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To Our Shareholders:

Disclosed information on the Internet at the Time of Notifying Convocation of the 36th Annual General Meeting of Shareholders

June 8, 2022

SoftBank Corp.

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

Business Report

Status of the Company

(5) Overview of systems to ensure the appropriateness of operations and its implementation status

Overview of the Board of Directors resolution on the systems to ensure the appropriateness of operations

[1] Systems to ensure that the execution of the duties of board directors and employees is in compliance with laws, regulations, and the Articles of Incorporation of the Company

The Company has established the code of conduct to be followed by all board directors and employees to ensure that corporate activities are appropriate based not only on regulatory compliance, but also on high ethical standards, and has established the following structure to continuously reinforce the compliance system:

(1) A chief compliance officer (CCO) is appointed. The CCO proposes and carries out measures required to establish and enhance the Company's compliance system.

(2) A department in charge of compliance is established to assist the CCO.

(3) A compliance officer and a compliance manager shall be placed in each business unit for thorough compliance.

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

(5) Audit & Supervisory Board Members and the Audit & Supervisory Board request measures for improvements to the Board of Directors, if they identify issues in the system for compliance with laws, regulations, and the Articles of Incorporation.

[2] System for the storage and management of information regarding the execution of duties by board directors

The Company has established the following system to appropriately store and maintain information related to the execution of duties by board directors:

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

(2) A chief information security officer (CISO) has been appointed as the person responsible for information security management, and persons responsible for information security are placed in each business unit to establish a system to store and manage information, based on the Basic Regulations for Information Security.

(3) The Chief Data Officer Office has been established and a chief data officer (CDO) has been appointed. In addition, policies and rules have been set out to manage and strategically utilize internal and external data, and the internal management system for handling secrecy of communication and personal information has been strengthened.

[3] Regulations and system relating to managing the risk of loss

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

Based on the Risk Management Regulations, the risk management department summarizes the status of risk evaluation, analysis and response at each unit, and regularly reports its findings to the Risk Management Committee consisting of representative directors and other committee members. The Risk Management Committee determines the degree of importance and owners of the risks, and confirms and promotes measures developed and taken by the risk owners, thereby reducing risks and preventing the occurrence of risk events. The Risk Management Committee then regularly reports ifs findings to the Board of Directors. When an emergency situation arises, an Emergency Response Department will be established and efforts will be made to minimize the damage (loss) based on the instructions of the Emergency Response Department.

[4] Systems to ensure the efficiency of board directors in the execution of their duties

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

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

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

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

(4) The scope of operations and responsibilities necessary for operations are clearly defined in the Organization Management Regulations.

[5] Systems to ensure appropriateness of operations of the Company and the Group consisting of its parent and subsidiaries

The Company shares fundamental concepts and policies throughout the Group and reinforces the management system and compliance in accordance with the SoftBank Charter of Corporate Behavior, etc. In addition, the following systems have been established to apply rules shared by the Group to board directors and employees of the Group:

(1) The CCO establishes and reinforces the compliance system of the Group. For practicing compliance, CCO gives advice, instructions, and orders to the CCOs of each Group company to ensure that such activities comply with the Group's basic compliance policy. The compliance reporting desk has also been established to receive reports and provide consultation to board directors and employees of the Group to quickly identify, rectify, and prevent the reoccurrence of any inappropriate issues in corporate activities. The Company ensures that persons who have reported or consulted on the Hotline will not be treated disadvantageously by prohibiting the disadvantageous treatment of persons on the grounds of having reported or consulted on the Hotline in the Compliance Regulations.

(2) The Group Security Committee, composed of the persons responsible for information security in each Group company, has been established to report and share information on trends, plans and other matters related to information security. This Committee is headed by the CISO, who is responsible for information security in the Company.

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

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

(5) While the Group addresses risk in an effort to reduce and prevent any possible risks, in the event of emergency, an immediate report to the Company is requested in accordance with the Risk Management Regulations. In addition, the Company will coordinate closely with each Group company according to the situation to minimize damage (loss).

[6] System for excluding antisocial forces

The Company clearly states in the Regulations on Countermeasures against Antisocial Forces its policy of having absolutely no association with antisocial forces that pose a threat to public order and safety. The Company establishes an internal system to counter antisocial forces and has a responsible division in place to carry out overall management. For dealing with inappropriate requests from antisocial forces, the Company will firmly refuse those requests in a resolute manner in cooperation with the police and other external specialist institutions.

