FINANCIAL SECTION 2020

From April 1, 2019 to March 31, 2020

SoftBank Corp.

Contents

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

a. Consolidated Statement of Financial Position

	Notes	(Millions of yen) As of April 1, 2018	As of March 31, 2019[1]	As of March 31, 2020	(Thousands of U.S. dollars) As of March 31, 2020
ASSETS					
Current assets					
Cash and cash equivalents	8	¥ 987,776	¥ 938,388	¥ 1,143,808	$ 10,510,043
Trade and other receivables	9,29	1,678,086	1,695,952	1,800,301	16,542,323
Other financial assets	10,29	86,021	90,565	94,906	872,057
Inventories	11	143,367	132,820	96,896	890,343
Other current assets	12	141,022	107,967	228,392	2,098,613
Total current assets		3,036,272	2,965,692	3,364,303	30,913,379
Non-current assets					
Property, plant and equipment	13	1,833,813	1,791,260	986,095	9,060,875
Right-of-use assets	18	-	-	1,234,457	11,342,984
Goodwill	14	369,053	393,312	618,636	5,684,425
Intangible assets	14	1,205,294	1,212,390	1,709,511	15,708,086
Contract costs	15	175,763	211,733	212,638	1,953,855
Investments accounted for using the equity method	20	67,520	89,656	80,149	736,461
Investment securities	16,29	125,732	114,788	175,152	1,609,409
Investment securities in banking business	17	256,931	337,516	342,975	3,151,475
Other financial assets	10,29	536,615	736,490	905,562	8,320,886
Deferred tax assets	22	90,347	72,636	55,904	513,682
Other non-current assets	12	101,354	110,855	106,876	982,044
Total non-current assets		4,762,422	5,070,636	6,427,955	59,064,182
Total assets		¥ 7,798,694	¥ 8,036,328	¥ 9,792,258	$ 89,977,561

	Notes	As of April 1, 2018[1]	As of March 31, 2019[1]	(Millions of yen) As of March 31, 2020	(Thousands of U.S. dollars) As of March 31, 2020
LIABILITIES AND EQUITY					
Current liabilities					
Interest-bearing debt	23,29, 31	¥ 2,301,959	¥ 953,730	¥ 1,811,281	$ 16,643,214
Trade and other payables	24,29	1,175,104	1,214,190	1,253,766	11,520,408
Contract liabilities	36	112,329	126,354	127,652	1,172,949
Deposits for banking business	25,29	683,834	745,696	880,847	8,093,788
Other financial liabilities	29	3,819	3,217	3,779	34,724
Income taxes payable		129,975	115,485	153,371	1,409,271
Provisions	27	19,032	9,966	6,794	62,428
Other current liabilities	26	114,574	148,361	259,119	2,380,952
Total current liabilities		4,540,626	3,316,999	4,496,609	41,317,734
Non-current liabilities					
Interest-bearing debt	23,29, 31	1,109,936	2,537,988	3,270,971	30,055,784
Other financial liabilities	29	28,052	38,637	36,765	337,820
Defined benefit liabilities	28	15,267	14,691	16,337	150,115
Provisions	27	54,159	72,675	83,871	770,661
Deferred tax liabilities	22	26,447	20,394	168,248	1,545,971
Other non-current liabilities	26	12,158	12,377	11,893	109,280
Total non-current liabilities		1,246,019	2,696,762	3,588,085	32,969,631
Total liabilities		5,786,645	6,013,761	8,084,694	74,287,365
Equity					
Equity attributable to owners of the Company					
Common stock	33	197,694	204,309	204,309	1,877,322
Capital surplus	33	185,720	111,826	(133,915)	(1,230,497)
Retained earnings	33	928,810	1,178,282	1,003,554	9,221,299
Treasury stock	33	-	-	(68,709)	(631,342)
Accumulated other comprehensive income (loss)	33	10,948	3,740	(4,693)	(43,122)
Total equity attributable to owners of the Company		1,323,172	1,498,157	1,000,546	9,193,660
Non-controlling interests	19	688,877	524,410	707,018	6,496,536
Total equity		2,012,049	2,022,567	1,707,564	15,690,196
Total liabilities and equity		¥ 7,798,694	¥ 8,036,328	¥ 9,792,258	$ 89,977,561

Note:

1. As described in "(1) Acquisition of investments in Z Holdings Corporation" 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 on retrospective adjustments made and the reconciliation, refer to "(2) Transactions under common control" under "Note 4. Changes in accounting policies."

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

Consolidated Statement of Income

	Notes	(Millions of yen) Fiscal year ended March 31, 2019[2]	Fiscal year ended March 31, 2020[2]	(Thousands of U.S. dollars) Fiscal year ended March 31, 2020
Revenue	7,36	¥ 4,656,815	¥ 4,861,247	$ 44,668,262
Cost of sales	37	(2,495,972)	(2,536,837)	(23,310,089)
Gross profit		2,160,843	2,324,410	21,358,173
Selling, general and administrative expenses	37	(1,339,656)	(1,418,815)	(13,036,984)
Other operating income	38	8,440	12,937	118,873
Other operating expenses	38	(11,439)	(6,807)	(62,547)
Operating income		818,188	911,725	8,377,515
Share of losses of associates accounted for using the equity method	20	(6,276)	(46,060)	(423,229)
Financing income	39	2,246	2,745	25,223
Financing costs	39	(58,023)	(60,921)	(559,781)
Gain on sales of equity method investments		2,592	10,591	97,317
Impairment loss on equity method investments		(12,614)	(6,885)	(63,264)
Profit before income taxes		746,113	811,195	7,453,781
Income taxes	22	(251,949)	(304,527)	(2,798,190)
Net income[1]		¥ 494,164	¥ 506,668	$ 4,655,591
Net income attributable to				
Owners of the Company		¥ 462,455	¥ 473,135	$ 4,347,468
Non-controlling interests	19	31,709	33,533	308,123
		¥ 494,164	¥ 506,668	$ 4,655,591
Earnings per share attributable to owners of the Company				
Basic earnings per share (Yen)	41	¥ 96.60	¥ 99.27	$ 0.91
Diluted earnings per share (Yen)	41	¥ 95.91	¥ 97.94	$ 0.90

Notes:

1. All net income of SoftBank Corp. and its subsidiaries for the fiscal years ended March 31, 2019 and 2020 was generated from continuing operations.
2. As described in "(1) Acquisition of investments in Z Holdings Corporation" 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 on retrospective adjustments made and the reconciliation, refer to "(2) Transactions under common control" under "Note 4. Changes in accounting policies."

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended March 31, 2019[1] (Millions of yen)	Fiscal year ended March 31, 2020[1] (Millions of yen)	Fiscal year ended March 31, 2020[1] (Thousands of U.S. dollars)
Net income		¥ 494,164	¥ 506,668	$ 4,655,591
Other comprehensive income(loss), net of tax				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit plan	28,40	1	41	377
Changes in the fair value of equity instruments at FVTOCI	29,40	(3,252)	(9,309)	(85,537)
Total items that will not be reclassified to profit or loss		(3,251)	(9,268)	(85,160)
Items that may be reclassified subsequently to profit or loss				
Changes in the fair value of debt instruments at FVTOCI	29,40	1,080	(1,415)	(13,002)
Cash flow hedges	29,40	(4,675)	1,026	9,428
Exchange differences on translation of foreign operations	40	788	(536)	(4,925)
Share of other comprehensive income (loss) of associates accounted for using the equity method	20,40	(561)	573	5,265
Total items that may be reclassified subsequently to profit or loss		(3,368)	(352)	(3,234)
Total other comprehensive income (loss), net of tax		(6,619)	(9,620)	(88,394)
Total comprehensive income		¥ 487,545	¥ 497,048	$ 4,567,197
Total comprehensive income attributable to				
Owners of the Company		¥ 455,147	¥ 468,217	$ 4,302,279
Non-controlling interests		32,398	28,831	264,918
		¥ 487,545	¥ 497,048	$ 4,567,197

Notes:

1. As described in "(1) Acquisition of investments in Z Holdings Corporation" 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.
2. Income taxes related to the components of other comprehensive income are described in "Note 40. Other comprehensive income."

c. Consolidated Statement of Changes in Equity

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	Treasury stock	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
Retrospective adjustments from transactions under common control[2]		-	(19,186)	470,580	-	5,205	456,599	670,190	1,126,789
As of April 1, 2018, restated		197,694	185,720	928,810	-	10,948	1,323,172	688,877	2,012,049
Comprehensive income									
Net income		-	-	462,455	-	-	462,455	31,709	494,164
Other comprehensive income (loss)		-	-	-	-	(7,308)	(7,308)	689	(6,619)
Total comprehensive income		-	-	462,455	-	(7,308)	455,147	32,398	487,545
Transactions with owners and other transactions									
Cash dividends[4]	34	-	-	(21,829)	-	-	(21,829)	(31,362)	(53,191)
Issuance of new shares		6,615	13,207	-	-	-	19,822	-	19,822
Purchase of treasury stock	33	-	-	-	-	-	-	-	-
Changes from transactions under common control[2, 3]		-	(240,330)	6,630	-	96	(233,604)	(3,874)	(237,478)
Changes from business combinations	6	-	-	-	-	-	-	4,422	4,422
Changes from loss of control		-	-	-	-	57	57	(230)	(173)
Changes in interests in subsidiaries[2, 4]		-	143,005	(197,837)	-	-	(54,832)	(169,719)	(224,551)
Changes in interests in existing subsidiaries		-	667	-	-	-	667	3,898	4,565
Share-based payment transactions	35	-	9,557	-	-	-	9,557	0	9,557
Transfer from accumulated other comprehensive income to retained earnings	33	-	-	53	-	(53)	-	-	-
Total transactions with owners and other transactions		6,615	(73,894)	(212,983)	-	100	(280,162)	(196,865)	(477,027)
As of March 31, 2019		204,309	111,826	1,178,282	-	3,740	1,498,157	524,410	2,022,567

For the fiscal year ended March 31, 2020

(Millions of yen)

	Notes	Equity attributable to owners of the Company							
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
As of April 1, 2019		204,309	111,826	1,178,282	-	3,740	1,498,157	524,410	2,022,567
Cumulative effect of adopting a new accounting standard[1]		-	-	(618)	-	-	(618)	(4,362)	(4,980)
As of April 1, 2019, restated		204,309	111,826	1,177,664	-	3,740	1,497,539	520,048	2,017,587
Comprehensive income									
Net income		-	-	473,135	-	-	473,135	33,533	506,668
Other comprehensive income (loss)		-	-	-	-	(4,918)	(4,918)	(4,702)	(9,620)
Total comprehensive income		-	-	473,135	-	(4,918)	468,217	28,831	497,048
Transactions with owners and other transactions									
Cash dividends[4]	34	-	-	(398,354)	-	-	(398,354)	(32,940)	(431,294)
Issuance of new shares		-	-	-	-	-	-	-	-
Purchase of treasury stock	33	-	-	-	(68,709)	-	(68,709)	-	(68,709)
Changes from transactions under common control[2, 3]		-	(246,996)	(249,991)	-	(2,415)	(499,402)	(1,601)	(501,003)
Changes from business combinations	6	-	-	-	-	-	-	185,827	185,827
Changes from loss of control		-	-	-	-	-	-	-	-
Changes in interests in subsidiaries		-	-	-	-	-	-	-	-
Changes in interests in existing subsidiaries		-	(3,676)	-	-	-	(3,676)	6,853	3,177
Share-based payment transactions	35	-	4,931	-	-	-	4,931	-	4,931
Transfer from accumulated other comprehensive income to retained earnings	33	-	-	1,100	-	(1,100)	-	-	-
Total transactions with owners and other transactions		-	(245,741)	(647,245)	(68,709)	(3,515)	(965,210)	158,139	(807,071)
As of March 31, 2020		204,309	(133,915)	1,003,554	(68,709)	(4,693)	1,000,546	707,018	1,707,564

For the fiscal year ended March 31, 2020

(Thousands of U.S. dollars)

	Notes	Equity attributable to owners of the Company							
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehen-sive income (loss)	Total	Non-controlling interests	Total equity
As of April 1, 2019		$1,877,322	$1,027,529	$10,826,813	-	$34,366	$13,766,030	$4,818,616	$18,584,646
Cumulative effect of adopting a new accounting standard[1]		-	-	(5,679)	-	-	(5,679)	(40,081)	(45,760)
As of April 1, 2019, restated		1,877,322	1,027,529	10,821,134	-	34,366	13,760,351	4,778,535	18,538,886
Comprehensive income									
Net income		-	-	4,347,468	-	-	4,347,468	308,123	4,655,591
Other comprehensive income (loss)		-	-	-	-	(45,189)	(45,189)	(43,205)	(88,394)
Total comprehensive income		-	-	4,347,468	-	(45,189)	4,302,279	264,918	4,567,197
Transactions with owners and other transactions									
Cash dividends[4]	34	-	-	(3,660,333)	-	-	(3,660,333)	(302,674)	(3,963,007)
Issuance of new shares		-	-	-	-	-	-	-	-
Purchase of treasury stock	33	-	-	-	(631,342)	-	(631,342)	-	(631,342)
Changes from transactions under common control[2, 3]		-	(2,269,558)	(2,297,078)	-	(22,191)	(4,588,827)	(14,710)	(4,603,537)
Changes from business combinations	6	-	-	-	-	-	-	1,707,498	1,707,498
Changes from loss of control		-	-	-	-	-	-	-	-
Changes in interests in subsidiaries		-	-	-	-	-	-	-	-
Changes in interests in existing subsidiaries		-	(33,777)	-	-	-	(33,777)	62,969	29,192
Share-based payment transactions	35	-	45,309	-	-	-	45,309	-	45,309
Transfer from accumulated other comprehensive income to retained earnings	33	-	-	10,108	-	(10,108)	-	-	-
Total transactions with owners and other transactions		-	(2,258,026)	(5,947,303)	(631,342)	(32,299)	(8,868,970)	1,453,083	(7,415,887)
As of March 31, 2020		$1,877,322	$ (1,230,497)	$9,221,299	$ (631,342)	$ (43,122)	$9,193,660	$6,496,536	$15,690,196

Notes:

1. Upon adoption of IFRS 16 “Leases,” the cumulative effect of initially applying this standard retrospectively on periods before the one year ended March 31, 2020 was recognized as an adjustment to the opening balance of retained earnings as of April 1, 2019.
2. As described in “(2) Acquisition of investments in subsidiaries and associates” and “(1) Acquisition of investments in Z Holdings Corporation” 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, refer to “(2) Transactions under common control” under “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, 2019[1]	Fiscal year ended March 31, 2020[1]	Fiscal year ended March 31, 2020[1]
			(Millions of yen)	(Thousands of U.S. dollars)
Cash flows from operating activities				
Net income		¥ 494,164	¥ 506,668	$ 4,655,591
Depreciation and amortization		504,482	675,241	6,204,548
Loss on disposal of property, plant and equipment and intangible assets		41,397	25,693	236,084
Gain relating to loss of control over subsidiaries	38	-	(12,937)	(118,873)
Financing income		(2,246)	(2,745)	(25,223)
Financing costs		58,023	60,921	559,781
Share of losses of associates accounted for using the equity method		6,276	46,060	423,229
Gain on sales of equity method investments		(2,592)	(10,591)	(97,317)
Impairment loss on equity method investments		12,614	6,885	63,264
Income taxes		251,949	304,527	2,798,190
(Increase) decrease in trade and other receivables		(151,938)	(150,408)	(1,382,045)
(Increase) decrease in inventories		11,189	40,801	374,906
Purchases of mobile devices leased to enterprise customers		(32,455)	(35,402)	(325,296)
Increase (decrease) in trade and other payables		43,653	28,742	264,100
Increase (decrease) in consumption taxes payable		51,897	8,827	81,108
Increase (decrease) in deposits in banking business		61,862	135,151	1,241,854
Other		(66,331)	(67,201)	(617,486)
Subtotal		1,281,944	1,560,232	14,336,415
Interest and dividends received		1,707	2,340	21,501
Interest paid		(71,096)	(60,464)	(555,582)
Income taxes paid		(256,852)	(258,430)	(2,374,621)
Income taxes refunded		9,823	5,857	53,818
Net cash inflow from operating activities		965,526	1,249,535	11,481,531
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		(453,363)	(431,783)	(3,967,500)
Proceeds from sales of property, plant and equipment and intangible assets		1,371	2,947	27,079
Payments for acquisition of investments		(60,315)	(115,061)	(1,057,254)
Proceeds from sales/redemption of investments		31,966	42,412	389,709
Purchase of investment securities in banking business		(302,002)	(275,681)	(2,533,134)
Proceeds from sales/redemption of investment securities in banking business		197,321	272,312	2,502,178
Proceeds (payments) from (for) obtaining control of subsidiaries	6	96	(378,212)	(3,475,255)
Increase in loans issued		(2,976)	(3,110)	(28,577)
Proceeds from repayment of loans		7,073	1,536	14,114
Other		(5,443)	(15,505)	(142,471)
Net cash outflow from investing activities		(586,272)	(900,145)	(8,271,111)

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Fiscal year ended March 31, 2019[1]	Fiscal year ended March 31, 2020[1]	Fiscal year ended March 31, 2020[1]
Cash flows from financing activities				
Increase (decrease) in short-term interest-bearing debt, net	23	¥ (2,405)	¥ 88,800	$ 815,951
Proceeds from interest-bearing debt	23	2,892,313	2,531,035	23,256,777
Repayment of interest-bearing debt	23	(2,810,327)	(1,692,530)	(15,552,054)
Proceeds from stock issuance to non-controlling interests		5,195	4,630	42,543
Purchase of treasury stock	33	-	(68,709)	(631,342)
Cash dividends paid		(22,056)	(397,496)	(3,652,449)
Cash dividends paid to non-controlling interests		(30,600)	(29,335)	(269,549)
Purchase of subsidiaries' interests	6	(221,000)	-	-
Purchase of treasury stock by subsidiaries	43	(228,009)	(526,826)	(4,840,816)
Decrease from loss of control over subsidiaries		-	(30,717)	(282,248)
Other		(12,269)	(22,465)	(206,422)
Net cash inflow (outflow) from financing activities		(429,158)	(143,613)	(1,319,609)
Effect of exchange rate changes on cash and cash equivalents		516	(357)	(3,280)
Increase (decrease) in cash and cash equivalents		(49,388)	205,420	1,887,531
Cash and cash equivalents at the beginning of the year		987,776	938,388	8,622,512
Cash and cash equivalents at the end of the year	8	¥ 938,388	¥ 1,143,808	$ 10,510,043

Notes:

1. As described in "(1) Acquisition of investments in Z Holdings Corporation" 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.
2. The consolidated statement of cash flows should be read in conjunction with "Note 42. 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.

Effective October 1, 2019, Yahoo Japan Corporation, a subsidiary of the Company, changed its name to Z Holdings Corporation as it transitioned to a holding company structure through a company split (absorption-type company split). All the transactions and events pertaining to Z Holdings Corporation including those which occurred prior to the name change are referred to as those of Z Holdings Corporation in the following notes. Yahoo Japan Corporation hereinafter denotes the entity which absorbed the Yahoo Japan business through the company split.

The Group is engaged in a variety of businesses in the telecommunication and information technology industry centering on its Consumer, Enterprise, and Distribution, and Yahoo businesses. For details, refer to "(1) Summary of reportable segments" under "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 ¥108.83 to $1, the approximate rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(4) Changes in presentation

(Consolidated statement of cash flows)

a. "Increase in short-term loans issued," "Proceeds from repayment of short-term loans," "Increase in long-term loans issued" and "Proceeds from repayment of long-term loans," which were presented as separate items under cash flows from investing activities for the fiscal year ended March 31, 2019, are presented as "Increase in loans issued" and "Proceeds from repayment of loans" for the fiscal year ended March 31, 2020 to improve the clarity of the presentation.

In order to reflect this change, reclassification has been made in the consolidated financial statements for the fiscal year ended March 31, 2019. As a result, in the consolidated statement of cash flows for the fiscal year ended March 31, 2019, "Increase in short-term loans issued" of ¥(2,888) million, "Proceeds from repayment of short-term loans" of ¥7,019 million, "Increase in long-term loans issued" of ¥(88) million and "Proceeds from repayment of long-term loans" of ¥54 million in cash flows from investing activities have been reclassified as "Increase in loans issued" of ¥(2,976) million and "Proceeds from repayment of loans" of ¥7,073 million.

b. “Proceeds from short-term interest-bearing debt,” “Repayment of short-term interest-bearing debt,” “Proceeds from long-term interest-bearing debt” and “Repayment of long-term interest-bearing debt,” which were presented as separate items in cash flows from financing activities for the fiscal year ended March 31, 2019, are presented as “Proceeds from interest-bearing debt” and “Repayment of interest-bearing debt” for the fiscal year ended March 31, 2020 to improve the clarity of the presentation.

In order to reflect this change, a reclassification has been made in the consolidated financial statements for the fiscal year ended March 31, 2019. As a result, in the consolidated statement of cash flows for the fiscal year ended March 31, 2020, “Proceeds from short-term interest-bearing debt” of ¥270,973 million, “Repayment of short-term interest-bearing debt” of ¥(1,668,777) million, “Proceeds from long-term interest-bearing debt” of ¥2,621,340 million and “Repayment of long-term interest-bearing debt” of ¥(1,141,550) million in cash flows from financing activities have been reclassified as “Proceeds from interest-bearing debt” of ¥2,892,313 million and “Repayment of interest-bearing debt” of ¥(2,810,327) million.

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

Of the new or revised standards and interpretations that have been issued on or before the approval date of the accompanying consolidated financial statements, there are no standards and interpretations which have not been adopted by the Group and that may have a significant impact on the Group due to their application.

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” under “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 investments in equity instruments at fair value through other comprehensive income ("equity instruments at FVTOCI") or financial assets at fair value through profit or loss ("financial assets at FVTPL"). For the Group's accounting policy for "equity instruments at FVTOCI" and "financial assets at FVTPL", refer to "(4) Financial instruments" under "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 consolidates the financial statements of the transferred 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

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"), "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 30. 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 30. 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

(a) 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.”

(b) 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.

(c) 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	20 - 50 years
Structures	10 - 50 years
Building fixtures	3 - 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	2 - 3 years
Other	2 - 20 years

The primary assets subject to operating lease as lessor of the above is leased mobile devices.

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” under “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, right-of-use assets, intangible assets, and goodwill” under “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” under “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 straight-line method or 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	5 - 10 years
Customer relationships	8 - 25 years
Spectrum migration costs	18 years
Other	2 - 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, right-of-use assets, intangible assets, and goodwill" under "Note 3. Significant accounting policies."

The Group's intangible assets that have indefinite useful lives primarily relate to its trademark usage right of the "SoftBank" brand and trademark of the "ZOZO" brand. For further details on trademarks, refer to "Note 14. Goodwill and intangible assets."

In addition, the Group does not apply IFRS 16 to leases of intangible assets.

(10) Leases

The Group has adopted IFRS 16 from the fiscal year ended March 31, 2020. In accordance with the transitional provisions of IFRS 16, the Group has elected not to restate comparative information. Therefore, except for leases of intangible assets, comparative information for the fiscal year ended March 31, 2019 is presented in accordance with IAS 17.

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

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 method is recognized in profit or loss.

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 profit or loss on a straight-line basis over the relevant lease terms.

The Group's accounting policies for the fiscal year ended March 31, 2020 are as follows:

At inception of a contract, the Group assesses whether contractual arrangements are, or contain, a lease. The lease terms are the non-cancelable period of a lease, together with the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

(As lessee)

(a) Separating components of a contract

For a contract that is, or contains, a lease, the Group accounts for each lease component as a lease separately from non-lease components by allocating the consideration in the contract to each lease component based on the ratio of aggregate stand-alone price of the lease component and the non-lease components.

