subsidiaries will be retrospectively included in the consolidated financial statements of the Group from that date.

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

PayPay, a joint venture with Yahoo which is treated as a jointly controlled entity of the Company, decided on a third-party allotment of new shares of PayPay's common stock to SBG based on a resolution at PayPay's board of directors meeting held on April 22, 2019, and the payment of ¥46,000 million was made by SBG for the transaction on May 15, 2019. After the completion of this transaction, the Company's holding of PayPay's common stock has decreased from 50% to 25%. The Company is still evaluating the impacts of this transaction on the consolidated financial statements of the Group.

42. Approval of consolidated financial statements

These consolidated financial statements were approved by Ken Miyauchi, Representative Director, President & CEO, and Kazuhiko Fujihara, Director, Executive Vice President & CFO, as of June 24, 2019.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SoftBank Corp.:

We have audited the accompanying consolidated statement of financial position of SoftBank Corp. (the "Company") and its subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Corp. and its subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

As discussed in Note 41 (1) to the consolidated financial statements, at the Board of Directors' meeting held on May 7, 2019, the Company decided to acquire new shares issued by Yahoo Japan Corporation through a third-party allotment with the intention of making Yahoo Japan Corporation and its subsidiaries consolidated subsidiaries of the Company. Our opinion is not modified in respect of this matter.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 (3) to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2019