[7] Matters relating to support staff that assists the Audit & Supervisory Board Members upon request for such placement from Audit & Supervisory Board Members, matters relating to the independence

from the board directors, and matters relating to ensuring the effectiveness of instructions given to the relevant employees

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

[8] System for reporting to the Audit & Supervisory Board Members by board directors and employees and other systems for reporting to the Audit & Supervisory Board Members

Board directors and employees will report the following matters to the Audit & Supervisory Board Members or the Audit & Supervisory Board promptly (or immediately for any urgent matters including facts that may potentially cause severe damage to the Company):

(1) Matters related to the compliance system or use of the compliance reporting desk.
(2) Matters related to finances (including financial reporting and actual results against planned budget).
(3) Matters related to human resources (including labor management).
(4) The status of work related to risk matters on information security.
(5) The status of work related to large-scale disaster and network disruption, etc.
(6) The development status of internal control.
(7) The status of work related to external fraud investigations.
(8) Matters related to violations of laws, regulations, or the Articles of Incorporation.
(9) Results of audits conducted by the internal audit unit.
(10) Other matters which could materially harm the Company or matters that the Audit & Supervisory Board Members have decided that need to be reported in order for them to execute their duties.

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

(1) When the Audit & Supervisory Board Members deem it necessary, opportunities shall be provided for them to interview board directors or employees of the Group. In addition, the Audit & Supervisory Board Members periodically meet with the independent auditor and the Audit & Supervisory Board Members of major subsidiaries and other entities for an exchange of information and to ensure cooperation, and also attend important meetings.
(2) The Company ensures a system that persons who have reported or consulted with the Audit & Supervisory Board Members will not be treated disadvantageously on the grounds of having reported or consulted with the Audit & Supervisory Board Members.
(3) The Company shall pay expenses relating to the independent auditor, the attorneys and other professionals, and other expenses associated with the execution of duties by the Audit & Supervisory Board Members.

Overview of the implementation status of systems to ensure the appropriateness of operations

[1] Matters concerning compliance

The Company continues to conduct compliance training for board directors and employees, as well as the offering of information and giving of advice, etc., as necessary, for enhancing the compliance system. In addition, the Company works to ensure the effectiveness of compliance of the Company through setting and operating hotlines so that board directors and employees of the Company and its subsidiaries can report and consult directly. Effects of these measures are reviewed and improved, as necessary.

[2] Matters concerning risk

Based on the Risk Management Regulations, the risk management department summarizes the status of risk evaluation, analysis and response at each unit, and regularly reports its findings to the Risk Management Committee consisting of board directors. The Risk Management Committee determines the degree of importance and owners of the risks, and confirms and promotes measures developed and taken the by risk owners, thereby reducing risks and preventing the occurrence of risk events. The Risk Management Committee then regularly reports its findings to the Board of Directors.

The Group companies also continuously work on reducing risks and preventing the occurrence thereof.

In addition, the Company is working to strengthen its information management system through continued efforts such as holding awareness-raising activities with the aim to prevent inappropriate information management and divulging of confidential information.

[3] Matters concerning internal audits

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

[4] Matters concerning the execution of duties by board directors and employees

The Company ensures efficiency of the execution of duties by its board directors and employees based on internal regulations such as the Rules of the Board of Directors, Internal Approval Regulations and Organization Management Regulations. The Company also ensures an environment where matters can be fully discussed at the Board of Directors meetings by board directors.

[5] Matters concerning duties of Audit & Supervisory Board Members

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

(Note) Within this Business Report, amounts less than stated units are rounded, and ratios less than stated units are rounded.

Consolidated Statement of Changes in Equity

(Fiscal year ended March 31, 2022)

(Millions of yen)

	Equity attributable to owners of the Company			
	Common stock	Capital surplus	Retained earnings	Treasury stock
As of April 1, 2021[1]	204,309	363,773	1,066,228	(134,218)
Comprehensive income				
Net income	-	-	517,517	-
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income	-	-	517,517	-
Transactions with owners and other transactions				
Cash dividends	-	-	(403,708)	-
Purchase of treasury stock	-	-	-	(0)
Disposal of treasury stock	-	(12,556)	-	27,756
Changes from business combinations	-	-	-	-
Changes from loss of control	-	-	-	-
Changes in interests in existing subsidiaries	-	(288)	-	-
Share-based payment transactions	-	2,654	-	-
Transfer from retained earnings to capital surplus	-	12,602	(12,602)	-
Transfer from accumulated other comprehensive income (loss) to retained earnings	-	-	966	-
Other	-	(87)	(498)	-
Total transactions with owners and other transactions	-	2,325	(415,842)	27,756
As of March 31, 2022	204,309	366,098	1,167,903	(106,462)