(b) Leases of intangible assets

The Group does not apply IFRS 16 to leases of intangible assets.

(c) Right-of-use assets

The Group recognizes right-of-use assets at the lease commencement date. The Group initially measures right-of-use assets at cost. The cost of right-of-use assets comprises the total amount of the initial measurement of the lease liability, any lease payments made at or before the lease commencement date less any lease incentives received, any initial direct costs incurred, and an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset.

Subsequent to initial recognition, a right-of-use asset is depreciated using the straight-line method over the estimated useful lives when it is certain that the lease transfers ownership of the underlying asset, or over the shorter of the lease term or estimated useful life of the underlying asset when it is not certain that the lease transfers ownership of the underlying asset. The estimated useful lives of a right-of-use asset are determined in the same manner as property, plant and equipment. Right-of-use assets are measured at cost less accumulated depreciation and impairment losses.

(d) Lease liability

The Group recognizes a lease liability at the lease commencement date and measures the lease liability at the present value of the future lease payments that will be paid over the lease term after that date. In calculating the present value, the interest rate implicit in the lease is used as the discount rate if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

The lease payments included in the measurement of the lease liability primarily comprise fixed lease payments, lease payments for an extended term if the lessee is reasonably certain to exercise an extension option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to initial recognition, lease liabilities are measured at amortized cost using the effective interest method. Lease liabilities are remeasured if there is a change in future lease payments resulting from a change in an index or a rate, a change in the amounts expected to be payable under a residual value guarantee, or a change in the assessment of possibility of exercising an extension option or a termination option.

If a lease liability is remeasured, the amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset. However, if the amount of decrease in liability resulting from the remeasurement of the lease liability is greater than the carrying amount of the right-of-use asset, any remaining amount after reducing the right-of-use asset to zero is recognized as profit or loss.

(As lessor)

(a) Separating components of a contract

For a contract that is, or contains, a lease, the Group allocates the consideration in the contract to lease components and non-lease components in accordance with IFRS 15 "Revenue from contracts with customers."

(b) Lease classification

At inception of a lease contract, the Group determines the classification of a lease as either a finance lease or operating lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise a lease is classified as an operating lease. If the lease term is for the major part of the economic life of the underlying asset, or the present value of the lease payments amounts to at least substantially all of the fair value of the underlying asset, it is deemed that substantially all the risks and rewards incidental to ownership of an underlying asset are transferred.

(c) Sublease classification

If the Group is a party to a sublease contract, the head lease (as lessee) and the sublease (as lessor) are accounted for separately. In classifying a sublease as a finance lease or an operating lease, the Group considers the risks, rewards, and useful life of a right-of-use asset recognized by the Group in the head lease rather than the assets subject to lease.

(d) Recognition and measurement

Lease receivables in finance leases are recognized at the amount of the Group's net investment in the lease, as of the date the lease is determined and through its maturity. Lease payments received are apportioned between financing income and the repayments of the principal portion. Lease receivables are measured at amortized cost using the effective interest method. Interest income based on the effective interest method is recognized in profit or loss.

Lease payments under operating leases are recognized in income on a straight-line basis.

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

a. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group assesses whether there is any indication that property, plant and equipment, right-of-use assets 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 mainly recognizes asset retirement obligations and provision for loss on interest repayment as provisions.

(14) Treasury stock

When the Company acquires its own equity share capital ("treasury stock"), the consideration paid, including any directly attributable increment costs (net of tax), is deducted from equity. No gain or loss is recognized on the purchase, sale, or cancellation of treasury stock. The difference between the carrying amount and the consideration on sale is recognized as capital surplus.

(15) 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 Monte Carlo simulation and other methods. 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 under capital surplus as a contribution from the owners of the Group.

(16) Revenue

a. Revenue

<u>Consumer business</u>

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.

<u>Distribution business</u>

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.

<u>Yahoo business</u>

Revenues in the commerce business consist of revenues from the sale of goods by the ASKUL Group, e-commerce-related services such as *ZOZOTOWN* and *YAHUOKU!*, and membership services such as *Yahoo! Premium.*

Revenues from the sale of goods by the ASKUL Group are recognized when a customer obtains control of the goods, that is, at the time the customer has the ability to direct the use of the goods and to obtain substantially all of the remaining economic benefits from the goods.

ZOZO Inc. operates *ZOZOTOWN* and sells goods on a consignment basis to individual users as an agent of each brand opening a store as a tenant in *ZOZOTOWN*. Consignment sales commission based on gross merchandise value multiplied by sales commission rate is recognized as revenue when the customer obtains control of the goods.

Yahoo provides online auction services through *YAHUOKU!* to individual users and corporations. System usage fees charged to the sellers according to auction proceeds are recognized as revenue when the auction transactions are completed.

Yahoo sells the *Yahoo! Premium* service to individual users, which provides the user with a variety of membership privileges. Its revenues are recognized over the period during which the membership is valid.

Revenues in the media business consist of revenues from paid search advertising, display advertising and other advertising.

Revenues from paid search advertising are recognized based on the per-click rate set by a customer when a visitor of the website clicks the advertisement.

Display advertising mainly comprises premium advertising, *Yahoo! Display Ad Network (YDN)* and others.

Revenues from premium advertising are recognized over the period in which the related advertisement is displayed.

Revenues from *Yahoo! Display Ad Network (YDN)* are recognized based on the per-click rate set by a customer when a visitor of the website clicks the advertisement on the page with the related content.

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.

(17) 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.

(18) 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.

(19) 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 the following accounting standards and interpretations from the fiscal year ended March 31, 2020.

a. IFRS 16 "Leases"

IFRS 16 "Leases" 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 and a lease liability are recognized. The standard permits either a full retrospective or a modified retrospective approach for adoption. The accounting for lessors does not change significantly.

The Group applied the modified retrospective approach in accordance with the transitional provisions of IFRS 16 by recognizing the cumulative effect of applying this standard as an adjustment to the balance of assets, liabilities, and retained earnings on the date of initial application, April 1, 2019. Therefore, except for leases of intangible assets, comparative figures have not been restated.

The Group does not apply IFRS 16 to leases of intangible assets. As a result, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," comparative figures related to leases of intangible assets have been restated. For details, refer to "Note 23. Interest-bearing debt."

The Group uses the practical expedient that allows the Group to not reassess whether contractual arrangements are, or contain, a lease upon adoption of IFRS 16. Therefore, excluding the abovementioned lease contracts of intangible assets, as of the date of adoption, the Company applied IFRS 16 to the contracts that were identified as leases prior to the adoption in accordance with the previous IAS 17 and IFRIC 4. IFRS 16 was not applied to the contracts that were not identified as leases.

Of the practical expedients permitted upon making retrospective adjustments to each lease pursuant to the modified retrospective approach, the Group utilizes the following:

・Approach to rely on its assessment of whether leases are onerous by applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application of IFRS 16 as an alternative to IAS 36 "Impairment of Assets" and to adjust the right-of-use asset at the date of initial application of IFRS 16 by the amount of any provision for onerous leases recognized immediately before the date of initial application of IFRS 16
・Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application of IFRS16
・Use of hindsight in determining the lease term at the date of initial application of IFRS 16

Upon adoption of IFRS 16, the Group recognizes lease liabilities for leases that were previously classified as operating leases in accordance with the principles of IAS 17. It is required that these liabilities are measured at the present value of the lease payments that are not paid as of April 1, 2019, discounted using the incremental borrowing rate as of the same date. The weighted average of lessee's incremental borrowing rate applied to lease liabilities is 1.09%. The right-of-use assets are measured using either of the following:

・Measurements of lease liabilities adjusted by the amount of any prepaid or accrued lease payments; or
・Carrying amounts calculated as if IFRS 16 were applied from the start of the lease. The lessee's incremental borrowing rate at the date of initial application shall be used as a discount rate.

The difference between the future minimum lease payments under operating leases as of March 31, 2019 and the lease liabilities recognized on April 1, 2019 is as follows:

	(Millions of yen)
Undiscounted future minimum lease payments under operating leases as of March 31, 2019	474,012
Discounts for future minimum lease payments under abovementioned operating leases	(20,608)
Discounted future minimum lease payments under operating leases as of April 1, 2019	453,404
Liabilities for leases that were classified as finance leases	876,484
Adjustments due to the reassessment of lease term	58,837
Adjustments due to other factors	(11,176)
Lease liabilities as of April 1, 2019	1,377,549

In addition to the above, the primary effect of adopting IFRS 16 is that ¥1,131,712 million of property, plant and equipment recognized as finance leases under IAS 17 were reclassified to right-of-use assets. As a result, right-of-use assets increased by ¥1,620,843 million.

b. Other standards and interpretations

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

(2) Transactions under common control

For transactions under common control (all of the combining companies or businesses that are ultimately controlled by the same party or parties both before and after the business combination, and their control is not transitory), the Group accounts for those transactions based on the carrying amount of the parent company's assets and liabilities, and regardless of the actual date of the transaction under common control, retrospectively combines the financial statements of the transferred companies as if such transactions were executed by the Group on the later of the date when the parent 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. On the actual transaction date, equity of the transferred company that had been retrospectively combined is reversed, and the difference between the consideration transferred and the carrying amount of the equity is recognized in “Capital surplus.”

When the Group loses control over a subsidiary as a result of transactions under common control, these are accounted for as equity transactions and the difference between the equity of the subsidiary immediately before loss of control and the ownership interests after loss of control is recognized in “Capital surplus.”

Payment for the purchase of the equity interest of subsidiaries, purchase of treasury stock by subsidiaries, and decrease from loss of control over subsidiaries, through transactions under common control, are presented in cash flows from financing activities in the consolidated statement of cash flows.

The effect of transactions under common control during the fiscal year ended March 31, 2020 is presented in the tables below.

Consolidated Statement of Financial Position

As of April 1, 2018

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	After retrospective adjustment
ASSETS			
Current assets			
Cash and cash equivalents	121,043	866,733	987,776
Trade and other receivables	1,186,754	491,332	1,678,086
Other financial assets	6,251	79,770	86,021
Inventories	125,645	17,722	143,367
Other current assets	129,387	11,635	141,022
Non-current assets			
Property, plant and equipment	1,707,289	126,524	1,833,813
Goodwill	187,489	181,564	369,053
Intangible assets	1,051,293	154,001	1,205,294
Contract costs	174,314	1,449	175,763
Investments accounted for using the equity method	56,325	11,195	67,520
Investment securities[1]	-	125,732	125,732
Investment securities in banking business	-	256,931	256,931
Other financial assets	414,094	122,521	536,615
Deferred tax assets	58,495	31,852	90,347
Other non-current assets	87,188	14,166	101,354
LIABILITIES AND EQUITY			
Current liabilities			
Interest-bearing debt	2,260,435	41,524	2,301,959
Trade and other payables	841,536	333,568	1,175,104
Contract liabilities	100,676	11,653	112,329
Deposits for banking business	-	683,834	683,834
Other financial liabilities	-	3,819	3,819
Income taxes payable	100,878	29,097	129,975
Provisions	16,407	2,625	19,032
Other current liabilities	77,542	37,032	114,574
Non-current liabilities			
Interest-bearing debt	966,098	143,838	1,109,936
Other financial liabilities	3,127	24,925	28,052
Defined benefit liabilities	12,031	3,236	15,267
Provisions	34,493	19,666	54,159
Deferred tax liabilities	-	26,447	26,447
Other non-current liabilities	7,084	5,074	12,158
Equity			
Common stock	197,694	-	197,694
Capital surplus	204,906	(19,186)	185,720
Retained earnings	458,230	470,580	928,810
Accumulated other comprehensive income (loss)	5,743	5,205	10,948
Non-controlling interests	18,687	670,190	688,877

Note: 1. The amount of ¥59,216 million which was previously included in “Other financial assets” has been reclassified to “Investment securities.”

Consolidated Statement of Financial Position

As of March 31, 2019

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	After retrospective adjustment
ASSETS			
Current assets			
Cash and cash equivalents	357,971	580,417	938,388
Trade and other receivables	1,186,904	509,048	1,695,952
Other financial assets	1,652	88,913	90,565
Inventories	114,321	18,499	132,820
Other current assets	95,474	12,493	107,967
Non-current assets			
Property, plant and equipment	1,657,254	134,006	1,791,260
Goodwill	198,461	194,851	393,312
Intangible assets	1,046,010	166,380	1,212,390
Contract costs	208,114	3,619	211,733
Investments accounted for using the equity method	68,341	21,315	89,656
Investment securities[1]	-	114,788	114,788
Investment securities in banking business	-	337,516	337,516
Other financial assets	716,500	19,990	736,490
Deferred tax assets	36,611	36,025	72,636
Other non-current assets	87,432	23,423	110,855
LIABILITIES AND EQUITY			
Current liabilities			
Interest-bearing debt	909,944	43,786	953,730
Trade and other payables	817,532	396,658	1,214,190
Contract liabilities	113,950	12,404	126,354
Deposits for banking business	-	745,696	745,696
Other financial liabilities	-	3,217	3,217
Income taxes payable	91,310	24,175	115,485
Provisions	7,909	2,057	9,966
Other current liabilities	105,630	42,731	148,361
Non-current liabilities			
Interest-bearing debt	2,379,497	158,491	2,537,988
Other financial liabilities	11,583	27,054	38,637
Defined benefit liabilities	11,087	3,604	14,691
Provisions	54,750	17,925	72,675
Deferred tax liabilities	-	20,394	20,394
Other non-current liabilities	7,398	4,979	12,377
Equity			
Common stock	204,309	-	204,309
Capital surplus	202,685	(90,859)	111,826
Retained earnings	893,880	284,402	1,178,282
Accumulated other comprehensive income (loss)	(53,781)	57,521	3,740
Non-controlling interests	17,362	507,048	524,410

Note: 1. The amount of ¥59,045 million which was previously included in “Other financial assets” has been reclassified to “Investment securities.”

Consolidated Statement of Income

Fiscal year ended March 31, 2019

(Millions of yen)

	Before retrospective adjustment	Effect of transactions under common control	After retrospective adjustment
Revenue	3,746,305	910,510	4,656,815
Cost of sales	(2,114,948)	(381,024)	(2,495,972)
Gross profit	1,631,357	529,486	2,160,843
Selling, general and administrative expenses	(911,817)	(427,839)	(1,339,656)
Other operating income	4,689	3,751	8,440
Other operating expenses	(4,770)	(6,669)	(11,439)
Operating income	719,459	98,729	818,188
Share of losses of associates accounted for using the equity method	(25,337)	19,061	(6,276)
Financing income	1,648	598	2,246
Financing costs	(57,130)	(893)	(58,023)
Gain on sales of equity method investments	5,522	(2,930)	2,592
Impairment loss on equity method investments	(12,614)	-	(12,614)
Profit before income taxes	631,548	114,565	746,113
Income taxes	(205,976)	(45,973)	(251,949)
Net income	425,572	68,592	494,164
Net income attributable to			
Owners of the Company	430,777	31,678	462,455
Non-controlling interests	(5,205)	36,914	31,709
Earnings per share attributable to owners of the Company			
Basic earnings per share (Yen)	89.99	6.61	96.60
Diluted earnings per share (Yen)	89.35	6.56	95.91

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" under "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, refer to "Note 19. Major subsidiaries" and "Note 21. Structured entities."

b. Judgments for accounting treatment of contracts including leases ("(10) Leases" under "Note 3. Significant accounting policies" and "Note 18. Leases")

Fiscal year ended March 31, 2019

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 18. Leases."

Fiscal year ended March 31, 2020

Determining whether an arrangement contains a lease

At inception of a contract, the Group assesses whether contractual arrangements are, or contain, a lease. It is determined that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether the right to control the use of an identified asset is conveyed, the Group assesses the following:

(a) The contract includes the use of an identified asset and the lessor does not have the substantive right to substitute the asset.

(b) The lessee has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.

(c) The lessee has the right to direct the use of the asset. If the decisions about how and for what purpose the asset is used are predetermined, it is determined that the customer has the right to direct the use of the asset if either of the following is satisfied:

i. the customer has the right to operate the asset; or

ii. the customer designed the asset in a way that predetermines how and for what purpose the asset will be used.

Lease classification

The Group, as a lessor, 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.

c. Judgments for accounting for revenue recognition (“(16) 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 "(16) Revenue, a. Revenue, (a) Mobile communications services and sales of mobile devices" under "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 with the risk of significant adjustments to the carrying amounts of assets and liabilities during the next fiscal year are summarized as follows:

In addition, considering the risks and uncertainties from the impact of COVID-19, based on the information and facts available at the time, we recorded various estimates on the consolidated financial statements for which we can reasonably estimate. However, uncertainties exist and changes may occur in the future. Such event may include, but are not limited to, a delay in the containment of the outbreak. If such changes occur, there is a risk that the accounting estimates and assumptions will be impacted and significant adjustments to the carrying amount of assets or liabilities may be necessary.

a. Estimated fair value measurement and impairment loss of intangible assets and goodwill acquired from business combinations

The Group recognizes intangible assets and goodwill acquired from business combinations at fair value as of the acquisition date. When allocating the consideration transferred from business combinations, management's judgements and estimates may have a material impact on the consolidated financial statements of the Group. Intangible assets, such as customer relationships and trademarks, and goodwill recognized from business combinations are measured based on assumptions such as estimated future cash flow, discount rate, attrition rate of existing customers, future sales forecast generated by trademarks, and royalty rate.

In assessing intangible assets and goodwill for impairment, the Group need to estimate the recoverable amount of the cash-generating unit and the recoverable amount is measured based on assumptions such as the useful lives of assets, estimated future cash flow expected to be generated by the cash-generating unit, expected market growth rate, expected market share, expected growth rate and discount rate.

These assumptions determined by management's best estimates may be affected by uncertainties in future economic conditions and may have a material impact on the consolidated financial statements of the Group if the assumptions were revised.

Information relating to estimated fair value measurement of intangible assets and goodwill acquired by business combinations is described in "(2) Business combinations" under "Note 3. Significant accounting policies." ,"Note 6. Business combinations” Information relating to impairment loss of intangible assets and goodwill is described in “(11) Impairment of property, plant and equipment, right-of-use assets, intangible assets, and goodwill” under “Note 3. Significant accounting policies“ and “Note 14. Goodwill and intangible assets.”

b. 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 13. Property, plant and equipment” and “Note 14. 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. The expected useful life and residual value of the asset are estimated when they are acquired or generated, and are reviewed at the end of each fiscal year. 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 of these assets when assets are acquired or generated or the useful lives and residual values for assets are reviewed based on experience with similar assets, taking into account other relevant factors such as expected changes in technology, expected costs to be incurred upon disposal, expected availability period, estimated attrition rate of existing customers, number of production or similar units expected to be obtained from the asset 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.”

c. Fair value measurement of financial instruments

In evaluating the fair value of certain financial instruments, the Group uses valuation techniques that use unobservable inputs in the market. Unobservable inputs may be affected by the consequences of uncertain changes in economic conditions in the future and may have a material impact on the consolidated financial statements if any revaluation is required.

For details, refer to “(1) Categorization by level within the fair value hierarchy” and “(2) Fair value measurements of financial instruments that are categorized as Level 3” under “Note 30. Fair value of financial instruments”.

d. Estimated amortization period of contract acquisition costs

Contract acquisition costs are amortized on a straight-line basis over the period during which goods or services directly related to such costs are expected to be provided. The amortization period is determined taking into account relevant factors such as churn rate and estimated period until the customer trades in their used handset to upgrade to a designated new model based on conditions of contracts and past performance data. Changes in amortization period of contract acquisition costs may have a material impact on consolidated financial statements of the Group.

For details, refer to “b. Contract costs” in “(16) Revenue” under “Note 3. Significant accounting policies.”

6. Business combinations

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 acquisition date, and the total consideration transferred:

(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
Total consideration	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 acquisition date, multiplied by the ratio of the non-controlling interests as of the acquisition date 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 acquisition date are immaterial.

(2) Acquisition of investments in subsidiaries and associates

a. 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 Z holdings Corporation, 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. [1]	Online business solutions and services
SB Players Corp.	Solution services for government

Note:

1. On October 1, 2019, SoftBank Technology Corp. changed its name to SB Technology Corp..

Associates:

Company name	Business description
Vector Inc. [1]	Software sales and advertising sales
Geniee, Inc.	Marketing technology business
Scigineer Inc.	Internet marketing support services

Note:

1. Following the acquisition of Z Holdings Corporation that also had Vector Inc. equity interest shares, Vector Inc. has become a subsidiary of the Company and was retrospectively consolidated from the opening balance sheet date of the comparative period as part of these consolidated financial statements of the Group.

b. Summary of accounting treatment

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 consolidates the financial statements of the transferred 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.

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.

Fiscal year ended March 31, 2020

(1) Acquisition of investments in Z Holdings Corporation

a. Summary of transaction

The Company underwrote a capital increase by third-party allotment conducted by Z Holdings Corporation. The purpose of the underwriting is to further enhance growth, development, and corporate value of the Group by jointly and actively developing non-telecommunications business including FinTech as well as making optimal deployment of management resources between the Company and Z Holdings Corporation based on an integrated strategy so as to maximize synergy effects. On June 27, 2019, the Company acquired 1,511,478 thousand new shares issued by Z Holdings Corporation for ¥456,466 million.

As a result of this transaction, together with 613,889 thousand shares the Company acquired for ¥221,000 million excluding transaction costs in August 2018, the ratio of voting rights held by the Group in Z Holdings Corporation became 44.6%. In addition, officers from the Company were appointed as members of Z Holdings Corporation's Board of Directors. As a result, Z Holdings Corporation is considered substantially controlled by the Company and became a subsidiary of the Company.

Z Holdings Corporation is engaged in the "Commerce business" and the "Media business." The "Commerce business" mainly comprises sales of products, planning and sales of services, and settlement - and finance-related services, all of those are provided via the internet for small to medium-sized businesses and individual customers. The "Media business" mainly comprises planning and sales of internet-based advertising-related services, information listing services, and other corporate services.

b. Summary of accounting treatment

The abovementioned transaction was accounted for as a transaction under common control. For transactions under common control, the Company accounts for this transaction based on the book value of SBG, and regardless of the actual transaction date, retrospectively combines the financial statements of the transferred companies as if such transaction was executed by the Group on April 1, 2018 as part of the consolidated financial statements of the Group. For details of the impact of the transaction on the consolidated statement of financial position and the consolidated statement of income previously disclosed, refer to "(2) Transactions under common control" under "Note 4. Changes in accounting policies."

(2) Acquisition of ZOZO, Inc.

Summary of acquisition

Z Holdings Corporation, a subsidiary of the Company, conducted a tender offer for the common stock of ZOZO, Inc., which was resolved at its Board of Directors' meeting held on September 12, 2019 for the purpose of strengthening clothing/fashion e-commerce category in order to further expand its e-commerce business. The tender offer was completed on November 13, 2019, and Z Holdings Corporation acquired 152,953 thousand common stock of ZOZO, Inc. for ¥400,737 million in cash. Z Holdings Corporation acquired 50.1% of the equity interest of ZOZO, Inc., and ZOZO, Inc. became a subsidiary of the Company. In addition, in order to procure part of the funds necessary to acquire the target shares for this business combination, Z Holdings Corporation borrowed of ¥400,000 million. For further details of this borrowing, refer to "(1) Components of interest-bearing debt" under "Note 23. Interest-bearing debt."

The business of ZOZO, Inc. is planning and operation of fashion online shopping website "ZOZOTOWN", planning and development of private brand "ZOZO", customer support and operation of logistics center "ZOZOBASE".

The table below shows the fair value of assets and liabilities, non-controlling interests, and goodwill as of the acquisition date, and the total consideration transferred[1]:

		(Millions of yen) Acquisition date (November 13, 2019)
Cash and cash equivalents		22,876
Trade and other receivables		30,443
Other current assets		7,770
Property, plant and equipment		8,610
Right-of-use assets		20,964
Intangible assets[2]		503,017
Other non-current assets		13,799
Total assets		607,479
Interest-bearing debt (current and non-current)		42,589
Trade and other payables		28,362
Other current liabilities		9,263
Deferred tax liabilities		150,269
Other non-current liabilities		3,420
Total liabilities		233,903
Net assets	A	373,576
Non-controlling interests[3]	B	185,750
Total consideration	C	400,737
Goodwill[4]	C-(A-B)	212,911

Notes:

1. Consideration transferred is allocated to assets acquired and liabilities assumed based on their fair value on the acquisition date. Allocation of the consideration transferred was completed during the three months ended March 31, 2020. There are no adjustment between the provisional and the final amounts.
2. The amount of intangible assets includes ¥502,199 million of identifiable assets and the table below shows the breakdown of the identifiable assets. The estimated useful lives of customer relationships are from 18 to 25 years, and trademarks are classified as intangible assets with indefinite useful lives. The amount of intangible assets recognized from the business combinations is measured based on assumptions such as estimated future cash flow, discount rate, attrition rate of existing customers, future sales forecast generated by trademarks, and royalty rate.

	(Millions of yen) Acquisition date (November 13, 2019)
Customer relationships	322,070
Trademarks	178,720
Other identifiable assets	1,409
Total	502,199

3. 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 acquisition date, multiplied by the ratio of the non-controlling interests as of the acquisition date after the business combination.
4. Goodwill reflects the ability to generate excess earnings resulting from expected future business development and synergies between the Group and the acquiree.

The table below shows payments for obtaining control of the subsidiary:

	Acquisition date (November 13, 2019) (Millions of yen)
Consideration paid in cash	(400,737)
Cash and cash equivalents held by the acquiree at the time of obtaining control	22,876
Cash paid for obtaining control of the subsidiary	(377,861)

Revenue and net income of the acquiree:

The revenue and net income of the acquiree recorded in the consolidated statement of income for the fiscal year ended March 31, 2020 on and after the acquisition date are ¥57,463 million and ¥5,773 million, respectively.

Net income above includes amortization of intangible assets recognized as of the acquisition date.

Consolidated revenue and net income on the assumption that the business combination was completed at the beginning of the year:

On the assumption that the acquisition date is April 1, 2019, the Company’s consolidated pro forma financial information (unaudited) for the fiscal year ended March 31, 2020 is as follows:

	For the fiscal year ended March 31, 2020 (Millions of yen)
Revenue（Pro forma financial information）	4,928,326
Net income（Pro forma financial information）	508,998

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," "Distribution," and "Yahoo" 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.

In the "Yahoo" segment, the Group is engaged in the "Commerce business" and the "Media business." The "Commerce business" mainly comprises sales of products, planning and sales of services, and settlement- and finance-related services, all of those are provided via the internet for small to medium-sized businesses and individual customers. The "Media business," comprises planning and sales of internet-based advertising-related services, information listing services, and other corporate services. The "Yahoo" segment was newly established from the fiscal year ended March 31, 2020, due to consolidation of Z Holdings Corporation in June 2019.

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., and One Tap BUY Co., Ltd. and others.

"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, 2020 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, 2018, based on the accounting policy of the Group. For further details of the Group's accounting policy regarding common control transactions, refer to "(2) Business combinations" under "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, 2019

(Millions of yen)

	Reportable segments							
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	2,663,805	610,669	380,806	931,541	4,586,821	69,994	-	4,656,815
Intersegment revenue or transferred revenue	16,671	9,814	36,491	22,885	85,861	23,004	(108,865)	-
Total	2,680,476	620,483	417,297	954,426	4,672,682	92,998	(108,865)	4,656,815
Segment income	627,436	76,348	15,182	135,921	854,887	(35,536)	(1,163)	818,188
Depreciation and amortization[1]	342,044	103,737	1,229	52,109	499,119	5,363	-	504,482

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments							
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	2,685,035	627,746	440,200	1,030,589	4,783,570	77,677	-	4,861,247
Intersegment revenue or transferred revenue	11,652	11,130	42,241	22,353	87,376	30,438	(117,814)	-
Total	2,696,687	638,876	482,441	1,052,942	4,870,946	108,115	(117,814)	4,861,247
Segment income	647,270	83,607	17,164	152,276	900,317	10,835	573	911,725
Depreciation and amortization[1]	422,454	157,937	3,052	83,209	666,652	8,589	-	675,241

Notes:

1. 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, 2019	Fiscal year ended March 31, 2020
Segment income	818,188	911,725
Share of losses of associates accounted for using the equity method	(6,276)	(46,060)
Financing income	2,246	2,745
Financing costs	(58,023)	(60,921)
Gain on sales of equity method investments	2,592	10,591
Impairment loss on equity method investments	(12,614)	(6,885)
Profit before income taxes	746,113	811,195

(3) Information about products and services

The nature of products and services provided and related revenue are as described in "Note 36. 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. Cash and Cash Equivalents

The components of cash and cash equivalents are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Cash and demand deposits[1]	897,784	1,084,904
Time deposits (maturities of three months or less)	33,304	51,604
Other	7,300	7,300
Total	938,388	1,143,808

Note:

1.The banking subsidiary is required to deposit certain amounts, which are determined by a fixed ratio against the deposits it receives ("the legal reserve requirement"), in the Bank of Japan in accordance with the Act on Reserve Requirement System in Japan. As of March 31, 2019, and 2020, cash and cash equivalents include deposits at the Bank of Japan of ¥237,018 million and ¥311,897 million, respectively, which are more than the legal reserve requirement.

9. Trade and other receivables

The components of trade and other receivables are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Trade receivables	707,931	727,786
Installment receivables	435,059	410,343
Loans in credit card business	186,203	257,375
Loans in banking business	11,440	13,139
Call loans in banking business	20,000	-
Foreign exchange dealings cash deposits with trust banks	101,395	97,189
Non trade receivables	129,670	193,258
Advances paid	42,674	31,874
Deposits	74,967	83,622
Other	5,686	5,172
Allowance for doubtful accounts	(19,073)	(19,457)
Total	1,695,952	1,800,301

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)."

10. Other financial assets

The components of other financial assets are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Current		
Investment securities in banking business	69,100	64,768
Derivative assets	19,449	28,263
Other	2,016	1,875
Total	90,565	94,906
Non-current		
Installment receivables[1]	414,593	493,526
Loans in credit card business	76,540	95,429
Loans in banking business	69,749	85,945
Deposits in the central clearing house[2]	77,655	115,273
Rental and other deposits	48,500	53,502
Other	67,456	84,314
Allowance for doubtful accounts	(18,003)	(22,427)
Total	736,490	905,562

Notes:

1. For further information on installment receivables, refer to "Note 9. Trade and other receivables."
2. Deposits in the central clearing house represents cash pledged to the central clearing house as collateral for financing and exchange settlement purposes by the banking subsidiary.

11. Inventories

The components of inventories are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Merchandise	119,210	87,122
Other	13,610	9,774
Total	132,820	96,896

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Write-down of inventories	28,076	13,913

Write-downs of inventories are included in “Other operating expenses” in the consolidated statement of income. For further information, refer to “Note 38. Other operating income and other operating expenses.”

12. 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, 2019	As of March 31, 2020
Current		
Prepaid expenses	64,036	46,444
Consumption taxes receivable	3,656	2,682
Contract assets	33,719	57,666
Income taxes receivable	786	112,660
Other	5,770	8,940
Total	107,967	228,392
Non-current		
Long-term prepaid expenses	90,398	83,225
Consideration paid to customer[1]	19,736	22,858
Other	721	793
Total	110,855	106,876

Note:

1. Consideration paid to a customer that requires a reduction in revenue when the goods or services are transferred to the customer.

13. Property, plant and equipment

Fiscal year ended March 31, 2019

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, 2018	99,578	114,956	358,048	3,687,865	98,562	49,642	4,408,651
Additions	10,678	11,502	29,290	12,386	184,848	3,690	252,394
Business combinations	2,151	462	467	-	-	55	3,135
Disposals	(1,237)	(3,078)	(22,151)	(123,591)	(435)	(712)	(151,204)
Transfers[1]	3,166	7,412	47,773	158,506	(188,130)	(552)	28,175
Other[2]	1	29	240	15,392	252	(252)	15,662
As of March 31, 2019	114,337	131,283	413,667	3,750,558	95,097	51,871	4,556,813

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, 2018	(64,336)	(56,644)	(226,098)	(2,219,709)	(155)	(7,896)	(2,574,838)
Depreciation	(3,039)	(9,162)	(58,993)	(239,968)	-	(4,030)	(315,192)
Impairment losses[3]	(2)	(536)	(393)	-	-	(1,842)	(2,773)
Disposals	953	2,182	20,586	101,866	26	354	125,967
Transfers	(0)	(7)	2,635	15	-	843	3,486
Other	(689)	(48)	(339)	(1,502)	-	375	(2,203)
As of March 31, 2019	(67,113)	(64,215)	(262,602)	(2,359,298)	(129)	(12,196)	(2,765,553)

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, 2019	47,224	67,068	151,065	1,391,260	94,968	39,675	1,791,260

Notes:

1. The amount of "Transfers" in "Furniture, fixtures, and equipment" is mainly due to the transfer of leased mobile devices from "Inventories" in "Current assets."
2. 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 carrying amounts of finance lease assets included in property, plant and equipment are as follows:

	As of March 31, 2019
	(Millions of yen)
Buildings and structures	13,629
Building fixtures	20,707
Furniture, fixtures, and equipment	43,326
Network equipment	1,040,097
Other	13,953
Total	1,131,712

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 "(3) Assets with limited property rights" under "Note 23. Interest-bearing debt."

Fiscal year ended March 31, 2020

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, 2019	114,337	131,283	413,667	3,750,558	95,097	51,871	4,556,813
Effect of adopting a new accounting standard[1]	(17,622)	(36,550)	(71,933)	(2,188,393)	-	(18,112)	(2,332,610)
As of April 1, 2019, restated	96,715	94,733	341,734	1,562,165	95,097	33,759	2,224,203
Additions	942	3,248	26,980	25,831	185,509	3,626	246,136
Business combinations	1,706	1,239	3,849	-	1,871	166	8,831
Disposals	(294)	(2,361)	(18,342)	(108,608)	(1,774)	(475)	(131,854)
Transfers[2]	8,186	9,298	68,528	476,329	(143,172)	(3,144)	416,025
Other[3]	(23)	1,253	1,468	7,582	(168)	610	10,722
As of March 31, 2020	107,232	107,410	424,217	1,963,299	137,363	34,542	2,774,063

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, 2019	(67,113)	(64,215)	(262,602)	(2,359,298)	(129)	(12,196)	(2,765,553)
Effect of adopting a new accounting standard[1]	3,993	15,842	29,057	1,148,295	-	3,711	1,200,898
As of April 1, 2019, restated	(63,120)	(48,373)	(233,545)	(1,211,003)	(129)	(8,485)	(1,564,655)
Depreciation	(2,758)	(9,052)	(48,978)	(79,260)	-	(2,385)	(142,433)
Impairment losses	(16)	(160)	(42)	-	-	(181)	(399)
Disposals	214	1,986	15,807	96,681	117	203	115,008
Transfers[2]	(125)	(1,724)	(7,041)	(184,096)	2	1,177	(191,807)
Other	(1)	(267)	(2,095)	(1,112)	(43)	(164)	(3,682)
As of March 31, 2020	(65,806)	(57,590)	(275,894)	(1,378,790)	(53)	(9,835)	(1,787,968)

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, 2020	41,426	49,820	148,323	584,509	137,310	24,707	986,095

Note:

1. The Group has adopted IFRS 16 from the fiscal year ended March 31, 2020, as described in "(1) Application of new accounting standards and interpretations" under "Note 4. Changes in accounting policies." Consequently, the lessee's finance lease assets, which were previously included in property, plant and equipment, have been reclassified to right-of-use assets. For the details of right-of-use assets refer to "Note 18. Lease."
2. The amount of "Transfers" includes amounts for assets transferred from "Right-of-use assets" under "Non-current assets" as their ownership was transferred to the Group at the end of the lease contract, and the components are as follows:

(Millions of yen)

	Historical cost	Accumulated depreciation and impairment losses
Buildings and structures	816	(124)
Building fixtures	3,161	(1,718)
Furniture, fixtures, and equipment	32,357	(21,490)
Network equipment	358,894	(182,882)
Total	395,228	(206,214)

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

3. 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.

Major assets in the above which are subject to operating leases as lessor are leased mobile devices included in “Furniture, fixtures, and equipment”, and their changes in the historical cost, accumulated depreciation and impairment loss, and the carrying amount of the assets are as follows:

	(Millions of yen)
Historical cost	Furniture, fixtures, and equipment
As of April 1, 2019	123,873
Additions	-
Business combinations	-
Disposals	(9,084)
Transfers[1]	50,127
Other	-
As of March 31, 2020	164,916

	(Millions of yen)
Accumulated depreciation and impairment losses	Furniture, fixtures, and equipment
As of April 1, 2019	(111,712)
Depreciation	(16,504)
Impairment losses	-
Disposals	8,918
Transfers[1]	(3,478)
Other	-
As of March 31, 2020	(122,776)

	(Millions of yen)
Carrying amounts	Furniture, fixtures, and equipment
As of March 31, 2020	42,140

Note

1. Amount of “Transfers” under “Historical cost” of ¥ 30,706 million and amount of “Transfers” under “Accumulated depreciation and impairment losses” of ¥ (19,849) million are due to the transfer from “Right-of-use assets” under “Non-current assets” as the underlying assets’ ownership were transferred to the Group at the end of the lease contracts.

Property, plant and equipment with limited property rights are described in “(3) Assets with limited property rights” under “Note 23. Interest-bearing debt.”

14. Goodwill and intangible assets

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

(Millions of yen)

Historical cost	Goodwill	Intangible assets with indefinite useful lives	Intangible assets with finite useful lives				Total intangible assets
		Trademark	Software	Customer relationships	Spectrum migration costs	Other	
As of April 1, 2018	369,053	380,253	1,438,252	180,255	161,545	18,118	2,178,423
Additions	-	-	138,988	-	32,741	345	172,074
Internal development	-	-	34,441	-	-	-	34,441
Business combinations	24,259	-	-	-	-	3	3
Disposals	-	-	(55,139)	-	-	(388)	(55,527)
Other	-	-	546	-	-	(324)	222
As of March 31, 2019	393,312	380,253	1,557,088	180,255	194,286	17,754	2,329,636
Additions	-	-	151,791	-	1,305	845	153,941
Internal development	-	-	39,070	-	-	-	39,070
Business combinations	225,543	178,720	2,574	322,070	-	1,161	504,525
Disposals	-	-	(65,462)	-	-	(967)	(66,429)
Other	(219)	-	(2,933)	-	171	(190)	(2,952)
As of March 31, 2020	618,636	558,973	1,682,128	502,325	195,762	18,603	2,957,791

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	Software	Customer relationships	Spectrum migration costs	Other	
As of April 1, 2018	-	-	(825,145)	(112,872)	(21,015)	(14,097)	(973,129)
Amortization	-	-	(149,579)	(13,462)	(10,010)	(1,032)	(174,083)
Impairment losses	-	-	(1,380)	(2,379)	-	-	(3,759)
Disposals	-	-	33,286	-	-	297	33,583
Other	-	-	184	-	-	(42)	142
As of March 31, 2019	-	-	(942,634)	(128,713)	(31,025)	(14,874)	(1,117,246)
Amortization	-	-	(156,617)	(15,447)	(11,016)	(614)	(183,694)
Impairment losses	-	-	(1,501)	-	-	(7)	(1,508)
Disposals	-	-	54,226	-	-	284	54,510
Other	-	-	(325)	-	-	(17)	(342)
As of March 31, 2020	-	-	(1,046,851)	(144,160)	(42,041)	(15,228)	(1,248,280)

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	Software	Customer relationships	Spectrum migration costs	Other	
As of March 31, 2019	393,312	380,253	614,454	51,542	163,261	2,880	1,212,390
As of March 31, 2020	618,636	558,973	635,277	358,165	153,721	3,375	1,709,511

The Group's intangible assets that have indefinite useful lives primarily relate to its trademark usage right of the "SoftBank" brand and trademark of the "ZOZO" brand.

Trademark usage right was established from a license agreement between the Company and SBG, with no expiration date, which provides the right to use the *SoftBank* trademark. 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. With regard to the trademark of the *ZOZO* brand, as long as the *ZOZO* business continues, the trademark can continue to be used legally, and management plans to provide services for the foreseeable future. Accordingly, such rights are determined to be intangible assets with an indefinite useful life.

Customer relationships reflects the expected excess earning power of the customers that existed at the time of the business combination of the transferred company.

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.

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Software	62,498	76,329

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, 2019	Fiscal year ended March 31, 2020
Research and development costs	15,154	14,671

Goodwill and intangible assets with indefinite useful lives acquired as a part of business combinations are allocated to operating segments (cash-generating units) 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 (cash-generating units) for impairment testing purposes is as follows:

Goodwill

(Millions of yen)

Operating segments (Cash-generating units)	As of March 31, 2019	As of March 31, 2020
Consumer	154,894	154,894
Enterprise	41,406	41,971
Yahoo		
Yahoo[1]	16,519	16,519
Marketing solution	23,108	32,623
Shopping	60,062	272,755
Ikyu	72,044	72,044
Finance[2]	20,937	23,488
Other	2,180	2,180
Subtotal	194,850	419,609
Other	2,162	2,162
Total	393,312	618,636

Note:

1. Goodwill is allocated to "Yahoo" since it is expected that benefits will come from the Yahoo business as a whole rather than the individual cash-generating units under the Yahoo business.
2. The cash-generating unit for the fiscal year ended March 31, 2019 was "Settlement finance", but since the settlement portion of the unit was allocated to "Shopping" and "Others", we changed it to "Finance."

Intangible assets with indefinite useful lives

(Millions of yen)

Operating segments (Cash-generating units)	As of March 31, 2019	As of March 31, 2020
Consumer	293,956	293,956
Enterprise	51,954	51,954
Distribution	4,093	4,093
Yahoo		
Shopping	20,130	198,850
Ikyu	10,120	10,120
Subtotal	30,250	208,970
Total	380,253	558,973

The recoverable amount is measured at the higher of fair value less costs to sell or value in use. Fair value less costs to sell is primarily measured based on the market price in the active market. Value in use is assessed by discounting to the present value the estimated cash flows in the next 3 – 5 years based on the financial budget approved by management, which reflects past experience and external information, using a pre-tax discount rate of 6.2 – 10.2% of the operating segment (5.1 – 12.0% for the fiscal year ended March 31, 2019). With respect to estimating cash flows, value in use for cash flows beyond three years is assessed, assuming that the main growth rate each period is 0.0 – 0.6% (0.0 – 0.7% for the fiscal year ended March 31, 2019). With respect to estimating future cash flows, value in use for the "Shopping" cash generating- unit is assessed, assuming that GMV (Gross Merchandise Volume), take rate (Monetization Rate), expected market growth rate, expected market share rate and discounted rate are used.

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 recoverable amount of the “Shopping” cash-generating unit may equal to its carrying amount on the assumption that the pre-tax discount rate increases about 2% or permanent growth rate decreases about 3%.

In addition, Japanese government declared a state of emergency on April 7, 2020 due to the outbreak of coronavirus disease(COVID-19), and accommodations and restaurants which have contract relationship with the Group temporarily closed and shortened their business hours, which may cause a discrepancy between the estimated amount and the subsequent results on the “Ikyu” cash-generating unit depending on the magnitude and duration of the COVID-19 pandemic and containment.

The Company determined that for other operating segments or cash-generating units to which the goodwill and intangible assets with indefinite useful lives are allocated, it is unlikely that their recoverable amounts will fall below their carrying amounts, even if major assumptions used in the impairment test were to change to a reasonably foreseeable extent.

The Group does not apply IFRS 16 to leases of intangible assets, as described in “(1) Application of new accounting standards and interpretations” under “Note 4. Changes in accounting policies.” Consequently, finance lease assets arising from the lease transactions of software are recognized as intangible assets, and the Company has not disclosed any notes regarding carrying amounts of the finance lease assets of software, which was disclosed for the fiscal year ended March 31, 2019. For the details of intangible assets with limited property rights on these lease transactions, refer to “(3) Assets with limited property rights, c. Assets for lease contracts of intangible assets” under “Note 23. Interest-bearing debt.”

Property, plant and equipment with limited property rights due to installment purchases are described in “(3) Assets with limited property rights, a. Assets with limited property rights due to installment purchases” under “Note 23. Interest-bearing debt.”

15. Contract costs

The components of contract costs are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Contract acquisition costs	208,733	209,722
Contract fulfillment costs	3,000	2,916
Total	211,733	212,638

The components of amortization of contract costs are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Amortization		
Contract acquisition costs	173,128	188,493
Contract fulfillment costs	2,752	2,508
Total	175,880	191,001

16. Investment securities

The components of investment securities are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Stocks	87,556	133,085
Other	27,232	42,067
Total	114,788	175,152

17. Investment securities in banking business

The components of investment securities in banking business are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Debt securities	248,214	249,250
Trust beneficiary rights	79,489	88,191
Other	9,813	5,534
Total	337,516	342,975

Certain investment securities are pledged as collateral for financing and exchange settlement purposes by the banking subsidiary. The carrying amount of such investment securities in banking business as of March 31, 2019 and 2020 are ¥61,595 million and ¥47,831 million, respectively.

In addition to the above, investment securities in banking business (current) of ¥64,768 million as of March 31, 2020 (¥69,100 million as of March 31, 2019) are included in other financial assets (current).

18. Leases

Fiscal year ended March 31, 2019

(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, 2019
The total minimum lease payments	
Within 1 year	445,758
1 to 5 years	740,463
Over 5 years	19,311
Total	1,205,532
Less – future finance charges	(31,676)
Present value of finance lease obligations	1,173,856

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

(Millions of yen)

	As of March 31, 2019
Within 1 year	433,251
1 to 5 years	725,385
Over 5 years	15,220
Total	1,173,856

The outstanding balance of finance lease obligations by maturity is described in "(2) Financial risk management, c. Liquidity risk" under "Note 29. Financial instruments."

The Group does not apply IFRS 16 to leases of intangible assets, as described in "(1) Application of new accounting standards and interpretations" under "Note 4. Changes in accounting policies." Consequently, the total minimum lease payments related to leases of intangible assets which was disclosed for the fiscal year ended March 31, 2019 has been restated.

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

(Millions of yen)

	As of March 31, 2019
Future minimum lease payments receivable	56,215

(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 net 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 net lease investments	Present value of future minimum lease payments receivable
	As of March 31, 2019	As of March 31, 2019
Within 1 year	12,391	12,324
1 to 5 years	8,819	8,777
Over 5 years	-	-
Total	21,210	21,101
Interest equivalent	(109)	
Present value of future minimum lease payments receivable	21,101	

(2) Operating leases

(As lessee)

The Group leases land, buildings, and transmission lines for the installment of network equipment, offices and warehouses, 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, 2019
Within 1 year	107,285
1 to 5 years	255,199
Over 5 years	111,528
Total	474,012

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 ¥148,621 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, 2019
Within 1 year	27,430
1 to 5 years	19,223
Over 5 years	-
Total	46,653

Fiscal year ended March 31, 2020

(As lessee)

(1) Right-of-use assets

The Group leases assets including network equipment, properties for base stations and space for structures, properties for communications network, offices and warehouses, and mobile devices, mainly for the purpose of efficient cash management.

Many of the lease contracts have termination options and extension options to enhance operational flexibility. Many of the options are only exercisable by the Group if certain advance notices are given. When determining the lease term, the Group considers all facts and circumstances that might create an economic incentive to exercise the extension option or not to exercise the termination option. If a significant event or change in circumstances occurs that may affect this assessment, a reassessment is performed.