	Equity attributable to owners of the Company		Non-controlling interests	Total equity
	Accumulated other comprehensive income (loss)	Total		
As of April 1, 2021[1]	35,631	1,535,723	1,201,389	2,737,112
Comprehensive income				
Net income	-	517,517	66,435	583,952
Other comprehensive income (loss)	8,687	8,687	18,892	27,579
Total comprehensive income	8,687	526,204	85,327	611,531
Transactions with owners and other transactions				
Cash dividends	-	(403,708)	(64,200)	(467,908)
Purchase of treasury stock	-	(0)	-	(0)
Disposal of treasury stock	-	15,200	-	15,200
Changes from business combinations	-	-	1,554	1,554
Changes from loss of control	-	-	(3,401)	(3,401)
Changes in interests in existing subsidiaries	-	(288)	(6,563)	(6,851)
Share-based payment transactions	-	2,654	-	2,654
Transfer from retained earnings to capital surplus	-	-	-	-
Transfer from accumulated other comprehensive income (loss) to retained earnings	(966)	-	-	-
Other	-	(585)	(960)	(1,545)
Total transactions with owners and other transactions	(966)	(386,727)	(73,570)	(460,297)
As of March 31, 2022	43,352	1,675,200	1,213,146	2,888,346

Note:

1. As described in “Notes Relating to Business Combinations,” provisional accounting treatment pertaining to the business combination has been completed and accordingly the balances as of April 1, 2021 are retrospectively amended.

Non-consolidated Statement of Changes in Net Assets

(For the fiscal year from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2021	204,309	71,371	-	71,371	734,072	734,072	(134,218)	875,534
Cumulative effect of changes in accounting policies	-	-	-	-	7,041	7,041	-	7,041
Restated balance	204,309	71,371	-	71,371	741,113	741,113	(134,218)	882,575
Changes of items during period								
Cash dividends	-	-	-	-	(403,708)	(403,708)	-	(403,708)
Net income	-	-	-	-	364,219	364,219	-	364,219
Purchase of treasury stock	-	-	-	-	-	-	(0)	(0)
Disposal of treasury stock	-	-	(12,602)	(12,602)	-	-	27,757	15,155
Transfer from retained earnings to capital surplus	-	-	12,602	12,602	(12,602)	(12,602)	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes of items during period	-	-	-	-	(52,091)	(52,091)	27,757	(24,334)
Balance as of March 31, 2022	204,309	71,371	-	71,371	689,022	689,022	(106,461)	858,241

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of April 1, 2021	2,790	(3,640)	(850)	6,844	881,528
Cumulative effect of changes in accounting policies	-	-	-	-	7,041
Restated balance	2,790	(3,640)	(850)	6,844	888,569
Changes of items during period					
Cash dividends	-	-	-	-	(403,708)
Net income	-	-	-	-	364,219
Purchase of treasury stock	-	-	-	-	(0)
Disposal of treasury stock	-	-	-	-	15,155
Transfer from retained earnings to capital surplus	-	-	-	-	-
Net changes of items other than shareholders' equity	(2,616)	1,329	(1,287)	2,439	1,152
Total changes of items during period	(2,616)	1,329	(1,287)	2,439	(23,182)
Balance as of March 31, 2022	174	(2,311)	(2,137)	9,283	865,387

Notes to Consolidated Financial Statements

(Basis of Preparation of Consolidated Financial Statements)

1. Basis of preparation of consolidated financial statements

The consolidated financial statements of the Group have been prepared on the basis of International Financial Reporting Standards ("IFRS") pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under IFRS.