Network equipment

The Group's leases of network equipment are leases (as lessee) of machinery equipment and transmission equipment for telecommunications used in the telecommunications business. Many of the lease contracts have termination options and extension options. The lease term of the leases is primarily 5 or 10 years. In order to provide a stable communication service, the lease of the transmission equipment for telecommunications may be extended beyond the initial lease period if necessary. In that case, it is likely that the Group will extend for the same period as the original contract period. “Network equipment” as right-of-use assets mainly corresponds to "network equipment" of “property, plant and equipment.”

Properties for base stations and areas for structures

The Group's leases of properties for base stations and space for structures are leases (as lessee) of land to construct towers and poles for the installment of base station equipment and areas for buildings and structures to install base station equipment. Many of the lease contracts have termination options and extension options to extend the contract by a term equal to the initial contract term. The lease term of the leases is primarily 10 - 20 years. In order to provide stable communication services, the leases may be extended beyond the initial lease period if necessary. In that case, it is likely that the Group will extend for the same period as the original contract period. “Properties for base stations and space for structures” as right-of-use assets mainly correspond to “buildings and structures” or “land” of property, plant and equipment.

Properties for communications network

The Group's leases of properties for communications network are leases (as lessee) of land, buildings, and part of space thereof for the installment of network equipment excluding base station equipment. Many of the leases have extension options only exercisable by the Group. The lease terms of the leases are primarily 20 years for land and buildings and primarily 3 years for part of space thereof. In order to provide stable communication services, the leases may be extended beyond the initial lease period if necessary. “Properties for communications network” as right-of-use assets mainly correspond to “buildings and structures” or “land” of property, plant and equipment.

Offices and warehouses

The Group's leases of offices and warehouses are leases (as lessee) of land and buildings used for purposes other than the installment of network equipment, such as offices, warehouses and stores. Many of the leases have extension options only exercisable by the Group. The lease terms of the leases are primarily 5 - 20 years for offices, primarily 3 - 15 years for warehouses and primarily 3 years for stores. In order to continue the business, the leases may be extended beyond the initial lease period if necessary.” Offices and warehouses” as right-of-use assets mainly correspond to “buildings and structures” or “land” of property, plant and equipment.

Mobile devices

The Group's leases of mobile devices are leases (as lessee) of rental mobile devices. Many of the lease contracts have ownership transfer clauses. The lease term of the leases is primarily 2 years. "Mobile devices" as right-of-use assets mainly correspond to "Furniture, fixtures, and equipment" of property, plant and equipment.

The components of the carrying amount of right-of-use assets are as follows:

(Millions of yen)

Carrying amount of right-of-use assets	As of March 31, 2020
Network equipment	852,561
Properties for base stations and space for structures	138,487
Properties for communications network	81,416
Offices and warehouses	146,862
Mobile devices	13,095
Other	2,036
Total	1,234,457

Note:

1. The increase of right-of-use assets for the fiscal year ended March 31, 2020 is ¥174,526 million. This amount includes the increase of ¥ 20,964 million due to acquisition of ZOZO, Inc.

The components of depreciation expense of right-of-use assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020
Depreciation expense of right-of-use assets	
Network equipment	225,381
Properties for base stations and space for structures	34,182
Properties for communications network	13,997
Offices and warehouses	43,083
Mobile devices	13,162
Other	1,702
Total	331,507

(2) Lease liabilities

Lease liabilities by maturity are described in "(2) Financial risk management, c. Liquidity risk, (b) Financial liabilities by maturity" under "Note 29. Financial instruments".

Interest expenses from lease liabilities are described in "(2) The components of financing costs" under "Note 39. Financing income and financing costs".

(3) The cash outflows regarding leases

Total cash outflow for leases are described in "(2) Cash outflow for leases" under "Note 42. Supplemental information to the consolidated statement of cash flows."

(4) Lease contracted but not yet started

Some of the Group's contracts are not reflected in the measurement of lease liabilities because they have a fixed-term building lease contract or fixed-term building lease reservation contract, but the lease term has not yet started. The underlying asset of the right-of-use assets held under the lease contract is all classified as offices and warehouses, and the lease start date is after the next consolidated fiscal year, and the contract term is 10 to 20 years. The total amount to be paid, including common area service fee after the next consolidated fiscal year is ¥194,057 million.

(As lessor)

The Group provides mobile device rental services for enterprise customers. 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 lease component and non-lease component, specifically 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 Group sells mobile devices to trade-in vendors after the conclusion of the lease term. To manage the residual asset risk of mobile devices, the Group obtains purchase prices from more than one trade-in vendor and regularly monitors the development of the purchase prices.

(1) Finance leases

The components of income form finance leases recognized on the consolidated statement of income are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020
Sales income / loss (net)	2,053
Financial income on uncollected amount of net lease investments	113
Total	2,166

Amounts above include ¥975 million of income from sub-leases.

Undiscounted total lease payments at the end of the fiscal year and the maturity analysis of uncollected amount of net lease investments are as follows:

As of March 31, 2020 (Millions of yen)

	Undiscounted total lease payments	Unearned finance income relating to lease payments receivable	Discounted unguaranteed residual value	Uncollected amount of net lease investments
Within 1 year	13,898	(98)	-	13,800
1 to 2 years	7,934	(53)	-	7,881
2 to 3 years	3,113	(20)	-	3,093
3 to 4 years	567	(3)	-	564
4 to 5 years	153	(0)	-	153
Over 5 years	-	-	-	-
Total	25,665	(174)	-	25,491

(2) Operating leases

The maturity analysis of operating leases are as follows:

(Millions of yen)

	As of March 31, 2020
Within 1 year	24,440
1 to 2 years	12,695
2 to 3 years	4,148
3 to 4 years	-
4 to 5 years	-
Over 5 years	-
Total	41,283

Lease income (excluding variable lease payments that do not depend on an index or a rate) from operating leases for the fiscal year ended March 31, 2020 is ¥56,637 million, including lease income of ¥30,469 million from sub-leases.

For changes in the historical cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment subject to operating leases, refer to “Note 13. Property, plant and equipment.”

19. Major subsidiaries

Organizational structure

The Group's major subsidiaries are as follows:

Major subsidiaries as of March 31, 2020:

Company Name	Reportable segment	Location	Ownership percentage of voting rights (%)[1]	
			As of March 31, 2019	As of March 31, 2020
Wireless City Planning Inc.[2]	Consumer / Enterprise	Tokyo	32.2	32.2
SB C&S Corp.	Distribution	Tokyo	100	100
Z holdings Corporation[3]	Yahoo	Tokyo	48.2	44.6
Yahoo Japan Corporation	Yahoo	Tokyo	-	100
ASKUL Corporation[4]	Yahoo	Tokyo	45.1	45.1
ZOZO, Inc.	Yahoo	Chiba	-	50.1
Ikyu Corporation	Yahoo	Tokyo	100	100
The Japan Net Bank, Limited[5]	Yahoo	Tokyo	46.6	46.6
YJFX, Inc.	Yahoo	Tokyo	100	100
YJ Card Corporation	Yahoo	Fukuoka	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 Group retrospectively consolidates the financial statements of the transferred companies as if such transactions were executed by the Group on the later of the control acquisition date of the transferred companies by parent company 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.
3. The Group does not own a majority of the voting rights of Z Holdings Corporation. However, the Group owns 44.6% of the voting rights of Z Holding Corporation and holds the majority of the seats on Z Holdings Corporation's Board of Directors. As a result, Z Holdings Corporation is considered to be substantially controlled by the Group and became a subsidiary of the Group considering the dispersion of holdings of the other vote holders and the pattern of voting in past general meetings of shareholders.
4. The Group does not own a majority of the voting rights of ASKUL Corporation. However, taking into consideration that the Group owns 45.1% of the voting rights of ASKUL Corporation, and the dispersion of holdings of the other vote holders and the voting patterns of past shareholders' meetings, as a result, ASKUL Corporation is considered substantially controlled by the Group and became a subsidiary of the Group.
5. The Group does not own a majority of the voting rights of The Japan Net Bank, Limited. However, the Group owns 46.6% of the voting rights of The Japan Net Bank, Limited, and since it holds the majority of the members of the Board of Directors of The Japan Net Bank, Limited. As a result, The Japan Net Bank, Limited is considered substantially controlled by the Group and became a subsidiary of the Group.

(2) Summarized consolidated financial information and other information on subsidiaries with significant non-controlling Interests

Z holdings Corporation and its subsidiaries

a. General information

	As of March 31, 2019	As of March 31, 2020
Ownership ratio of the non-controlling interests (%)	51.8	55.4
Accumulated amount attributable to the non-controlling interests of subsidiary group (Millions of yen)	516,636	689,964

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income allocated to the non-controlling interests of subsidiary group	46,606	39,783

b. Condensed consolidated financial information

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Total assets	2,429,601	3,933,910
Total liabilities	1,519,077	2,886,086
Total Equity	910,524	1,047,824

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Revenue	954,714	1,052,943
Net income	77,828	88,020
Total comprehensive income	83,554	79,393

Dividends paid by Z Holdings Corporation to the non-controlling interests for the years ended March 31, 2019 and 2020 were ¥28,795 million and ¥23,329 million, respectively.

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities (Net)	149,957	243,278
Cash flows from investing activities (Net)	(212,193)	(503,034)
Cash flows from financing activities (Net)	(263,305)	593,410
Effect of exchange rate changes on cash and cash equivalents	515	(338)
Increase (decrease) in cash and cash equivalents	(325,026)	333,316

20. Investments Accounted for Using the Equity Method

(1) Condensed Consolidated Financial Information and Other Information on Significant investments

PayPay Corporation ("PayPay")

a. General information

PayPay (Chiyoda-ku, Tokyo) operates an electronic settlement business offering mobile payment services and other services.

b. Condensed consolidated financial information

(Millions of yen)

	As of March 31, 2020
Total assets	292,019
Cash and Cash equivalents	180,680
Total liabilities	249,307
Total equity	42,712
Ownership interests (%)	50.0%
Carrying amount of the investments	0

(Millions of yen)

	Fiscal year ended March 31, 2020
Revenue	9,161
Selling, General and Administrative Expenses	89,516
Net income	(82,501)
Other comprehensive income	-
Total comprehensive income	(82,501)

Investment in the Group in Total comprehensive income

Net income[2]	(37,868)
Other comprehensive income	-
Total comprehensive income	(37,868)

Note:

1. No dividends were received from PayPay for the year ended March 31, 2020.
2. The Group owns preferred stock in addition to investments accounted for using the equity method in PayPay Corporation, and the stock are accounted as equity instruments at FVTOCI. In addition, since the loss incurred at the corporation exceeded the investments of the Group in the corporation, share of losses of associates accounted for using the equity method of ¥13,644 million has been recognized on the preferred stock.

(2) Investments accounted for using the equity method that are not individually material

Other financial information of investments accounted for using the equity method that are not individually material is as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Carrying Amounts	89,656	80,149

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income	(6,276)	(8,192)
Other comprehensive income, net of tax	(561)	573
Total comprehensive income	(6,837)	(7,619)

21. Structured entities

Consolidated structured entities

The Group set up a monetary trust (the “Trust”) as consolidated structured entities.

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.

22. Income taxes

(1) Tax expenses

The components of income tax expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Current tax expenses	(234,436)	(276,122)
Deferred tax expenses	(17,513)	(28,405)
Total	(251,949)	(304,527)

(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, 2019	Fiscal year ended March 31, 2020
Statutory effective tax rate	31.5	31.5
Effect of permanent differences	0.8	(0.0)
Effect of evaluating recoverability of deferred tax assets	0.7	0.7
Effect of investments accounted for using the equity method	0.7	2.3
Deferred gain on sale of shares of subsidiaries and associates based on group corporate tax system	-	2.4
Other	0.1	0.6
Actual tax rate	33.8	37.5

(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, 2019

(Millions of yen)

	As of April 1, 2018	Recognized in profit or loss	Recognized in other comprehensive income	Business Combinations	Other	As of March 31, 2019
Deferred tax assets						
Property, plant and equipment and intangible assets	58,065	(10,928)	-	1	4	47,142
Operating payables and other liabilities	80,655	2,507	(0)	23	(77)	83,108
Inventories	6,167	3,693	-	-	-	9,860
Net operating loss carryforwards	10,698	(2,359)	-	90	131	8,560
Contract liabilities	14,358	5,386	-	-	-	19,744
Other	21,194	6,777	2,162	0	1,437	31,570
Total	191,137	5,076	2,162	114	1,495	199,984
Deferred tax liabilities						
Leases	(7,584)	492	-	-	-	(7,092)
Contract assets	(5,686)	(4,746)	-	-	-	(10,432)
Contract costs	(55,292)	(11,317)	-	-	-	(66,609)
Property, plant and equipment and intangible assets	(32,070)	(5,707)	-	-	-	(37,777)
Other	(26,605)	(1,311)	30	-	2,054	(25,832)
Total	(127,237)	(22,589)	30	-	2,054	(147,742)
Net	63,900	(17,513)	2,192	114	3,549	52,242

Fiscal year ended March 31, 2020

(Millions of yen)

	As of April 1, 2019	Cumulative effect of adopting a new accounting standard[1]	As of April 1, 2019, restated	Recognized in profit or loss	Recognized in other comprehensive income	Business Combinations	Other	As of March 31, 2020
Deferred tax assets								
Property, plant and equipment and intangible assets	47,142	-	47,142	(4,885)	-	2,164	(23)	44,398
Operating payables and other liabilities	83,108	-	83,108	7,301	-	1,656	(35)	92,030
Inventories	9,860	-	9,860	(4,042)	-	1,308	-	7,126
Net operating loss carryforwards	8,560	-	8,560	509	-	41	(30)	9,080
Contract liabilities	19,744	-	19,744	3,675	-	-	-	23,419
Other	31,570	3,560	35,130	112	(2,531)	3,358	1,990	38,059
Total	199,984	3,560	203,544	2,670	(2,531)	8,527	1,902	214,112
Deferred tax liabilities								
Leases	(7,092)	-	(7,092)	1,295	-	-	-	(5,797)
Contract assets	(10,432)	--	(10,432)	(7,452)	-	-	-	(17,884)
Contract costs	(66,609)	--	(66,609)	(2,375)	-	-	-	(68,984)
Property, plant and equipment and intangible assets	(37,777)	--	(37,777)	(7,074)	-	(150,258)	-	(195,109)
Deferred gain on sale of shares of subsidiaries and associates based on group corporate tax system	-	-	-	(19,504)	-	-	-	(19,504)
Other	(25,832)	(1,413)	(27,245)	4,035	4,333	(45)	(256)	(19,178)
Total	(147,742)	(1,413)	(149,155)	(31,075)	4,333	(150,303)	(256)	(326,456)
Net	52,242	2,147	54,389	(28,405)	1,802	(141,776)	1,646	(112,344)

Note:

The Group has adopted IFRS 16 from the fiscal year ended March 31, 2020, as described in "(1) Application of new accounting standards and interpretations" under "Note 4. Changes in accounting policies." Consequently, the cumulative effect of retrospective adjustments for periods prior to the year ended March 31, 2020 is recognized as an adjustment to deferred tax.

In the Group, deferred tax assets which belong to individual entities that recorded losses as of March 31, 2019 and 2020 are ¥12,752 million and ¥2,454 million, respectively. The Group recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available.

(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, 2019	As of March 31, 2020
Deductible temporary differences	35,714	25,063
Net operating loss carryforwards	23,301	20,990
Total	59,015	46,053

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.

Net operating loss carryforwards (tax basis)		(Millions of yen)
	As of March 31, 2019	As of March 31, 2020
1st year	57	32
2nd year	32	14
3rd year	14	342
4th year	342	555
5th year and thereafter	22,856	20,047
Total	23,301	20,990

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, 2020 are ¥1,207,518 million (as of March 31, 2019: ¥313,763 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, 2020 are ¥750,809 million (as of March 31, 2019: ¥98,848 million).

23. 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, 2019	As of March 31, 2020	Average interest rate (%)[1]	Maturity[2]
Current				
Short-term borrowings[3,4]	41,120	577,371	0.51	-
Commercial papers	-	100,000	0.05	-
Current portion of long-term borrowings [4,5,6]	571,681	758,522	0.94	-
Current portion of corporate bonds[8]	5,000	10,000	0.07	-
Current portion of lease obligations[7]	328,326	-	-	-
Current portion of lease liabilities [7]	-	365,202	1.33	-
Current portion of installment payables	7,603	186	1.76	-
Total	953,730	1,811,281		
Non-current				
Long-term borrowings[4, 5, 6,]	1,864,143	2,212,677	1.20	April, 2021～ December, 2028
Corporate bonds[8]	125,000	384,327	0.28	February, 2022～ March, 2030
Lease obligations[7]	548,158	-	-	-
Lease liabilities[7]	-	673,694	1,26	April, 2021～ September, 2049
Installment payable	687	273	1.76	April 2021～ July, 2027
Total	2,537,988	3,270,971		

Notes:

1. Average interest rate represents the weighted-average interest rate as of March 31, 2020.
2. Maturity represents the maturity of the outstanding balance as of March 31, 2020.
3. On November 14, 2019, Z Holdings Corporation, a subsidiary of the Company, entered into a loan agreement. Summary of the loan agreement is as follows:

(1) Lender:	5 financial institutions
(2) Amount of borrowing:	¥400,000 million
(3) Interest rate:	Bank base rate + Spread
(4) Execution date:	November 19, 2019
(5) Maturity:	November 14, 2020

4. On October 24, 2019, the Company entered into a loan agreement and on October 31, 2019, the Company repaid in full ¥150,000 million of short-term borrowings under a loan agreement which the Company contracted on June 21, 2019. Summary of the loan agreement which the Company contracted on October 24, 2019 is as follows:

(1) Lender:	16 financial institutions
(2) Amount of borrowing:	¥325,000 million
(3) Interest rate:	Bank base rate + Spread
(4) Execution date:	October 31, 2019
(5) Maturity:	Repayments of the borrowings start from the last business day of March 2020 and are to be made every six months thereafter, ending on the last business day of September 2024.

5. As described in "(1) Application of new accounting standards and interpretations" under "Note 4. Changes in accounting policies." the Group does not apply IFRS 16 to leases of intangible assets. Consequently, obligations associated with the leases of software that were previously recorded as lease obligations are included in current portion of long-term borrowings and long-term borrowings as financial liabilities under IFRS 9, and are restated by component as of March 31, 2019. Borrowings associated with such transactions included in current portion of long-term borrowings and long-term borrowings as of March 31, 2020 are ¥89,759 million and ¥143,700 million, respectively (¥102,879 million and ¥191,297 million, respectively as of March 31, 2019).

6. For certain network equipment, the Group raises capital through sale and leaseback transactions. Of these transactions, for those executed after the date of adoption of IFRS 16, the transfers of assets under the transactions do not satisfy the requirements of IFRS 15 and therefore are not accounted for as sales. Accordingly, capital raised through such transactions is accounted for as long-term borrowings.
   Borrowings associated with such transactions included in current portion of long-term borrowings and long-term borrowings as of March 31, 2020 are ¥81,383 million and ¥220,947 million, respectively. Of these transactions, transactions executed prior to the date of adoption of IFRS 16 are, in accordance with the transitional provisions of IFRS 16, accounted for as leases even after the adoption of IFRS 16.

7. The Group has adopted IFRS 16 from the fiscal year ended March 31, 2020. Therefore, the Group recognizes lease liabilities for leases as of March 31, 2020 rather than lease obligations. For further details, refer to "(1) Application of new accounting standards and interpretations" under "Note 4. Changes in accounting policies."

8. A summary of the issuance condition of bonds as follows:

(Millions of yen)

Company name/Name of bond	Date of issuance	As of March 31, 2020[1]	Interest rate (%)	Date of maturity
The company				
1st Unsecured Straight bond	Mar. 18, 2020	10,000	0.13	Mar. 17, 2023
2nd Unsecured Straight bond	Mar. 18, 2020	10,000	0.33	Mar. 18, 2025
3rd Unsecured Straight bond	Mar. 18, 2020	10,000	0.45	Mar. 18, 2027
4th Unsecured Straight bond	Mar. 18, 2020	10,000	0.50	Mar. 18, 2030
Z Holdings corporation				
2nd Unsecured Straight bond	Feb. 28, 2017	15,000	0.17	Feb. 28, 2022
3rd Unsecured Straight bond	Feb. 28, 2017	15,000	0.37	Feb. 28, 2024
4th Unsecured Straight bond	Dec. 7, 2017	10,000 (10,000)	0.07	Dec. 7, 2020
5th Unsecured Straight bond	Dec. 7, 2017	25,000	0.2	Dec. 7, 2022
6th Unsecured Straight bond	Dec. 7, 2017	25,000	0.35	Dec. 6, 2024
7th Unsecured Straight bond	Dec. 7, 2017	10,000	0.4	Dec. 7, 2027
8th Unsecured Straight bond	Dec. 6, 2018	15,000	0.2	Dec. 6, 2023
9th Unsecured Straight bond	Dec. 6, 2018	10,000	0.5	Dec. 6, 2028
10th Unsecured Straight bond	Jul. 31, 2019	59,869	0.04	Jul. 29, 2022
11th Unsecured Straight bond	Jul. 31, 2019	49,853	0.18	Jul. 31, 2024
12th Unsecured Straight bond	Jul. 31, 2019	69,788	0.37	Jul. 31, 2026
13th Unsecured Straight bond	Jul. 31, 2019	49,817	0.46	Jul. 31, 2029
Total		394,327	-	-

Note: (　　) is the estimated redemption amount within one year.

(2) Financial covenants

a. Financial covenants on interest-bearing debts of the Company

The Company's interest-bearing debt is subject to financial covenants mainly as follows:

- At March 31 and September 30 of each year, the Company is required to maintain 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.
- At March 31 and September 30 of each year, the Company is required to maintain net assets in the nonconsolidated balance sheet of the Company at a minimum of 75% of that of the same date during the previous fiscal year.
- The Company must not incur operating losses or net losses in the consolidated statement of income of the Group for two consecutive fiscal years.
- The Company must not incur operating losses or net losses in the non-consolidated statement of income of the Company for two consecutive fiscal years.
- At March 31 and September 30 of each year, the Company is required to maintain a net leverage ratio (a) 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

b. Financial covenants on interest-bearing debts of Z Holdings Corporation

The interest-bearing debt of Z Holdings Corporation, a subsidiary of the Company, is subject to financial covenants mainly as follows:

- At March 31 of each year from the current fiscal year-end, Z Holdings Corporation is required to maintain net assets presented in the non-consolidated balance sheet at a minimum of 75% of that of September 30, 2019.
- At March 31 and September 30 of each year from the current fiscal year-end, Z Holdings Group is required to maintain equity presented in the consolidated statement of financial position at a minimum of 75% of that of September 30, 2019.
- At March 31 of each year from the current fiscal year-end, Z Holdings Corporation must not have a net capital deficiency in the non-consolidated balance sheet.
- At March 31 and September 30 of each year from the current fiscal year-end, Z Holdings Group must not have a net capital deficiency in the consolidated balance sheet.
- At March 31 of each year from the current fiscal year-end, Z Holdings Corporation must not incur operating losses or net losses in the non-consolidated statement of income.
- At March 31 of each year from the current fiscal year-end, Z Holdings Group must not incur operating losses or net losses in the consolidated statement of income.
- At March 31 and September 30 of each year from the current fiscal year-end, Z Holdings Corporation is required to maintain a net leverage ratio (a) 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 Z Holdings Group after deducting cash and cash equivalents. 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. Interest bearing debt and cash and cash equivalents are adjusted not to include those of The Japan Net Bank, Limited.

  (c) "Adjusted EBITDA" means EBITDA adjusted for certain items as specified in the loan agreement.

(3) Assets with limited property rights

a. Assets with limited property rights due to installment purchases

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Property, plant and equipment	15,879	541
Intangible assets	4,665	-
Total	20,544	541

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Interest-bearing debt		
Current portion of installment payables	7,601	186
Non-current portion of installment payables	686	273
Total	8,287	459

b. Assets under sale and leaseback transactions for which the transfer is not a sale

If the transfer of an asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group continues to recognize the asset as property, plant and equipment. Such assets with limited property rights are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Property, plant and equipment	-	287,417

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

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Interest-bearing debt		
Current portion of long-term borrowings	-	81,383
Long-term borrowings	-	220,947
Total	-	302,330

c. Assets for lease contracts of intangible assets

Assets for which the Group’s property rights are limited on transfer, sublease or provide as collateral due to being involved in lease contracts for intangible assets are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Intangible assets	333,619	348,522

Liabilities related to the assets which are limited on transfer, sublease or provide as collateral above are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Interest-bearing debt		
Current portion of long-term borrowings	104,729	107,690
Long-term borrowings	198,947	208,896
Total	303,676	316,586

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

Changes in interest-bearing debt arising from financial activities[1] are as follows:

(Millions of yen)

	Short-term borrowings	Commercial papers	Long-term borrowings	Bonds	Lease obligations	Lease liabilities	Installment payables	Total
As of April 1, 2018	1,439,279	-	917,423	105,050	926,221	-	23,922	3,411,895
Changes from financing cash flows								
Increase (decrease) in short-term interest-bearing debt, net	(2,405)	-	-	-	-	-	-	(2,405)
Proceeds from new financing[2,3]	270,973	-	2,235,309	25,000	-	-	-	2,531,282
Proceeds from sale-leaseback of newly acquired equipment	-	-	-	-	361,031	-	-	361,031
Repayment[2,3]	(1,668,777)	-	(711,545)	(50)	(413,506)	-	(16,449)	(2,810,327)
Changes from operating cash flows								
Interest paid	-	-	(17,421)	-	-	-	-	(17,421)
Non-cash changes								
New lease transactions or remeasurement of lease liabilities	-	-	-	-	2,821	-	-	2,821
Amortized cost	-	-	2,345	-	-	-	-	2,345
Changes arising from obtaining or losing control of subsidiaries or other businesses	2,050	-	9,710	-	23	-	756	12,539
Other	-	-	3	-	(106)	-	186	83
Other	-	-	-	-	-	-	(125)	(125)
As of March 31, 2019	41,120	-	2,435,824	130,000	876,484	-	8,290	3,491,718
Cumulative effect of adopting a new accounting standard[1]	-	-	-	-	(876,484)	1,377,549	-	501,065
As of Apr 1, 2019, restated	41,120	-	2,435,824	130,000	-	1,377,549	8,290	3,992,783
Changes from financing cash flows								
Increase (decrease) in short-term interest-bearing debt, net	43,800	45,000	-	-	-	-	-	88,800
Proceeds from new financing[2]	944,327	55,000	1,261,708	270,000	-	-	-	2,531,035
Proceeds from sale-leaseback of newly acquired equipment	-	-	-	-	-	-	-	-
Repayment[2]	(472,004)	-	(727,512)	(5,000)	-	(480,183)	(7,831)	(1,692,530)
Changes from operating cash flows								
Interest paid	(3,210)	-	(2,971)	(783)	-	(16,198)	-	(23,162)
Non-cash changes								
New lease transactions or remeasurement of lease liabilities	-	-	-	-	-	138,668	-	138,668
Amortized cost	1,338	-	4,273	110	-	16,634	-	22,355
Changes arising from obtaining or losing control of subsidiaries or other businesses	22,000	-	-	-	-	2	-	22,002
Other	-	-	-	-	-	2,424	-	2,424
Other	-	-	(123)	-	-	-	-	(123)
As of March 31, 2020	577,371	100,000	2,971,199	394,327	-	1,038,896	459	5,082,252

Notes:

1. The Group has adopted IFRS 16 from the fiscal year ended March 31, 2020, as described in "(1) Application of new accounting standards and interpretations" under "Note 4. Changes in accounting policies." As a result, lease obligation has not been recognized since April 1, 2019. And the Group does not apply IFRS 16 to leases of intangible assets.
   Accordingly, lease obligations related to the finance lease transactions of intangible asset as of March 31, 2018 and finance lease transactions of intangible asset disclosed for the fiscal year ended March 31, 2019 has been restated as long-term borrowings.
2. 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, 2020 totaled ¥447,684 million (for the fiscal year ended March 31, 2019: ¥503,819 million). Payments associated with the securitization for the fiscal year ended March 31, 2020 totaled ¥417,613 million (for the fiscal year ended March 31, 2019: ¥480,566 million).
3. 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.

24. Trade and other payables

The components of trade and other payables are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Operating payables	486,451	487,643
Fixed asset payables	206,869	230,100
Trade payables	272,393	259,961
Foreign exchange dealings deposits from customers	115,372	118,978
Deposits	90,726	119,817
Other	42,379	37,267
Total	1,214,190	1,253,766

25. Deposits for banking business

The components of deposits for banking business are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Ordinary deposit	643,082	778,331
Time deposit	102,614	102,516
Total	745,696	880,847

In addition to the above, deposits for banking business (non-current) of ¥21,037 million as of March 31, 2020 (¥22,104 million as of March 31, 2019) are included in other financial liabilities (non-current). Both of them are time deposits (non-current).

26. 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, 2019	As of March 31, 2020
Current		
Short-term accrued employee benefits	72,181	78,533
Consumption and other taxes payable	52,284	60,519
Withholding tax	1,287	103,384
Other	22,609	16,683
Total	148,361	259,119
Non-current		
Long-term accrued employee benefits	6,973	7,405
Other	5,404	4,488
Total	12,377	11,893

27. Provisions

Changes in provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provisions for interest refund loss	Others	Total
As of April 1, 2019	70,624	12,017	-	82,641
Additions	3,311	-	4,529	7,840
Used	(8,043)	(1,941)	-	(9,984)
Change in estimates[1]	7,634	-	-	7,634
Interest due to passage of time	183	-	-	183
Other	2,351	-	-	2,351
As of March 31, 2020	76,060	10,076	4,529	90,665

Note:

1. Changes in estimates resulted from the changes in estimates of the asset retirement obligations 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	Provision for interest refund loss	Others	Total
As of March 31, 2020				
Current liabilities	4,494	1,753	547	6,794
Non-current liabilities	71,566	8,323	3,982	83,871
Total	76,060	10,076	4,529	90,665

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.

Provision for loss on interest repayment

As for subsidiaries operating card businesses, provision for interest repayment claims is calculated by estimating the future repayment amount based on the historical experience of repayments and expirations due to the statute of limitations. Provision for interest repayment claims may fluctuate due to changes in the market environment and other factors.

28. 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, 2019	Fiscal year ended March 31, 2020
Retirement benefit cost of defined contribution plans	4,468	4,661

(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, 2019	Fiscal year ended March 31, 2020
Balance at the beginning of the year	15,267	14,691
Changes in the present value of defined benefit obligations		
Service cost	510	667
Interest cost	35	35
Remeasurements:		
Actuarial gains (losses) arising from changes in demographic assumptions	-	19
Actuarial gains (losses) arising from changes in financial assumptions	-	(78)
Experience adjustments	(1)	(1)
Acquisition of subsidiary[1]	-	1,790
Other	(15)	13
Benefits paid	(1,105)	(799)
Balance at the end of the year	14,691	16,337

Note

1. Acquisition of subsidiary is mainly due to the acquisition of ZOZO Inc..

b. Actuarial assumptions

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

	As of March 31, 2019	As of March 31, 2020
Discount rate (%)	0.2	0.3

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, 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

As of March 31, 2020

	Changes in rate	Effect on defined benefit obligations
Discount rate	0.5% increase	Decrease of ¥347 million
	0.5% decrease	Increase of ¥366 million

d. Maturity analysis of the defined benefit obligation

As of March 31, 2020, the weighted-average duration of the defined benefit obligation is 6.8 years.

29. 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, 2019	As of March 31, 2020
Equity capital (Millions of yen)	1,498,157	1,000,546
Equity capital ratio (%)	18.6	10.2

The Group is subject to regulatory capital requirements under the applicable laws and regulations, and required to maintain capital adequacy ratios, and net assets at certain levels.

Significant capital requirements attributable to the Group relate to our subsidiary The Japan Net Bank, Limited, and are stated on "(2) Financial risk management." No revision was made to applicable laws that have a significant impact on the capital requirements for the years ended March 31, 2019 and 2020.

For details of financial covenants on interest-bearing debt, refer to "(2) Financial Covenants" under "Note 23. 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.

In accordance with the requirements of capital adequacy ratio as prescribed in the Banking Act and the Notification issued by the Financial Services Agency in Japan, The Japan Net Bank, Limited is required to maintain its capital adequacy ratio of at least 4.0% as a bank that does not have overseas locations as a sales base.

Derivative transactions entered into by the Company are executed and managed in accordance with internal rules and through the prescribed execution procedures, and are limited to the extent of actual demand.

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, other financial assets (including deposits, equity securities, debt securities, and derivatives), investment securities and investment securities in banking business 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.

Investment securities in banking business mainly include investment securities such as domestic bonds and foreign bonds, and trust beneficiary rights. Such bonds are exposed to the credit risk of issuers, whereas trust beneficiary rights are exposed to the credit risk of underlying 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.

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 44. 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, 2019 and 2020.

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

i. Trade receivables and contract assets

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.

As of March 31, 2019

(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	850,727	43,190	13,383	11,917	8,246	3,017	930,480
Contract assets	33,719	-	-	-	-	-	33,719
Allowance for doubtful accounts	(1,999)	(1,075)	(2,631)	(3,281)	(6,107)	(2,858)	(17,951)
Total	882,447	42,115	10,752	8,636	2,139	159	946,248

As of March 31, 2020

(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	895,719	65,667	12,854	17,486	7,814	3,086	1,002,626
Contract assets	57,666	-	-	-	-	-	57,666
Allowance for doubtful accounts	(2,297)	(984)	(2,388)	(3,188)	(5,392)	(2,954)	(17,203)
Total	951,088	64,683	10,466	14,298	2,422	132	1,043,089

ii. Financial assets other than trade receivables and contract assets

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

As of March 31, 2019

(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	
12-month expected credit losses	1,518,961	3,820	-	-	-	-	1,522,781
Lifetime expected credit losses							
Financial assets that are not credit-impaired	-	-	1,433	-	-	-	1,433
Financial assets that are credit-impaired	-	-	-	2,256	4,397	10,480	17,133
Total	1,518,961	3,820	1,433	2,256	4,397	10,480	1,541,347

As of March 31, 2020

(Millions of yen)

	Before due	Past due: Within 1 month	Past due: 1 month to 3 months	Past due: 3 months to 6 months	Past due: 6 months to 1 year	Past due: More than 1 year	Total
12-month expected credit losses	1,709,155	13,184	-	-	-	-	1,722,339
Lifetime expected credit losses							
Financial assets that are not credit-impaired	-	-	2,702	-	-	-	2,702
Financial assets that are credit-impaired	-	-	-	2,825	5,708	13,729	22,262
Total	1,709,155	13,184	2,702	2,825	5,708	13,729	1,747,303

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

(b) Allowance for doubtful accounts

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

The fiscal year ended March 31, 2019

i. Trade receivables

(Millions of yen)

	Lifetime expected credit losses
Balance at the beginning of the year	15,200
Additions	7,291
Used	(4,540)
Balance at the end of the year	17,951

ii. Financial assets other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses: Financial assets that are not credit-impaired	Lifetime expected credit losses: Financial assets that are credit-impaired	Total
Balance at the beginning of the year	4,439	289	10,823	15,551
Additions	2,389	437	13,371	16,197
Used	(47)	(4)	(8,817)	(8,868)
Reversal	(776)	-	(46)	(822)
Other	(598)	(0)	(1,327)	(1,925)
Balance at the end of the year	5,407	722	14,004	20,133

The fiscal year ended March 31, 2020

i. Trade receivables

	(Millions of yen) Fiscal year ended March 31, 2020
Balance at the beginning of the year	17,951
Additions	5,598
Used	(6,346)
Balance at the end of the year	17,203

ii. Financial assets other than trade receivables

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		Total
		Financial assets that are not credit-impaired	Financial assets that are credit-impaired	
Balance at the beginning of the year	5,407	722	14,004	20,133
Additions	1,299	174	14,770	16,243
Used	(287)	(56)	(10,892)	(11,235)
Reversal	(443)	(0)	(21)	(464)
Other	(375)	(46)	1,411	990
Balance at the end of the year	5,601	794	19,272	25,667

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 years ended March 31, 2019 and 2020, 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) Currency Risk

The Group conducts foreign currency-denominated transactions and is exposed to currency risk arising mainly from changes in the exchange rate of U.S. dollars to Japanese yen. To avoid this risk, the Group utilizes forward foreign exchange contracts. In addition, to avoid currency risk arising from foreign exchange dealings, the Group enters into covering transactions with counterparties to cover its positions arising from transactions with customers.

(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, 2019	Fiscal year ended March 31, 2020
Decrease in other comprehensive income (before tax effect)	(4,320)	(2,151)

(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, 2019	Fiscal year ended March 31, 2020
Decrease in profit before income taxes	(13,273)	(19,929)

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, 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	500,500	500,500	-	6,824	1.96%	Other financial liabilities
Total	500,500	500,500	-	6,824	1.96%	

As of March 31, 2020

(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	500,500	500,500	-	5,325	1.96%	Other financial liabilities
Total	500,500	500,500	-	5,325	1.96%	

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

As of March 31, 2019

(Millions of yen)

Interest risk	Interest rate swaps
Balance as of April 1, 2018	(0)
Amounts arising during the year	(5,200)
Reclassification adjustments[1]	525
Balance as of March 31, 2019	(4,675)

As of March 31, 2020

(Millions of yen)

Interest risk	Interest rate swaps
Balance as of April 1, 2019	(4,675)
Amounts arising during the year	126
Reclassification adjustments[1]	900
Balance as of March 31, 2020	(3,649)

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 payables, borrowings, and lease liabilities.

In order to prevent and reduce liquidity risk, the Group maintains access to diversified fundraising sources including both indirect financing, such as bank borrowings, issuance of bonds 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 financial institutions to reduce liquidity risk. The Group's credit facilities are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Credit facilities	296,850	940,018
Drawn	33,600	570,370
Undrawn	263,250	369,648

(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, 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	41,120	41,120	41,120	-	-	-	-	-
Long-term borrowings (including current portion)	2,435,824	2,450,900	573,079	472,007	382,480	251,291	236,874	535,169
Bonds (including current portion)	130,000	130,000	5,000	10,000	15,000	25,000	30,000	45,000
Lease liabilities	876,484	876,484	328,326	235,946	159,114	99,262	38,616	15,220
Installment payables	8,290	8,290	7,603	410	147	56	46	28
Trade and other payables	1,214,190	1,214,190	1,201,322	7,535	3,389	1,944	-	-
Deposits for banking business (current)	745,696	745,696	745,696	-	-	-	-	-
Other financial liabilities (non-current)								
Deposits for banking business (non-current)	22,104	22,104	-	6,025	5,916	3,129	2,734	4,300
Others (non-current)	9,341	9,341	-	1,853	732	705	591	5,460
Total	5,483,049	5,498,125	2,902,146	733,776	566,778	381,387	308,861	605,177
Derivative financial liabilities								
Forward exchange foreign contract	3,217	3,217	3,217	-	-	-	-	-
Interest rate swaps	7,192	7,092	1,278	1,901	1,531	1,357	816	209
Total	10,409	10,309	4,495	1,901	1,531	1,357	816	209
Off-balance sheet items								
Credit guarantees[2]	-	7,668	7,668	-	-	-	-	-
Lending commitments[2]	-	3,857,564	3,857,564	-	-	-	-	-

As of March 31, 2020

(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	577,371	577,371	577,371	-	-	-	-	-
Commercial paper	100,000	100,000	100,000	-	-	-	-	-
Long-term borrowings (including current portion)	2,971,199	2,984,973	760,621	669,923	511,076	408,150	619,983	15,220
Bonds (including current portion)	394,327	395,000	10,000	15,000	95,000	30,000	85,000	160,000
Lease liabilities	1,038,896	1,038,896	365,202	255,135	164,639	87,013	39,308	127,599
Installment payables	459	459	186	146	54	44	13	16
Trade and other payables	1,253,766	1,253,766	1,244,663	6,189	2,766	147	1	-
Deposits for banking business (current)	880,847	880,847	880,847	-	-	-	-	-
Other financial liabilities (non-current)								
Deposits for banking business (non-current)	21,037	21,037	-	6,751	6,255	2,631	2,305	3,095
Others (non-current)	10,016	10,016	-	1,232	643	609	2,048	5,484
Total	7,247,918	7,262,365	3,938,890	954,376	780,433	528,594	748,658	311,414
Derivative financial liabilities								
Forward exchange foreign contract	3,779	3,779	3,779	-	-	-	-	-
Interest rate swaps	5,712	6,110	1,318	1,826	1,350	1,202	414	-
Total	9,491	9,889	5,097	1,826	1,350	1,202	414	-
Off-balance sheet items								
Credit guarantees[2]	-	6,380	6,380	-	-	-	-	-
Lending commitments[2]	-	4,575,138	4,575,138	-	-	-	-	-

Notes:

1. Financial liabilities payable on demand are classified as being due “Within 1 year.” Deposits for banking business include ¥778,331 million of demand deposits (¥643,082 million for the fiscal year ended March 31, 2019).
2. For the average interest rates of interest-bearing debt, refer to “(1) Components of interest-bearing debt” under “Note 23. Interest-bearing debt.”
3. The Group does not apply IFRS 16 to leases of intangible assets, as described in “(1) Application of new accounting standards and interpretations” under “Note 4. Changes in accounting policies.” Accordingly, liabilities related to lease transactions of software, which were formerly lease obligations, were included in current portion of long-term borrowings and long-term borrowings as financial liabilities under IFRS 9. The components as of March 31, 2019 has been restated.
4. For further details regarding credit guarantees and lending commitments, refer to “Note 44. Contingencies.”

(3) Categories of financial instruments

Components of financial instruments (excluding cash and cash equivalents) by category are as follows.

As of March 31, 2019

(Millions of yen)

	Financial assets at FVTPL	Debt instruments at FVTOCI	Equity instruments at FVTOCI	Financial assets at amortized cost	Total
Financial assets					
Current assets					
Trade and other receivables	-	-	-	1,695,952	1,695,952
Other financial assets	19,449	51,497	-	19,619	90,565
Non-current assets			-		
Investment securities	28,834	-	85,954	-	114,788
Investment securities in banking business	25,928	287,916	-	23,672	337,516
Other financial assets	1	-	95	736,394	736,490
Total	74,212	339,413	86,049	2,475,637	2,975,311

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt	-	-	953,730	953,730
Trade and other payables	-	-	1,214,190	1,214,190
Deposits for banking business	-	-	745,696	745,696
Other financial liabilities	3,217	-	-	3,217
Non-current liabilities				
Interest-bearing debt	-	-	2,537,988	2,537,988
Other financial liabilities	368	6,824	31,445	38,637
Total	3,585	6,824	5,483,049	5,493,458

As of March 31, 2020

(Millions of yen)

	Financial assets at FVTPL	Debt instruments at FVTOCI	Equity instruments at FVTOCI	Financial assets at amortized cost	Total
Financial assets					
Current assets					
Trade and other receivables	-	-	-	1,800,301	1,800,301
Other financial assets	28,263	46,763	-	19,880	94,906
Non-current assets					
Investment securities	58,807	-	116,345	-	175,152
Investment securities in banking business	11,718	308,347	-	22,910	342,975
Other financial assets	8	-	-	905,554	905,562
Total	98,796	355,110	116,345	2,748,645	3,318,896

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt	-	-	1,811,281	1,811,281
Trade and other payables	-	-	1,253,766	1,253,766
Deposits for banking business	-	-	880,847	880,847
Other financial liabilities	3,779	0	-	3,779
Non-current liabilities				
Interest-bearing debt	-	-	3,270,971	3,270,971
Other financial liabilities	388	5,324	31,053	36,765
Total	4,167	5,324	7,247,918	7,257,409

(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:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Industry sector	Fair value	Fair value
Information and communications[1]	41,730	91,101
Services	30,605	22,146

Note:

1. Investments in the information and communications sector mainly consist of preferred stock issued by PayPay Corporation, and the fair value of the investment is ¥70,000 million as of March 31, 2020

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	Fiscal year ended March 31, 2020
Fair value at the date of sale	14,681	15,952
Accumulated gain or (loss) on sale	9,614	4,200

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 ¥1,083 million for the fiscal year ended March 31, 2020 (¥955 million for the fiscal year ended March 31, 2019).

30. 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, 2019 and 2020.

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, 2019

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	34,596	-	52,973	87,569
Bonds	2,703	254,909	2,896	260,508
Trust beneficiary rights	-	-	94,720	94,720
Derivative financial assets	-	19,450	-	19,450
Other	5,902	10,057	21,468	37,427
Total	43,201	284,416	172,057	499,674
Financial liabilities				
Derivative financial liabilities	-	10,409	-	10,409
Total	-	10,409	-	10,409

As of March 31, 2020

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	11,949	-	121,136	133,085
Bonds	5,028	243,572	2,182	250,782
Trust beneficiary rights	-	-	110,211	110,211
Derivative financial assets	14	28,257	-	28,271
Other	4,614	6,450	36,838	47,902
Total	21,605	278,279	270,367	570,251
Financial liabilities				
Derivative financial liabilities	92	9,399	-	9,491
Total	92	9,399	-	9,491

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, discounted cash flow method and transaction case approach. 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. The Group uses EBIT multiples of equivalent companies, capital cost and perpetual growth rate as the significant unobservable inputs to calculate the fair value of financial assets classified as Level 3.

b. Debt securities and trust beneficiary rights

Fair value using quoted prices (unadjusted) in active markets for identical assets are measured using such quoted prices and is classified as Level 1. Fair value using inputs other than Level 1 that are observable, either directly or indirectly, are measured by using prices based on available information, mainly such as reference trading statistics and brokers' quotes. The Group also utilizes the discounted cash flow model using discount rates as inputs after taking into account risk-free interest rates and credit spreads. They are categorized as Level 2 or Level 3 depending on their observability and significance.

c. Derivative financial assets and liabilities

Derivative financial assets and liabilities 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 prices of comparable contracts and quoted by financial institutions with which contracts were concluded and are categorized as Level 2.

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

a. Fair value measurements and Inputs

Equity securities

Fair value of equity securities is measured primarily based on the discounted cash flow method and transaction case approach. The significant unobservable inputs of the discounted cash flow method are capital cost and EBIT multiples of equivalent companies. The capital cost and EBIT multiples to use for measurements of financial instruments as of March 31, 2020 is 40.0% and 20.3 times, respectively.

b. Sensitivity analysis

Fair value of equity securities decreases (increases) when capital cost increases (decreases) among unobservable inputs. On the other hand, fair value of equity securities increase (decrease) when EBIT multiples decrease (increase).

The financial instruments classified as Level 3 are not expected to significantly change its fair value in case the unobservable inputs are changed to reasonable possible alternative assumption.

c. 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.

d. Changes in financial instruments categorized as Level 3

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Equity securities	Bonds	Trust beneficiary rights	Other
As of April 1, 2018	51,166	3,942	25,337	14,053
Gains or losses				
Net income[1]	(128)	(101)	-	498
Other comprehensive income[2]	(5,024)	-	91	(81)
Purchases	17,771	-	75,547	6,050
Sales	(1,841)	(940)	(6,255)	(614)
Changes in the scope of consolidation	(7,086)	-	-	1,995
Other	(1,885)	(5)	-	(433)
As of March 31, 2019	52,973	2,896	94,720	21,468

Notes

1. Gains or losses recognized in net income are included in “Financing income” and “Financing costs” in the consolidated statement of income.
2. Gains or losses recognized in other comprehensive income, net of tax, are included in “Changes in the fair value of equity instruments at FVTOCI”, “Changes in the fair value of debt instruments at FVTOCI” and “Exchange differences on translation of foreign operations” in the consolidated statement of comprehensive income.

Fiscal year ended March 31, 2020

(Millions of yen)

	Equity securities	Bonds	Trust beneficiary rights	Other
As of April 1, 2019	52,973	2,896	94,720	21,468
Gains or losses				
Net income[1]	314	60	-	940
Other comprehensive income[2]	(1,780)	(4)	(14)	(201)
Purchases[3]	85,229	-	31,274	15,621
Sales	(1,655)	(770)	(15,769)	(598)
Changes in the scope of consolidation	910	-	-	-
Other	(14,855)	-	-	(392)
As of March 31, 2020	121,136	2,182	110,211	36,838

Notes

1. Gains or losses recognized in net income are included in “Financing income” and “Financing costs” in the consolidated statement of income.
2. Gains or losses recognized in other comprehensive income, net of tax, are included in “Changes in the fair value of equity instruments at FVTOCI”, “Changes in the fair value of debt instruments at FVTOCI” and “Exchange differences on translation of foreign operations” in the consolidated statement of comprehensive income.
3. The Group acquired preferred stock in PayPay corporation, and “Purchases” includes acquisition cost of ¥70,000 million. ”Other ” includes share of losses of associates accounted for using the equity method of ¥13,644 million recognized on the preferred stock. For further details, please refer to “Note.20 Investments Accounted for Using the Equity Method.”

(3) Carrying amounts and fair values of financial instruments

The table below presents carrying amounts and fair values of financial liability not measured ordinarily at fair value:

As of March 31, 2019

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Interest-bearing debt (non-current)					
Long-term borrowings	1,864,143	-	1,483,878	394,043	1,877,921
Lease obligations[1]	548,158	-	-	555,223	555,223

As of March 31, 2020

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Interest-bearing debt (non-current)					
Long-term borrowings	2,212,677	-	1,552,815	703,524	2,256,339

Note:

1. The Group has adopted IFRS 16 from the fiscal year ended March 31, 2020, as described in "(1) Application of new accounting standards and interpretations" under "Note 4. Changes in accounting policies." Therefore, the Group has not recognized lease obligations as of March 31, 2020. For the carrying amount of lease liabilities recognized on IFRS 16, refer to "Note 23. Interest-bearing debt."

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.

Fair values of the non-current portion of long-term borrowings associated with leases of intangible assets 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.

Fair values of the non-current portion of long-term borrowings in relation to sale and leaseback transactions not accounted as sales 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.

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.

31. 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, 2019	As of March 31, 2020
Carrying amount of transferred assets	736,100	794,514
Carrying amount of related liabilities	(651,526)	(706,091)

(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, 2019	As of March 31, 2020
Fair value of transferred assets	736,100	794,514
Fair value of related liabilities	(650,850)	(706,015)
Net position	85,250	88,499

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

In addition, the Group enters into securitization transactions involving a part of the monthly lump sum payment receivables included in loans in the card business. However, there are securitization receivables for which the Group bears a credit risk until collection and is obligated to pay retrospectively if a debtor does not pay. Those securitization receivables are not derecognized because they do not meet the derecognized criteria. Cash received from transferring the receivables are included in "Interest-bearing debt" under current liabilities.

Carrying amount of the receivables transferred and related liability in financial assets transferred by the method not to meet the derecognized criteria as of March 31, 2020 is ¥1,361 million and ¥60,000 million, respectively. The liability is settled without significant delay when a debtor pay for receivables transferred, but the Group cannot use the receivables transferred until the settlement of the liability or payment from the debtor are completed. The discrepancy between receivables transferred and related liabilities are mainly due to the amount of loan collection in card business.

32. 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, 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	194,419	(93,941)	100,478	(33,548)	66,930

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	240,471	(93,941)	146,530	(32,986)	113,544
Other financial liabilities	731	-	731	(562)	169
Total	241,202	(93,941)	147,261	(33,548)	113,713

As of March 31, 2020

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	167,747	(82,268)	85,479	(17,079)	68,400

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	244,594	(82,268)	162,326	(16,552)	145,774
Other financial liabilities	713	-	713	(527)	186
Total	245,307	(82,268)	163,039	(17,079)	145,960

33. 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, 2019	As of March 31, 2020
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, 2019	Fiscal year ended March 31, 2020
Balance at the beginning of the current fiscal year	4,610,948	4,787,145
Increase during the year		
Issuance of new shares[2]	176,197	-
Balance at the end of the current fiscal year	4,787,145	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 increase of 176,197 thousand shares in total issued shares resulted from new issuance of common stock of the Company with acquisition of the shares of domestic subsidiaries and associates owned by SBGJ, as of April 1, 2018. For details, refer to "(2) Acquisition of investments in subsidiaries and associates" under "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) Treasury Stocks

Changes in stocks are as follows:

(Thousands of shares)

	As of March 31, 2019	As of March 31, 2020
Balance at the beginning of the year	-	-
Increase[1]	-	46,000
Decrease	-	-
Balance at the end of the year	-	46,000

Note:

1. The number of shares of treasury stock acquired based on the resolution passed at the Board of Directors' meeting held on July 24, 2019 for the fiscal year ended March 31, 2020 was 46,000 thousand and total acquisition cost was ¥68,709 million.

(5) Accumulated other comprehensive income

Changes in accumulated other comprehensive income are as follows:

Fiscal year ended March 31, 2019

(Millions of yen)

	Remeasure-ments of defined benefit plan	Equity instruments at FVTOCI	Debt instruments at FVTOCI	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, 2018	-	11,043	(3)	0	(110)	18	10,948
Other comprehensive income (attributable to owners of the Company)	1	(2,583)	236	(4,675)	274	(561)	(7,308)
Changes from transactions under common control	-	96	-	-	-	-	96
Changes from loss of control	-	-	-	-	57	-	57
Transfer to retained earnings	(1)	(52)	-	-	-	-	(53)
As of March 31, 2019	-	8,504	233	(4,675)	221	(543)	3,740

Fiscal year ended March 31, 2020

(Millions of yen)

	Remeasure-ments of defined benefit plan	Equity instruments at FVTOCI	Debt instruments at FVTOCI	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 1,2019	-	8,504	233	(4,675)	221	(543)	3,740
Other comprehensive income (attributable to owners of the Company)	41	(5,986)	(314)	1,026	(258)	573	(4,918)
Changes from transactions under common control	-	(2,563)	-	-	148	-	(2,415)
Transfer to retained earnings	(41)	(1,059)	-	-	- -	-	(1,100)
As of March 31, 2020	-	(1,104)	(81)	(3,649)	111	30	(4,693)

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 40. Other comprehensive income.”

34. Dividends

Dividends paid are as follows:

The Company

Fiscal year ended March 31, 2019

There are no significant dividends paid to be disclosed.

Fiscal year ended March 31, 2020

(1) Dividends paid are as follows:

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
Board of Directors' meeting held on October 28, 2019	Common stock	42.50	202,584	September 30, 2019	December 6, 2019

(2) Dividends whose effective date is after the fiscal year ended March 31, 2020, whose record date is the fiscal year ended March 31, 2020 are as follows:

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, 2020	Common stock	42.50	201,499	March 31, 2020	June 10, 2020

Transactions under common control result in the Group retrospectively consolidating the financial statements of the transferred 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 earliest comparative period as part of the consolidated financial statements of the Group. As a result, the following dividends paid by Z Holdings Corporation and SB Technology Corp. (formerly SoftBank Technology Corp.) and before the date of the transaction under common control are included in “Cash dividends” in the consolidated statement of changes in equity.

Z Holdings Corporation

Fiscal year ended March 31, 2019

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)[1]	Record date	Effective date[2]
Board of Directors' meeting held on April 27, 2018	Common stock	8.86	50,449	March 31, 2018	June 26, 2018

Notes:

1. The amount of dividends paid to owners of the Company was ¥21,668 million.
2. At the Board of Directors Meeting held on May 31, 2018, Z Holdings Corporation resolved to change the scheduled dividend payment date (effective date) from June 5, 2018 to June 26, 2018.

Fiscal year ended March 31, 2020

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)[1]	Record date	Effective date
Board of Directors' meeting held on May 16, 2019	Common stock	8.86	45,042	March 31, 2019	June 4, 2019

Note:

1. The amount of dividends paid to owners of the Company was ¥16,253 million.

SB Technology Corp. (formerly SoftBank Technology Corp.)

Fiscal year ended March 31, 2019

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 18, 2018	Common stock	15.00	297	March 31, 2018	June 19, 2018

Note:

1. The amount of dividends paid to owners of the Company was ¥161 million.

Fiscal year ended March 31, 2020

There are no significant dividends paid to be disclosed.

35. 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.

Z Holdings Corporation has an equity-settled share option plan as an incentive plan for directors and employees.

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, 2019	Fiscal year ended March 31, 2020
Equity-settled	9,557	4,815

(1) Details of the stock option plan

The details of the stock option plan for the fiscal years ended March 31, 2019 and 2020 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.

On June 28, 2019, SBG conducted a 2-for-1 common stock split.

The number of stock options for the fiscal years ended March 31, 2019 and 2020 is adjusted with the common stock split above.

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.

c. Z Holdings Corporation

Z Holdings Corporation has an equity-settled share option plan for directors and employees.

Year issued / Name	Grant date	Due date for exercise
2008[1]	From May 9, 2008 to February 10, 2009	From April 25, 2018 to January 27, 2019
2009[1]	From May 12, 2009 to February 10, 2010	From April 28, 2019 to January 27, 2020
2010[1]	From May 11, 2010 to February 8, 2011	From April 27, 2020 to January 25, 2021
2011[1]	From June 3, 2011 to February 17, 2012	From May 20, 2021 to February 3, 2022
2012		
1st[1]	May 16, 2012	May 2, 2022
2nd[2]	March 1, 2013	February 28, 2023
2013		
1st[3]	May 17, 2013	May 16, 2023
2nd[4]	November 19, 2013	November 18, 2023
2014 1st[4]	May 26, 2014	May 25, 2024

Notes:

1. Vesting condition
Share options mainly vest in stages beginning after two years from the grant date. One half of the total granted shares vests after two years from the grant date, and one-fourth vests per year in the subsequent two years. Vesting requires continuous service from the grant date to the vesting date. When the holder of vested share options retires, those vested share options are forfeited.

2. Vesting condition
Share options vest according to the amount of operating income achieved as specified in (a) and (b) below in any year from the fiscal year ended March 31, 2014 to fiscal year ended March 31, 2019.

(a) If the operating income exceeds ¥250 billion
Period of achievement: By fiscal year ending March 31, 2016; Exercisable ratio: 20%
Period of achievement: By fiscal year ending March 31, 2017; Exercisable ratio: 14%
Period of achievement: By fiscal year ending March 31, 2018; Exercisable ratio: 8%
Period of achievement: By fiscal year ending March 31, 2019; Exercisable ratio: 2%

(b) If the operating income exceeds ¥330 billion
Period of achievement: By fiscal year ending March 31, 2016; Exercisable ratio: 80%
Period of achievement: By fiscal year ending March 31, 2017; Exercisable ratio: 56%
Period of achievement: By fiscal year ending March 31, 2018; Exercisable ratio: 32%
Period of achievement: By fiscal year ending March 31, 2019; Exercisable ratio: 8%

Vesting requires continuous service from the grant date to the vesting date. When the holder of vested share options retires, those vested share options are forfeited.

3. Vesting condition
Share options vest according to the amount of operating income achieved as specified in (a) and (b) below in any year from the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2019.

(a) If the operating income exceeds ¥250 billion; Exercisable ratio: 20%
(b) If the operating income exceeds ¥330 billion; Exercisable ratio: 80%

Vesting requires continuous service from the grant date to the vesting date. When the holder of vested share options retires, those vested share options are forfeited.

4. Vesting condition
Share options vest once the operating income for the fiscal year exceeds ¥330 billion in any year from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2019.
Vesting requires continuous service from the grant date to the vesting date. When the holder of vested share options retires, those vested share options 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.

No stock options granted during the Period.

b. SoftBank Group Corp.

No stock options granted during the Period.

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.

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

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

c. Z Holdings Corporation

No stock options granted during the 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, 2019		Fiscal year ended March 31, 2020	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Beginning balance - Unexercised	120,002,300	623	117,776,100	623
Granted	-	-	-	-
Forfeited	(2,226,200)	623	(2,682,600)	623
Exercised	-	-	-	-
Ending balance - Unexercised	117,776,100	623	115,093,500	623
Ending balance - Exercisable	-	-	-	-

The weighted-average exercise price and weighted-average remaining contract period for unexercised options are ¥623 and five years, respectively, as of March 31, 2020.

b. SoftBank Group Corp.

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Beginning balance - Unexercised	15,863,000	4,010	14,001,800	4,072
Granted	225,800	1	-	-
Forfeited	(90,000)	4,444	(128,400)	4,255
Exercised	(1,871,600)	3,080	(2,852,400)	3,169
Increase due to secondment and other reason	97,600	4,344	72,200	3,628
Decrease due to secondment and other reason	(223,000)	3,822	(501,400)	4,124
Ending balance - Unexercised	14,001,800	4,072	10,591,800	4,307
Ending balance - Exercisable	5,259,000	3,080	10,363,600	4,402

The unexercised options as of March 31, 2020 are as follows:

Range of exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)	Weighted-average remaining contract period (Years)
3,080	2,356,800	3,080	2.3
4,791	8,006,800	4,791	3.3
1	228,200	1	5.4
Total	10,591,800	4,307	3.2

c. Z Holdings Corporation

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Beginning balance - Unexercised	55,987,100	430	47,246,200	431
Granted	-	-	-	-
Forfeited	(8,171,800)	420	(45,951,600)	435
Exercised	(86,100)	306	(131,900)	305
Expiration	(483,000)	424	(345,300)	305
Ending balance - Unexercised	47,246,200	431	817,400	303
Ending balance - Exercisable	1,393,200	305	817,400	303

The unexercised options as of March 31, 2020 are as follows:

Range of exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)	Weighted-average remaining contract period (Years)
201～300	469,500	271	1.4
301～400	347,900	345	0.3
Total	817,400	303	1.0

(4) Stock options exercised during the period

a. SoftBank Corp.

No stock options granted during the Period.

b. SoftBank Group Corp.

The weighted-average stock price at the time of exercise of stock options during the period is as follows:

Fiscal year ended March 31, 2019			Fiscal year ended March 31, 2020		
Year issued / Name	Number of shares	Weighted-average exercise price (Yen)	Year issued / Name	Number of shares	Weighted-average exercise price (Yen)
2016 July stock acquisition rights	1,871,600	5,012	2016 July stock acquisition rights	2,703,200	5,309
2017 July stock acquisition rights	-	-	2017 July stock acquisition rights	149,200	5,352

c. Z Holdings Corporation

The weighted-average stock price at the time of exercise of stock options during the period is as follows:

Fiscal year ended March 31, 2019			Fiscal year ended March 31, 2020		
Year issued / Name	Number of shares	Weighted-average exercise price (Yen)	Year issued / Name	Number of shares	Weighted-average exercise price (Yen)
2008	17,700	444	2008	-	-
2009	18,100	429	2009	14,100	352
2010	5,300	481	2010	52,100	415
2011	30,000	364	2011	63,100	358
2012	15,000	387	2012	2,600	401

36. Revenue

(1) Components of revenue

The components of revenue are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Consumer business		
Telecommunications service revenues		
Mobile communications	1,612,077	1,665,192
Broadband	360,969	383,784
Revenues from sales of goods and others	690,759	636,059
Subtotal	2,663,805	2,685,035
Enterprise business		
Mobile communications[3]	262,701	267,294
Fixed-line communications	204,202	192,536
Business solution services and others[3]	143,766	167,916
Subtotal	610,669	627,746
Distribution business	380,806	440,200
Yahoo businesses		
Commerce business	628,159	721,351
Media business	300,718	307,107
Others	2,664	2,131
Subtotal	931,541	1,030,589
Other	69,994	77,677
Total	4,656,815	4,861,247

Notes:

1. The components of revenue represent sales to external customers.
2. The components of revenue include revenue from leases. Revenue from leases and others for the fiscal years ended March 31, 2019 and 2020 is ¥95,727 million and ¥108,880 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, 2019 and 2020 are ¥324,275 million and ¥345,255 million, respectively. Revenues from sales of goods and others for the fiscal years ended March 31, 2019 and 2020 are ¥82,092 million and ¥89,955 million, respectively.

(2) Contract balances

The components of contract balances are as follows:

(Millions of yen)

	As of April 1, 2018	As of March 31, 2019	As of March 31, 2020
Receivables from contracts with customers	663,242	705,223	753,216
Contract assets	18,623	33,719	57,666
Total	681,865	738,942	810,882
Contract liabilities	112,788	126,354	127,652

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, 2019 and 2020, the amounts included in the balance of contract liabilities at the beginning of the year are ¥74,285 million and ¥81,059 million, respectively.

Impairment loss recognized for receivables arising from contracts with customers during the fiscal years ended March 31, 2019 and 2020 are ¥11,775 million and ¥10,626 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 and 2020 is ¥99,783 million and ¥102,407 million, respectively. 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.

37. 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, 2019	Fiscal year ended March 31, 2020
Cost of goods sold	(1,254,927)	(1,262,617)
Sales commissions and sales promotion expenses	(433,828)	(430,941)
Depreciation and amortization[1]	(504,482)	(675,241)
Amortization of contract costs	(175,880)	(191,001)
Loss on disposal of property, plant and equipment and intangible assets	(41,397)	(25,693)
Telecommunications equipment usage fees	(225,141)	(227,593)
Employees and directors benefit costs	(312,400)	(320,169)
Operating lease expenses[1]	(148,621)	-
Outsourced service fees	(229,958)	(243,416)
Other	(508,994)	(578,981)
Total	(3,835,628)	(3,955,652)

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. Operating lease payments, which were previously recognized as expenses, are recognized as depreciation expenses of the recognized right-of-use assets for the fiscal year ended March 31, 2020 with the adoption of IFRS 16 “Leases.”

38. Other operating income and other operating expenses

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Other operating income		
Gain on release of payment obligation[1]	4,689	-
Gain on a remeasurement in business combinations	3,751	-
Gain on loss of control over subsidiaries[2]	-	12,937
Total	8,440	12,937
Other operating expenses		
Inventory valuation loss[1]	(4,770)	-
Impairment loss	(6,669)	(3,404)
Loss on a remeasurement in business combinations	-	(3,403)
Total	(11,439)	(6,807)

Notes:

1. 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 fiscal year ended March 31, 2019. 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."

2. Gain on loss of control over subsidiaries is mainly attributable to gain from the loss of control over Cybereason Japan Corp. On September 30, 2019, the Company sold part of its shares in Cybereason Japan Corp. to Cybereason Inc. As a result, the Company's ratio of voting rights in Cybereason Japan Corp. decreased from 60% to 49.9%. Accordingly, Cybereason Japan Corp. has been reclassified from the Company's subsidiary to an equity method associate.

   Gain on loss of control over subsidiaries recognized for this transaction was ¥11,879 million including gain on remeasurement associated with the application of equity method of ¥9,879 million.

39. Financing income and financing costs

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Dividends received	910	497
Interest received	275	249
Realized gain from financial instruments at FVTPL	-	1,261
Other	1,061	738
Total	2,246	2,745

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Interest expenses[1]	(55,805)	(60,206)
Foreign exchange losses	(1,419)	(216)
Realized loss from financial instruments at FVTPL	(463)	-
Other	(336)	(499)
Total	(58,023)	(60,921)

Note:

1. Interest expenses are primarily from financial liabilities measured at amortized cost, and the amount of ¥16,634 million of interest expenses from lease liabilities is included for the fiscal year ended March 31, 2020.

40. 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, 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	(3,774)	-	(3,774)	522	(3,252)
Total	(3,773)	-	(3,773)	522	(3,251)
Items that may be reclassified to profit or loss					
Changes in the fair value of debt instruments at FVTOCI	1,675	(118)	1,557	(477)	1,080
Cash flow hedges	(7,587)	765	(6,822)	2,147	(4,675)
Exchange differences on translation of foreign operations	788	-	788	-	788
Share of other comprehensive income (loss) of associates accounted for using the equity method	(561)	-	(561)	-	(561)
Total	(5,685)	647	(5,038)	1,670	(3,368)
Total other comprehensive income	(9,458)	647	(8,811)	2,192	(6,619)

Fiscal year ended March 31, 2020

(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	60	-	60	(19)	41
Changes in the fair value of equity instruments at FVTOCI	(10,978)	-	(10,978)	1,669	(9,309)
Total	(10,918)	-	(10,918)	1,650	(9,268)
Items that may be reclassified to profit or loss					
Changes in the fair value of debt instruments at FVTOCI	(1,625)	(414)	(2,039)	624	(1,415)
Cash flow hedges	184	1,314	1,498	(472)	1,026
Exchange differences on translation of foreign operations	(536)	-	(536)	-	(536)
Share of other comprehensive income (loss) of associates accounted for using the equity method	573	-	573	-	573
Total	(1,404)	900	(504)	152	(352)
Total other comprehensive income	(12,322)	900	(11,422)	1,802	(9,620)

41. 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, 2019	Fiscal year ended March 31, 2020
Net income used in the calculation of basic earnings per share (Millions of yen)		
Net income attributable to owners of the Company	462,455	473,135
Weighted-average number of shares of common stock outstanding (Thousands of shares)	4,787,145	4,766,178
Basic earnings per share (Yen)	96.60	99.27

(2) Diluted earnings per share

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income used in the calculation of diluted earnings per share (Millions of yen)		
Net income attributable to owners of the Company	462,455	473,135
Effect of dilutive securities issued by subsidiaries and associates	(12)	(10)
Total	462,443	473,125
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	4,787,145	4,766,178
Increase in the number of shares of common stock due to stock acquisition rights	34,251	64,457
Total	4,821,396	4,830,635
Diluted earnings per share (Yen)	95.91	97.94

42. 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) Cash outflow for leases

Total cash outflow for leases for the fiscal year ended March 31, 2020 were ¥498,662 million.

(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, 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) Lease transactions

The increased amount of the right-of-use asset on the lease transactions for the fiscal year ended March 31, 2020, ¥153,326 million which excluding lease payments and initial direct costs paid before the lease commencement date, is non-cash transactions.

43. Related party transactions

(1) Related party transactions and balances

Related party transactions of the Group are as follows:

Fiscal year ended March 31, 2019

(Millions of yen)

			Fiscal year ended March 31, 2019	As of March 31, 2019
Name of the company or individual	Nature of relationship	Nature of transaction	Amount of transaction[1]	Balance at period-end
SoftBank Group Japan Corporation	The parent company	Acquisition of investments in subsidiaries and associates[2]	109,771	-
		Acquisition of investments in subsidiaries[3]	219,999	-
SoftBank Group Corp.	The ultimate parent company	Borrowing of funds	238,873	-
		Repayment of loans	1,635,057	
		Payment of interest[4]	16,043	-

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

1. The transaction amount does not include consumption taxes.
2. The transaction price was determined based on negotiations with SBG based on a price determined by an independent third party. For details, refer to " (2) Acquisition of investments in subsidiaries and associates" under "6. Business combinations."
3. According to the resolution reached at the meeting of the Z Holdings Corporation's Board of Directors held on July 10, 2018, Z Holdings Corporation purchased 611,110 thousands of its own shares by way of a self-tender offer. The price of the tender offer was ¥360 per share and was determined based on the closing price of the Company's common stock as of July 9, 2018, the day before the announcement date of the tender offer dated on July 10, 2018.
4. Borrowing rates are determined on an arm's length basis in reference to market interest rates.

Fiscal year ended March 31, 2020

(Millions of yen)

Name of the company or individual	Nature of relationship	Nature of transaction	Fiscal year ended March 31, 2020 Amount of transaction[1]	As of March 31, 2020 Balance at period-end
SoftBank Group Japan Corporation	The parent company	Acquisition of investments in subsidiaries[2]	514,539	-
SoftBank Group Corp.	The ultimate parent company	Third-party allotment of new shares[3]	46,000	-
PayPay Corporation	The related company	Underwriting of capital increase	70,000	-

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

1. The transaction amount does not include consumption taxes.
2. The Company acquired 1,792,819 thousands of shares of Z Holdings Corporation's common stock at ¥287 per share by way of tender offer based on a resolution of Z Holdings Corporation's Board of Directors meeting held on May 8, 2019. The tender offer price per share was determined on the basis of the closing share price of Z Holdings Corporation's common stock on May 7, 2019, the business day immediately prior to the announcement date of the tender offer.
3. PayPay Corporation ("PayPay"), an affiliate of the Company, decided on a third-party allotment of new shares of PayPay's common stock to SBG based on a resolution of PayPay's Board of Directors meeting held on April 22, 2019, and the payment of ¥46,000 million from SBG was made on May 15, 2019. Following the acquisition of Z Holdings Corporation as a subsidiary of the Company, the Company has consolidated PayPay as a subsidiary, as part of the consolidated financial statements retrospectively for the period from the establishment of PayPay until the implementation of this transaction. After the completion of this transaction, the Group's ratio of voting rights in PayPay decreased from 100% to 50%, resulting in the Group's loss of control over PayPay. Accordingly, the Company has accounted for PayPay as an equity method associate. This transaction is a transaction under common control and therefore has been accounted for as an equity transaction.
   The transaction price was determined by negotiations based on a price determined by an independent third party.
4. The transaction price was determined by negotiations based on a price determined by an independent third party.
   There are no changes in the Group's ratio of voting rights in PayPay regarding this transaction due to underwriting of preferred stocks.

(2) Remuneration for key management personnel

Remuneration for key management personnel is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Short-term benefits	1,986	1,347
Share-based payments	2,063	872
Total	4,049	2,219

Notes:

1. Remuneration for key management personnel includes all directors of the Company.
2. Key management personnel are not entitled to any material post-employment benefits, long-term employment benefits, or termination benefits for the fiscal years ended March 31, 2019 and 2020.

44. Contingencies

(1) Lending commitments

The lending commitments of the Group mainly consist of the shopping limits and cashing limits that are granted to customers in the Group's credit card business. The total amount and remaining balances at year-end are as follows.

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Total lending commitments	4,176,409	4,982,730
Funded	318,845	407,592
Unfunded	3,857,564	4,575,138

The unfunded balance of the shopping limit and cashing limit does not indicate that the total amount of the balance will be used in the future because customers may use the credit card up to the limit at any time and do not always use the full amount of the limit and the Group may change the limit arbitrarily. Also, maturities for the unfunded lending commitments are within one year because they are payable on demand.

(2) Credit guarantees

The credit guarantee of the Group mainly consists of guarantees that the Company provides when loans are taken from affiliate financial institutions to individuals regarding the credit guarantee business. The total amount and guarantee balances at year-end are as follows.

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Total credit guarantees	13,904	13,745
Guarantee balance	7,668	6,380

Expected credit losses that could occur from the performance of the above credit guarantee contracts are not recorded since the amount is expected to be immaterial.

(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.

45. Purchase Commitments

Business Integration of Z Holdings Corporation and LINE Corporation

The Company, NAVER Corporation, Z Holdings Corporation, a consolidated subsidiary of the Company, and LINE Corporation, a consolidated subsidiary of NAVER entered into a business integration agreement on December 23, 2019, which is the legally-binding agreement regarding the Business Integration between ZHD and its subsidiaries and LINE and its subsidiaries ("Business Integration"). The Company and NAVER Corporation have entered into a legally-binding transaction agreement regarding the Definitive Integration Agreement and joint venture agreement.

As one step in the series of transactions to realize the Business Integration, the Company and NAVER or its wholly owned subsidiary will implement the Joint Tender Offer for the purpose of taking LINE private, and an absorption-type merger will be conducted between Shiodome Z Holdings[1] as the company ceasing to exist in the Merger and LINE as the surviving company, and 180,882,293 new LINE Shares will be issued in consideration of the Merger, all of which will be allocated to the Company.

The Business Integration is subject to receipt of required competition law and foreign exchange law and other clearances and permits. Please also refer to "Note 47. Additional Information - Business Integration of Z Holdings Corporation and LINE Corporation" for the detail of Business Integration.

Purchase commitments for the purchase of goods and services other than above are as follows:

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Inventories	128,287	145,410
Property, plant and equipment and Intangible assets	136,996	197,791
Other[2]	135,508	142,706
Total	400,791	485,907

Note:

1. Shiodome Z Holdings made organizational change and transitioned to a limited liability company on March 31, 2020.
2. "Other" primarily includes the amount of unfulfilled contracts regarding outsourced services, telecommunications equipment usage and investments.

46. Subsequent events

Unsecured bond issuance by Z Holdings Corporation

Z Holdings Corporation, a subsidiary of the Company, determined issuance conditions and issued unsecured bonds on June 5, 2020. The summary is as follows:

Name of bond	14th Unsecured Straight bond (subject to a limited inter-bond pari passu clause)	15th Unsecured Straight bond (subject to a limited inter-bond pari passu clause)	16th Unsecured Straight bond (subject to a limited inter-bond pari passu clause)	17th Unsecured Straight bond (subject to a limited inter-bond pari passu clause)	18th Unsecured Straight bond (subject to a limited inter-bond pari passu clause)
Issuance amount	¥25,000 million	¥80,000 million	¥70,000 million	¥15,000 million	¥10,000 million
Issue price	100 yen par 100 yen of each bond	100 yen par 100 yen of each bond	100 yen par 100 yen of each bond	100 yen par 100 yen of each bond	100 yen par 100 yen of each bond
Interest rate	0.200% per year	0.350% per year	0.600% per year	0.790% per year	0.900% per year
Date of maturity	December 10, 2021	June 9, 2023	June 11, 2025	June 11, 2027	June 11, 2030
Redemption method	Bullet maturity amortization	Bullet maturity amortization	Bullet maturity amortization	Bullet maturity amortization	Bullet maturity amortization
Payment date	June 11, 2020	June 11, 2020	June 11, 2020	June 11, 2020	June 11, 2020
Use of funds	It will be appropriated to working capital, capital investment funds, investment and financing, debt repayment fund, bond redemption fund, and fund of acquisition of treasury stock.				

47. Additional Information

Business Integration of Z Holdings Corporation and LINE Corporation

The Company, NAVER Corporation ("NAVER", and the Company and NAVER are collectively referred to as the "Proposing Parties"), Z Holdings Corporation (Securities Code: 4689, listed on the first section of the Tokyo Stock Exchange, Inc. ("TSE"), a consolidated subsidiary of the Company ("ZHD"), and LINE Corporation (Securities Code: 3938, listed on the first section of the TSE), a consolidated subsidiary of NAVER ("LINE"), have been discussing and evaluating a business integration between ZHD and its subsidiaries ("ZHD Group") and LINE and its subsidiaries ("LINE Group") ("Business Integration"). In accordance with the resolutions of the Board of Directors of each of NAVER, ZHD and LINE at a meeting held on December 23, 2019, and in accordance with the decision of Ken Miyauchi, Representative Director, President & CEO, who has been authorized in accordance with the resolution of the Board of Directors of the Company at a meeting held on the same date, the four companies have on the same date entered into a business integration agreement, which is the definitive and legally-binding agreement regarding the Business Integration ("Definitive Integration Agreement"). In accordance with the resolutions of the Board of Directors of NAVER at a meeting held on the same date, and in accordance with the decision of Ken Miyauchi, Representative Director, President & CEO, who has been authorized in accordance with the resolution of the Board of Directors of the Company at a meeting held on the same date, the Proposing Parties have entered into a legally-binding transaction agreement on the same date regarding the Definitive Integration Agreement and joint venture agreement ("Joint Venture Agreement").

As one step in a series of transactions to realize the Business Integration, by resolution of the Board of Directors of NAVER at a meeting held on December 23, 2019, and by the decision of Ken Miyauchi, Representative Director, President & CEO, who has been authorized in accordance with the resolution of the Board of Directors of the Company at a meeting held on December 23, 2019, the Proposing Parties have decided to jointly conduct a tender offer in Japan and the United States ("Joint Tender Offer").

ZHD, the publicly listed integrated company following the Business Integration ("Combined Company"), is expected to be a consolidated subsidiary of the Company. The Business Integration is subject to receipt of required competition law and foreign exchange law and other clearances and permits required by applicable law and regulation in each country as well as the satisfaction of the other preconditions specified in the Definitive Integration Agreement, and the Business Integration is targeted to be completed in October, 2020. Please also refer to "(2) Summary of the Business Integration" for the method of Business Integration.

(1) Purpose of the Business Integration

The Business Integration will be conducted on an equal basis by ZHD and LINE with the aim of forming a business group that can overcome fierce domestic and global competition through the ZHD Group and the LINE Group bringing together their business resources and through the Combined Company group, following the Business Integration, pursuing synergies in their respective business areas as well as implementing business investment targeting growth in the areas of AI, commerce, FinTech[1] advertising, and O2O[2] and other new business areas.

Notes:

1. FinTech is a word comprised of "finance" and "technology," and it refers to activities to attempt to resolve inefficiencies in existing financial services and to innovate financial services through the utilization of smart devices including smartphones and tablets and technologies that utilize big data.
2. O2O stands for "Online to Offline," and it refers to measures for online (internet)-based information to influence offline (real world) purchasing activities.

(2) Summary of Business Integration

In the Definitive Integration Agreement, the Company, NAVER, ZHD, and LINE agreed broadly on the following method of Business Integration.

a. The Company and NAVER or its wholly owned subsidiary (a Japanese entity) (NAVER and such wholly owned subsidiary, "NAVER Offerors") will implement the Joint Tender Offer for the purpose of taking LINE private.
b. In the event that, following the completion of the Joint Tender Offer, a portion of the Target Shares[1] have not been tendered and acquired, the Company and the NAVER Offerors will implement squeeze-out procedures (with the intended result that post-squeeze out, the Company and the NAVER Offerors shall be the only shareholders of LINE) using a reverse share split or other methods permitted by law to take LINE private ("Squeeze-out"), and deliver consideration for the Squeeze-out in the same amount as the tender offer price to LINE shareholders in the Joint Tender Offer.
c. LINE will make a tender offer for ZHD shares ("Tender Offer for ZHD Shares")[2] for the purpose of acquiring all of ZHD shares ("Shares to be Tendered") held by Shiodome Z Holdings Corporation ("Shiodome Z Holdings"), which is a consolidated subsidiary of the Company[3].
d. Prior to the settlement of the Tender Offer for ZHD Shares, LINE will issue a corporate bond with the Company as the underwriter for the underwriting amount equivalent to the aggregate amount of the purchase price for the Tender Offer for ZHD Shares in order to secure the purchase funds for Tender Offer for ZHD Shares ("Bond Issuance").

e. After completion of the settlement for the Tender Offer for ZHD shares, an absorption-type merger ("Merger") will be conducted between Shiodome Z Holdings as the company ceasing to exist in the Merger and LINE as the surviving company. Assuming the total number of issued and outstanding LINE Shares and shares of ZHD are those of September 30, 2019 (excluding treasury shares), 180,882,293 new LINE Shares will be issued in consideration of the Merger[4], all of which will be allocated to the Company, which is the parent of Shiodome Z Holdings.
f. One day prior to the date of commencement of settlement for the Tender Offer for ZHD shares, the Company and the NAVER Offerors will undertake a shareholding adjustment transaction in order to make the ratio of voting rights in LINE held by the Company and the NAVER Offerors 50:50 immediately after the Merger becomes effective. This transaction shall take the form of a transfer of a portion of LINE Shares held by the Company from the Company to the NAVER Offerors ("JV Conversion Transaction"). Through the Merger and the JV Conversion Transaction, LINE will be a consolidated subsidiary of the Company.
g. At the same time as the Merger becomes effective, LINE will contribute all of its business (except for its shares in ZHD and the status, rights, and obligations in connection with the contracts entered into by LINE with respect to the Business Integration and any other rights and obligations specified in the absorption-type demerger agreement) to a newly formed wholly owned subsidiary ("LINE Successor") in an absorption-type demerger ("Corporate Demerger").
h. After the Corporate Demerger becomes effective, a share exchange will be conducted with ZHD shares as consideration whereby ZHD becomes the wholly owning parent company and the LINE Successor becomes the wholly owned subsidiary company ("Share Exchange") .

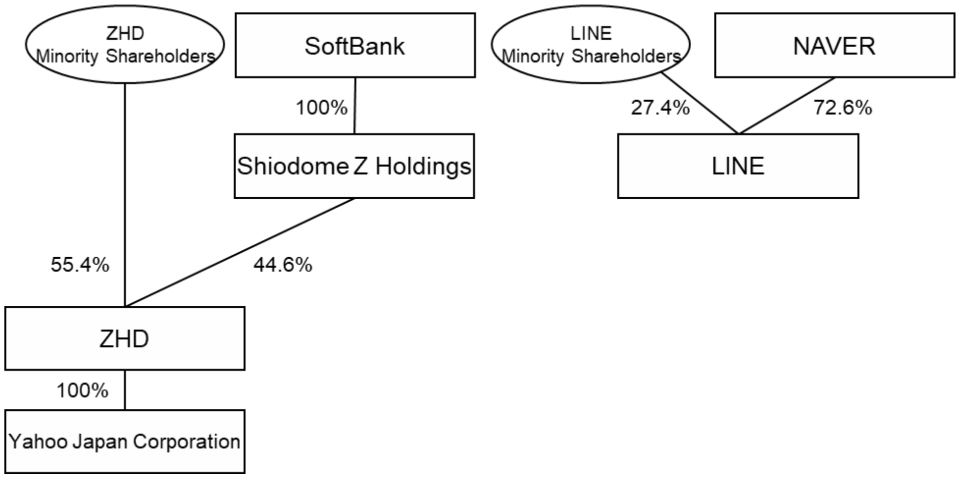
Notes:

1. LINE Common stock, the Share Options, the Convertible Bonds, and the American Depositary Receipts are collectively referred to as the "Target Shares" (other than those owned by NAVER or owned by LINE as the treasury shares).
2. The Company transferred its shares in ZHD to its wholly owned consolidated subsidiary Shiodome Z Holdings, with an execution date of December 18, 2019. Shiodome Z Holdings made organizational change and transitioned to a limited liability company on March 31, 2020.
3. Because the Tender Offer for ZHD Shares is scheduled to be conducted in early September 2020, and will be conducted in accordance with an agreement between the Company and NAVER to transfer the Shares to be Tendered from Shiodome Z Holdings to LINE, the method and terms of the transfer of the Shares to be Tendered from Shiodome Z Holdings to LINE may change to the extent permitted by applicable law and regulation. In addition, the Tender Offer for ZHD Shares will not be conducted, directly or indirectly, in the United States, and will not be extended to, or for the benefit of, shareholders in the United States, who are definitively excluded from the Tender Offer for ZHD Shares.
4. However, based on the result of the Squeeze-out or if there is any other reason that requires reasonable adjustment, the Company and NAVER intend to make appropriate adjustments according to such result or reason through a separate agreement.

Please also refer to below "Schematic Diagram of the Business Integration" for the summary of Business Integration.

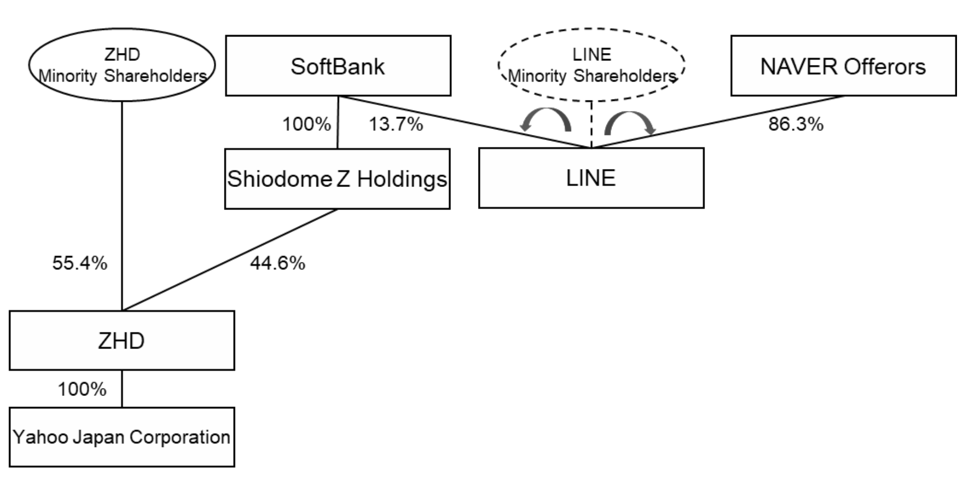
Schematic Diagram of the Business Integration

As of December 23, 2019



<table>
<tr>
<td rowspan="2">a. Joint Tender Offer (Joint tender offer for LINE shares, etc.)

and

b. Squeeze- out</td>
<td>
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</tr>
<tr>
<td>a. The Company and the NAVER Offerors will jointly conduct the Joint Tender Offer for the purpose of taking LINE private. The commencement of the Joint Tender Offer is targeted to occur during the period from May to June 2020, and the Tender Offer Period is intended to be at least 30 business days, but it is difficult to accurately predict the amount of time required for procedures, etc. with the competition authorities in Japan and abroad, and therefore this is not a fixed schedule. The aggregate amount of the purchase price is expected to be approximately ¥372.0 billion, with the Company and the NAVER Offerors each purchasing 50%.
b. In the event that the Joint Tender Offer is completed and all of the Target Shares have not been acquired in the Joint Tender Offer, the Squeeze-out using a reverse share split or other methods will be deployed to take LINE private and to make the Company and the NAVER Offerors the only shareholders of LINE, and will provide LINE shareholders with the same amount as the Tender Offer Price in the Joint Tender Offer.</td>
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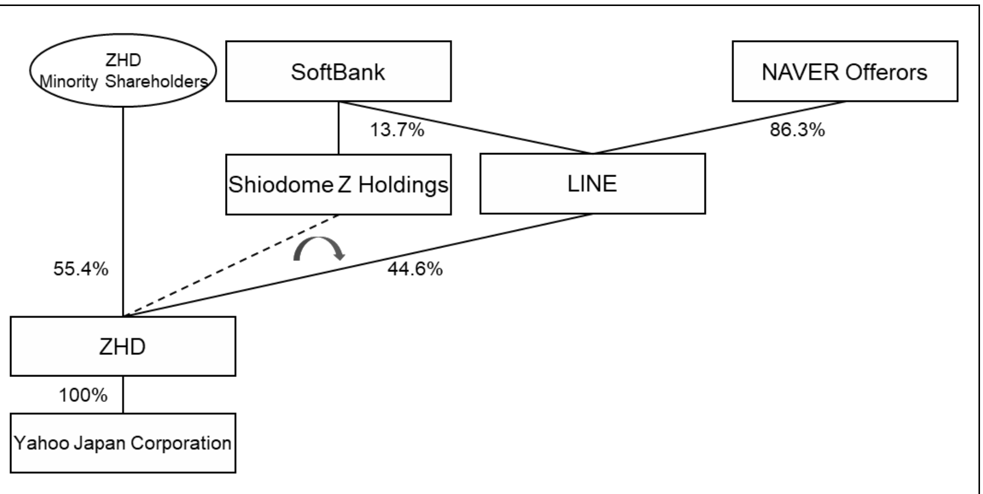
<tr>
<td>c. Tender Offer for ZHD Shares

and

d. Bond Issuance (Issuance of corporate bond by LINE)</td>
<td>
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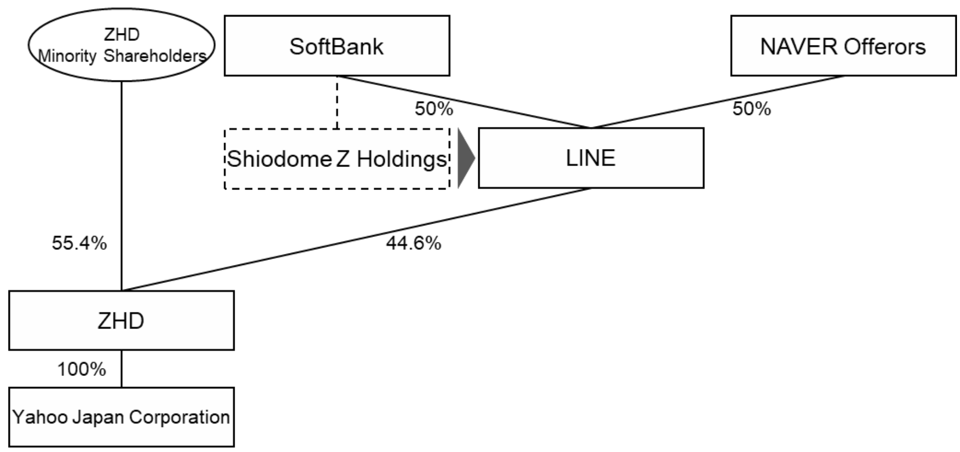
</table>

	c. LINE will conduct the Tender Offer for ZHD Shares for the purpose of acquiring all ZHD shares held by Shiodome Z Holdings. The commencement of the Tender Offer for ZHD Shares is targeted to occur in early September 2020, but it is difficult to accurately predict the amount of time required for procedures, etc. with the competition authorities in Japan and abroad, and therefore, this is not a fixed schedule. In addition, the aggregate amount of the purchase price will be the number of shares to be purchased (2,125,366,950 shares) multiplied by the tender offer price pertaining to the Tender Offer for ZHD Shares (348 yen (or, if the lesser of (i) the closing price of ZHD shares on the First Section of the Tokyo Stock Exchange on the business day before the date of commencement of the Tender Offer for ZHD Shares and (ii) the simple average closing price over the past one month to the same date, discounted by 5% (rounded down to the nearest yen), is below 348 yen, then such amount); however, the specific amount is still to be finalized. d. Prior to the settlement of the Tender Offer for ZHD Shares, LINE will issue bonds with the Company as the underwriter in order to secure the purchase funds for the Tender Offer for ZHD Shares. The Company and NAVER have agreed that the amount to be paid for the Bond Issuance will be equivalent to the aggregate amount of the purchase price in the Tender Offer for ZHD Shares.
e. Merger (Merger of Shiodome Z Holdings and LINE) and f. JV Conversion Transaction (Transaction to adjust the voting rights ratio in LINE held by the Company and the NAVER Offerors to 50:50)	 e. After completion of the settlement of the Tender Offer for ZHD Shares, the Merger will be conducted with Shiodome Z Holdings as the company ceasing to exist in the Merger and LINE as the surviving company. Assuming the total number of issued and outstanding LINE Shares and shares of ZHD is that of September 30, 2019 (excluding treasury shares), 180,882,293 new LINE Shares will be issued in consideration of the Merger, all of which will be allocated to the Company, which is the parent of Shiodome Z Holdings. f. One day prior to the settlement start date of the Tender Offer for ZHD Shares, the Company and the NAVER Offerors will undertake a shareholding adjustment transaction in order to make the ratio of voting rights in LINE held by the Company and the NAVER Offerors 50:50 immediately after the Merger becomes effective. This transaction shall take the form of a transfer by the Company of a portion of the LINE Shares held by the Company to the NAVER Offerors immediately after the Merger becomes effective. Through the Tender Offer for ZHD Shares and the JV Conversion Transaction, LINE will be a consolidated subsidiary of the Company.

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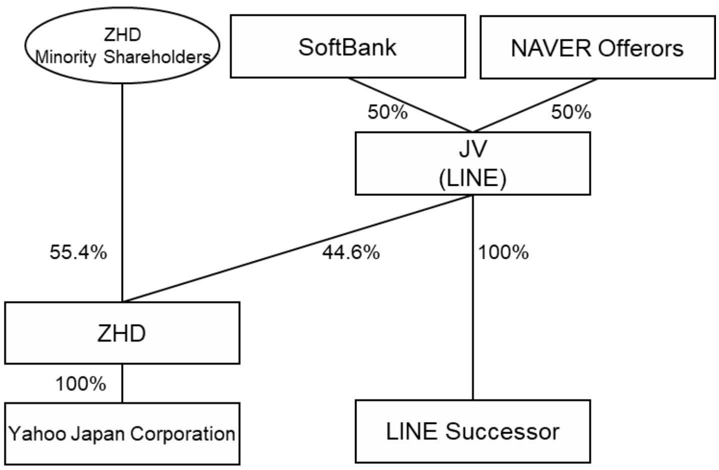
<tr>
<td rowspan="2">g. Corporate Demerger (Demerger by LINE of all of its business to the LINE Successor)</td>
<td>
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<tr>
<td>g. At the same time as the Merger becomes effective, LINE will contribute all of its business (except for its shares in ZHD and the status, rights, and obligations in connection with the contracts entered into by LINE with respect to the Business Integration and any other rights and obligations specified in the absorption-type demerger agreement) to the LINE Successor to be newly established by LINE in the Merger.</td>
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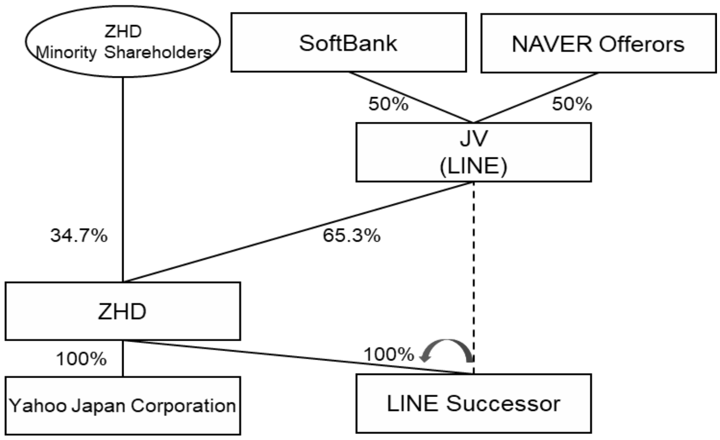
<tr>
<td rowspan="2">h. Share Exchange (Share exchange between ZHD and LINE)</td>
<td>
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<tr>
<td>h. After the Corporate Demerger becomes effective, a share exchange will be conducted with ZHD shares as consideration whereby ZHD becomes the wholly owning parent company and the LINE Successor becomes the wholly owned subsidiary company. The exchange ratio for the Share Exchange (allotted ratio of ZHD Shares to be exchanged for one share of the LINE Successor) is 11.75, and the Share Exchange is scheduled to be effective in October 2020.</td>
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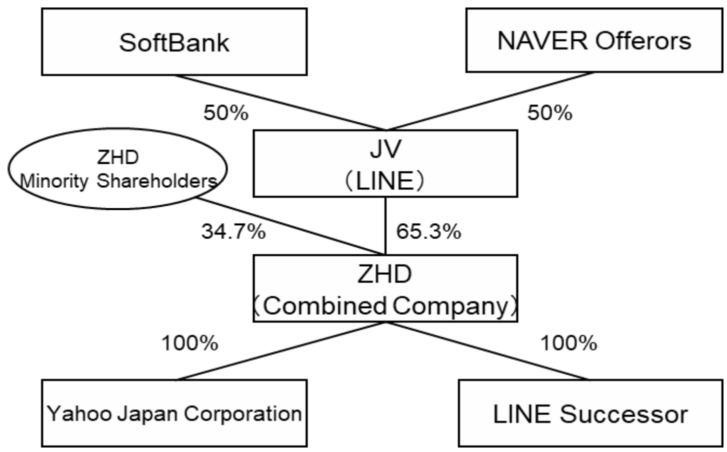
After the Business Integration	

(3) Outline of the Parties

a. Parties involved in the Business Integration

(a) Outline of subsidiary subject to change

i.	Name	LINE Corporation
ii.	Address	4-1-6 Shinjuku, Shinjuku-ku, Tokyo
iii.	Name and title of representative	Mr. Takeshi Idezawa, Representative Director and President
iv.	Nature of business	Advertising service based on the mobile messenger application "LINE", core businesses including the sales of stamp and game service, and strategic businesses including Fintech, AI, and commerce service.
v.	Share capital	JPY 96,535 million (as of September 30, 2019)
vi.	Major shareholders and shareholding ratios (as of June 30, 2019)	NAVER 72.64% MOXLEY & CO LLC 3.64% JAPAN TRUSTEE SERVICES BANK, LTD. 2.11%

b. Parties to the Merger

(a) Company ceasing to exist in the Merger

i.	Name	Shiodome Z Holdings Co., Ltd.
ii.	Address	1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo
iii.	Name and title of representative	Kazuhiko Fujihara, Representative Director
iv.	Nature of business	Business preparation company
v.	Share capital	JPY 10 million (As of March 31, 2019)
vi.	Major shareholders and shareholding ratios (as of September 30, 2019)	The Company 100%

Note:

1. Shiodome Z Holdings made organizational change and transitioned to a limited liability company on March 31, 2020.

(b) Surviving company in the Merger

For an overview of LINE, which will be the surviving company in the Merger, please refer to "(a) Outline of subsidiary subject to change" in "a. Parties involved in the Business Integration" under "(3) Outline of the Parties."

(c) Status of the surviving company after the Merger

i.	Name	LINE Corporation
ii.	Address	4-1-6 Shinjuku, Shinjuku-ku, Tokyo
iii.	Name and title of representative	Mr. Takeshi Idezawa, Representative Director and President
iv.	Nature of business	Advertising service based on the mobile messenger application "LINE," core businesses including the sales of stamp and game service, and strategic businesses including Fintech, AI, and commerce service.
v.	Share capital	JPY 96,535 million (as of September 30, 2019)

Note: The status prior to the Corporate Demerger becoming effective is shown. LINE plans to transfer all of its business to the LINE Successor through the Corporate Demerger, and after the Corporate Demerger becomes effective, LINE (the JV) will hold ZHD (the Combined Company) shares in order to run the business that controls and manages ZHD business activities and to run associated operations. In addition, the name of LINE (the JV) will be changed after the Corporate Demerger becomes effective, but the name after the change has not yet been decided.

c. Parties to the Share Exchange

(a) Wholly owning parent company in the Share Exchange and the wholly owned subsidiary in the Share Exchange

		Wholly owning parent company in Share Exchange	Wholly owned subsidiary company in Share Exchange
i.	Name	Z Holdings Corporation	Preparatory corporation for demerger of LINE
ii.	Address	Tokyo Garden Terrace Kioi-cho Kioi Tower, 1-3, Kioicho, Chiyoda-ku, Tokyo	4-1-6 Shinjuku Shinjuku-ku, Tokyo
iii.	Name and title of representative	Kentaro Kawabe, Representative Director, President and CEO	Takeshi Idezawa, Representative Director
iv.	Nature of business	Management of group companies and related operations	Company for preparation of operations
v.	Share capital	JPY 237,404 million (as of September 30, 2019)	JPY 1.50 million (as of the founding date of December 13, 2019)
vi.	Major shareholders and shareholding ratios[1] (as of September 30, 2019)	The Company 44.6%	LINE Corporation 100%
		STATE STREET BANK AND TRUST COMPANY 505325 3.0%	
		SSBTC CLIENT OMNIBUS ACCOUNT 1.9%	
		JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account) 1.8%	
		The Master Trust Bank of Japan, Ltd. (Trust account) 1.8%	
		GOLDMAN, SACHS & CO. REG 1.7%	
		J.P. MORGAN BANK LUXEMBOURG S.A. 1300000 1.5%	
		JP MORGAN CHASE BANK 385632 1.2%	
		BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO) 1.1%	
		JAPAN TRUSTEE SERVICES BANK, LTD. (Trust account 9) 1.0%	

Note: ZHD is also holding 60,021,000 treasury shares in addition to the above.

(b) Outline of the wholly owning parent company in share exchange after the Share Exchange

i.	Name	Z Holdings Corporation
ii.	Address	Tokyo Garden Terrace Kioi-cho Kioi Tower, 1-3, Kioicho, Chiyoda-ku, Tokyo
iii.	Name and title of representative	Takeshi Idezawa, Representative Director and Co-CEO Kentaro Kawabe, Representative Director, President and Co-CEO
iv.	Nature of business	Management of group companies and related operations
v.	Share capital	Not yet finalized.

(4) Impact on future performance of the Group

Any impact on the results of our business and operations due to the Joint Tender Offer and the Business Integration are currently being evaluated.

2. The impact of outbreak of the coronavirus disease 2019

Due to the outbreak of the coronavirus disease 2019 (COVID-19), there has been a sharp slowdown in economic activity and consequent deterioration in the economic environment, but this has not had a significant impact on the Group's business results for this fiscal year. As of this moment, it is difficult to reasonably estimate the period and extent of the impact of the outbreak of COVID-19, and if it is delayed to slow the outbreak, there are certain uncertainties in the estimates that affect the Group's future earnings and cash flows. In this situation, we reasonably estimate the amount of the evaluation, such as that of goodwill and intangible assets, in consideration of the period and the risks and uncertainties of the impact of the outbreak of COVID-19, based on the information and facts available at the time of preparation of the consolidated financial statements. However, future uncertainties may cause a discrepancy between the estimated amount as a result of the best estimates and the subsequent results.

48. 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, 2020.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SoftBank Corporation:

Opinion

We have audited the consolidated financial statements of SoftBank Corporation (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the fiscal year then ended in accordance with International Financial Reporting Standards ("IFRS").

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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition - significant judgements and estimates required in the application of IFRS 15 "Revenues from Contracts with Customers" ("IFRS 15") to telecommunication contracts, and the reliability of IT system based on which revenues are recorded (Note 3. Significant group accounting policy (16) Revenues, and Note 36. Revenues)	
Key audit matters	Audit response
(1) Significant judgements and estimates required in the application of IFRS 15 As stated in Note 36 (Revenues), the Group recorded telecommunication service revenues of JPY 2,477,877 million for the current fiscal year, which represent 50.9% of total revenues in the consolidated statement of income. The Group recognized contract liabilities in the amount of JPY 127,652 million, and capitalized contract costs in the amount of JPY 212,638 million, each represents 2.8% of current liabilities and 3.3% of non-current assets in the consolidated statement of financial position, respectively. The telecommunication services include mobile services and broadband services to consumers, and mobile and fixed line services to corporate customers. For each of the services, the Company has a wide range of frequently changing tariff structures, incentive arrangements, and discounts. Application of IFRS 15 involves a number of key judgements and estimates. The measurement and allocation of the transaction price of individual contracts and specifically, the timing and pattern of revenue recognition and the amount of contract costs expensed, are highly dependent upon such estimates. In particular: ● Estimate on the duration of the contract, based on which management recognizes revenue, in which the parties to the contract	To address the key audit matter, we tested the design and operating effectiveness of controls over the application of IFRS 15, and assessed whether key judgments and estimates used by the management are in accordance with IFRS 15 with the following audit procedures, in particular: ● Assessed the reasonableness of the estimates made by management of the contractual period by assessing whether enforceable rights and obligations beyond the contractual period exist considering the effect of the cancellation penalty charges, and performing retrospective review of cancellation rates. ● Assessed the reasonableness of the determination made by management as to whether the discount options provided to customers represent material rights. Our procedures included: review of service contracts, inquiries of management, review of management's analysis as to whether benefits from discount options are inseparable from the telecommunication service contracts, review of management's analysis on the effects brought by such discounts, recalculated management's calculation used in the analysis, and examination of supporting evidence for relevance, reliability and accuracy.

have enforceable rights and obligations (i.e. the contractual period) ● The determination as to whether discount options in connection with telecommunication services provide customers with a material right ● Estimate on the duration of telecommunication service contracts, based on which the management determines the amortization period of capitalized contract costs (primarily, sales commissions for obtaining and renewing mobile telecommunication contracts). Given the significant quantitative impact to the consolidated financial statements from the judgments and estimates required in applying IFRS15, we believe the application of IFRS 15 is a key audit matter.	● Assessed whether the amortization period of capitalized contract cost is reasonably estimated, particularly, whether the expected duration of telecommunication services are reasonably estimated. Our procedures included: review of the relevant sections of certain contracts agreed between the Company and its customers, review of management's analysis on churn rate categorized by customer attributes for consistency with the Company's operating results and movements in its market environments, and examination of the supporting data for objectivity and accuracy.
(2) The reliability of IT system based on which revenues are recorded Revenue recognition processes in telecommunication services, such as, the calculation of amounts to be billed to customers, billing to customers, and interface of information into the financial reporting systems, are highly dependent on IT systems. Billing systems cover a combination of different services plans, and process large volumes of data through a number of different IT systems. Such data includes customer contract data, revenue transaction data captured and recorded for variable-pay plans, CDR (detailed call records), and a wide range of tariffs with frequent changes during the year. Given the quantitative significance of the telecommunication service revenues to total revenues in the consolidated statement of income, and the fact that the design, implementation, and operating effectiveness of the IT systems underpin the accuracy of billing to customers and consequently the accuracy of revenue recognized,	To address the key audit matter, we tested design and operating effectiveness of IT controls over revenue recognition with the support of our IT specialists: ● Tested the end to end reconciliation from the customer management systems to the billing and rating systems, and to the general ledger. ● As a part of the control testing of the automated business process control for billing, we tested whether the actual billing data agrees to our independently calculated data using the customer database, CDR, and tariff tables for accuracy. ● Testing IT general controls such as access controls of the customer management system, the billing system and other relevant support systems, and change management controls around systems relating to material revenue streams.

we believe the reliability of the IT systems is a key audit matter.	

2. **Business combination and valuation of intangible assets- significant business combinations including business combination under common control (Note 3. Significant group accounting policies (2) Business combination, Note 6. Business combination, and Note 14. Goodwill and intangible assets)**	
Key audit matter	Audit response
As stated in Note 6 of the consolidated financial statements, there were two significant transactions that are related to changes in ownership structures during the fiscal year. The transfer of Z Holdings (formerly Yahoo Japan Corporation) shares, and the acquisition of ZOZO Corporation shares through a take-over-bid process. **(1) Appropriateness of accounting policy selected and applied by the Group management for the transfer of Z Holdings shares, and the accuracy of retrospective adjustments and related disclosures** Z Holdings issued 1,511,478 shares (30.87% of voting rights) on 27 June 2019, which were all allocated to the Company. As a result, the Company's voting right increased to 44.64% and Z Holdings became a subsidiary of the Company. The total assets and revenues of Z Holdings as at March 31, 2019 and for the fiscal year ended March 31, 2019 were JPY 2,429,601 million and JPY 954,714 million, respectively. This transfer is considered a business combination under common control by the parent company, SoftBank Group Corporation. For transactions under common control, the Group has an accounting policy where the prior year financial statements and financial information should be retrospectively adjusted in order to furnish comparative information using their historical carrying amounts in the parent's consolidated financial statements. The Group consistently applied its group accounting policy	To address the key audit matter, we tested the design and operating effectiveness of controls over the consolidation process and performed substantive procedures as follows: To evaluate the appropriateness of the accounting treatment and challenge management's basis for accounting, we performed the following audit procedures, in particular: ● Assessed management's conclusion through understanding the nature and risk of transactions as a whole via reading minutes of Board of Directors meetings, discussion materials used in Management meetings, and key legal documents related to the transactions. ● Assessed the economic rationales behind the transactions and the transaction nature of the transfer of businesses within SoftBank Group through discussions with the Group management involved in the transaction, including the CEO and CFO of the Company. ● Assessed whether the accounting policy selected and applied by the Group management is relevant to the economic decision-making needs of users and the reliability of information reflecting the economic substance of transactions. To examine whether the retrospective adjustments were applied appropriately in the comparative financial information presented in the consolidated statement of financial position, the consolidated statement of income and notes to the

and Z Holdings and its subsidiaries were combined retrospectively as a result. In the absence of IFRS that specifically applies to transactions under common control that affect non-controlling-interest, Group management had to use its judgement in developing and applying an accounting policy that would result in information relevant to the economic decision-making of users. Particularly, management used judgements in determining: the measurement of assets and liabilities transferred, the accounting treatment of the difference between the consideration and the transferred net assets, the presentation and disclosure of comparative information, and the accounting treatment of equity transactions incurred during the fiscal year to which retrospective adjustments are applied. Given the significantly high level of judgments required by the Group management and its significant impact to the consolidated financial statements, and also given the complexity, retrospective adjustments required pervasively throughout the consolidated financial statements, we believe the consolidation process of Z Holdings including the retrospective adjustments is a key audit matter.	consolidated financial statements, we performed the following procedures, in particular: ● Obtained an understanding of the consolidation process of SoftBank Group and Z Holdings, including the nature and extent of eliminations and reclassifications required in the process. ● Tested the accuracy and completeness of elimination entries and reclassification entries made in the comparative financial information where retrospective adjustments were made. ● Performed analytical procedures to assess the business rationales of the events and transactions incurred during the fiscal year over which retrospective adjustments were made. ● Assessed the transaction nature and economic rationales of the equity transactions incurred during the fiscal year over which retrospective adjustments were made, and tested whether adjustments are properly made. ● Tested the accuracy of the adjustments in the comparative financial statements by performing recalculation and other procedures.
(2) Appropriateness of the purchase price allocation ("PPA") and the year-end impairment analysis of intangible assets identified in the ZOZO acquisition *Valuation performed as part of the PPA for intangible assets identified* Z Holdings, a subsidiary of the Company, acquired 50.1% of ZOZO Corporation shares through a take-over bid, and ZOZO Corporation became a subsidiary of the Company on 13 November 2019. Consideration paid for the transaction was JPY 400,737 million and the Group appointed a valuation specialist to assist with the PPA process, including the identification and valuation of intangible assets and assumed	To address the key audit matter, we tested the design and operating effectiveness of controls over the PPA process and impairment process, and performed substantive procedures as follows. To assess appropriateness of the PPA, we tested the initial measurement of intangible assets with the following audit procedures, in particular: ● Obtained an understanding of the nature and risk of the transaction by reading minutes of the Board of Directors meetings, discussion materials of CEO meetings, and related legal documents. ● Assessed the consistency between the objective of the transaction and the accounting treatment, through discussions with the

liabilities. As a result, the Group recognized intangible assets in the amount of JPY 502,199 (mainly, trademark of JPY 178,720 million and customer related assets of JPY 322,070), and goodwill of JPY 212,911 million. The following key assumptions were used by the Group management in the initial measurement of intangible assets. [Trademark] ・ Projected revenues from the use of trademark ・ Royalty rate ・ Discount rate [Customer related assets] ・ Projected revenues and operating profits from existing customers ・ Attrition rate estimate ・ Discount rate	management involved in the transaction including the CEO and CFO of the Company and Z Holdings. ● Tested the valuation models used by management to determine the recoverable value with the support of our internal fair value specialist. ● Performed the following procedures to challenge the key assumptions used by the management: [Trademark] ・ Assessed whether the Group appropriately determined the scope of projected revenues to be generated by the trademark by analyzing the business structure of the investee. ・ Assessed whether the projected revenues used by the management are determined in conformity with the historical revenues and market environment by analyzing business environment, business structure, and others factors. ・ Tested the royalty rate and discount rate used by Group management with the support of our internal fair value specialist. [Customer related assets] ・ Tested the projected revenues and operating profits from existing customers used in the valuation model for reasonableness by comparing with the actual historical revenues and operating profits and available third party data on market growth rate. ・ Assessed the reasonableness of attrition rate, by discussing with the management regarding the terms of contracts with and relationships with major existing customers at the time of acquisition, and also by recalculation of the past ten-year fluctuation analysis of historical GMV (Gross Merchandise Volume) by customers. ・ With the support of our internal fair value specialists, we benchmarked and challenged

Year-end Impairment analysis of intangible assets acquired Trademark is classified as an intangible asset with an indefinite useful life and subject to impairment testing at least annually. Group management verifies whether any events or circumstances occurred, which do not support the indefinite useful life assessment for that asset. As for the customer related assets, amortization period is reviewed at the fiscal year-end, where management monitors and compares the historical forecast to actual results with regards to the revenues and operating profits from existing customers as at the acquisition. As the intangible assets identified in this transaction do not generate cash inflows from continuing use that are largely independent of those from other assets or groups of assets, they are therefore tested for impairment as part of the cash-generating unit to which they belong. We believe that the measurement of intangible assets identified in the PPA of ZOZO acquisition and the year-end impairment analysis of these assets are key audit matters, given their significant sensitivity to assumptions made by the Group management and their quantitative significance to the consolidated financial statements.	management's valuation models used to determine the attrition rate, economic life, and discount rate applied in the model. To test the year-end impairment analysis of intangible assets, we performed the following audit procedures: ● As for the trademark, we performed comparative analysis between the expected revenues and the operating profits made at the time of acquisition and actual revenues and operating profits incurred during the fiscal year. Also, we inquired of management to confirm that there are not any events or circumstances which indicate that an indefinite useful life of the asset is inappropriate. ● Assessed the appropriateness of management's review of the amortization period for customer-related assets at fiscal year-end by evaluating the actual GMV from existing customers and the attrition rate. ● Assessed the reasonableness of the recoverable amount used for the purpose of the intangible assets impairment testing.
(3) Valuation of goodwill recognized in the ZOZO acquisition For the purpose of impairment testing, goodwill acquired in the ZOZO acquisition is allocated to the Shopping cash generating units ("Shopping CGU"). The Group has goodwill of JPY 272,829 million in the Shopping CGU and its recoverable amount is measured based on value in use. The future cash-flows on which the value in use is measured, are prepared based on the most	To address the key audit matter, we tested the design and operating effectiveness of controls over the impairment process of goodwill, and assessed the valuation of the Shopping CGU with the following substantive procedures, in particular: ● Assessed whether the allocation of the goodwill recognised in the ZOZO acquisition to the Shopping CGU is appropriately

recent mid-term budgets approved by Z Holdings management, covering a five-year period, and cash projections for periods beyond the five-year period are estimated by applying a steady growth rate for subsequent years. Future discounted cash flows from ZOZO business operations are estimated using the following key assumptions and inputs: ・ GMV and take rate (percentage of potential customers that sign up for a service) ・ Market growth rate and expected market share ・ Discount rate We believe that the valuation of Shopping CGU goodwill is a key audit matter, given the increased quantitative impact from the ZOZO acquisition to the consolidated financial statements and given the uncertainty inherent in the assumptions used by the Group management.	determined based on a reasonable and consistent basis. ● With the support of our internal fair value specialist, we assessed the valuation models used by management to measure the value in use, and assessed whether the discount rates applied are reasonably determined incorporating the market conditions at the time of testing. ● To challenge the key assumptions and inputs underpinning the cash-flow projections developed by the management, such as GMV, take rate, e-commerce market growth rate, and the expected market share by ZOZO, we performed the following: Assessed the management risk analysis that includes the evaluation of COVID-19 effects, compared the historical financial records with available third party data, and performed comparative analysis of the market growth rate used in the model against macro-economic data and the growth rate used in the competitors' mid-term business plans.

Responsibilities of Management and Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current fiscal year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2020