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

Company names/Abbreviations	Definition
The Company	SoftBank Corp. (stand-alone basis)
The Group	SoftBank Corp. and its subsidiaries
SBG	SoftBank Group Corp. (stand-alone basis)

2. Scope of consolidation

(1) Number of consolidated subsidiaries: 245

(2) Names of main consolidated subsidiaries

Wireless City Planning Inc., SB C&S Corp., Z Holdings Corporation, Yahoo Japan Corporation, ASKUL Corp., ZOZO, Inc., Ikyu Corp., PayPay Bank Corporation[1], PayPay Card Corporation[2], LINE Corporation, LINE SOUTHEAST ASIA CORP.PTE.LTD., LINE Pay Corporation, LINE Plus Corporation, SB Payment Service Corp., A Holdings Corporation,

Note:
1. PayPay Bank Corporation changed its company name from The Japan Net Bank, Ltd. as of April 5, 2021.
2. PayPay Card Corporation changed its company name from YJ Card Corp. as of October 1, 2021.

(3) Names of new and main consolidated subsidiaries and the reasons thereof

There are no applicable items.

(4) Names of main subsidiaries excluded from consolidation and the reasons thereof

YJFX, Inc. Sale of shares

3. Scope of associates accounted for by the equity method

(1) Number of associates accounted for by the equity method: 68

(2) Names of main associates accounted for by the equity method

WeWork Japan GK, PayPay Corp., Demae-can Co., Ltd.

(3) Names of new and main associates accounted for by the equity method and the reasons thereof

There are no applicable items.

(4) Names of main associates excluded from the scope of equity method and the reasons thereof

T Point Japan Co., Ltd. Sale of shares

4. Significant accounting policies

(1) Valuation standards and methods for financial assets and financial liabilities

a. Financial instruments

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

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

b. Non-derivative financial assets

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

(a) Financial assets at amortized cost

Non-derivative financial assets are classified as “financial assets at amortized cost” 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

Non-derivative financial assets are classified as “debt instruments at FVTOCI” 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 Group transfers accumulated gains or losses directly from other comprehensive income to retained earnings in the case of derecognition or significant or prolonged decline in fair value 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.

(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 "Revenue from Contracts with Customers." The Group assesses whether credit risk on financial assets has increased significantly since initial recognition at the end of each fiscal year and at the end of each quarter. 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 of 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 immediately in profit or loss unless the derivative is designated as a hedging instrument and or works effectively as a hedge. Derivative financial assets not designated as hedging instruments are classified as "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 that are accounted for 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 Group 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 objectives 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 fair value of derivatives that are designated as and qualifies 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 forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Group transfers the associated gains or losses previously recognized in other comprehensive income in accumulated other comprehensive income to 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 recognized in 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 recognized immediately in 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 contract and accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contract and also if the whole financial instrument, including the embedded derivative, is not classified as a financial liability at FVTPL. In case that the Group is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent fiscal year, the entire hybrid contract is designated and accounted for as a financial liability at FVTPL.

(2) Valuation standards and methods for 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 of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs are calculated primarily by the moving-average method.

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

(3) Valuation standards and methods for property, plant and equipment and intangible assets, and methods of depreciation and amortization thereof

a. 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.

Depreciation of property, plant and equipment is calculated mainly by the straight-line method over the estimated useful lives of each component, using the depreciable amount. 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

Major assets in the above, which are subject to operating leases as lessor, are 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.

b. 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 individually are measured at cost upon initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill upon initial recognition and are measured at fair value at the acquisition date. Any internally generated research and development expenditure is recognized as an expense when it is incurred, except for expenditures 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 expenditures 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 mainly by the straight-line method or the sum-of-the-digits method and intangible assets with finite useful lives other than customer relationships are amortized by the straight-line method.

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

Software	5 - 10	years
Customer relationships	11 - 25	years
Spectrum-related costs	18	years
Other	2 - 20	years

Spectrum-related costs are the Company’s share of costs for the spectrums assigned to the Company based on the Radio Act. These spectrum-related costs include the costs arising from the migration of pre-existing users to other spectrums by the termination campaign. Useful lives are estimated based on the actual utilization of the

frequency spectrum in the past. "Spectrum migration costs" was renamed to "Spectrum-related costs" in the current fiscal year.

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 indefinite useful life or the cash-generating unit to which the asset belongs is tested for impairment at a certain timing within the fiscal year and when any indication of impairment exists.

The Group's intangible assets that have indefinite useful lives primarily relate to its trademark usage right of the *SoftBank* brand, trademark of the *Yahoo!* and the *Yahoo! JAPAN* brand in Japan, trademark of the *ZOZO* brand and trademark of the *LINE* brand

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

c. Leased assets

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) 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 a total estimate of costs to be incurred in dismantling and removing the underlying asset, and 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.

(b) 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) Lease classification

At the 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.

(b) 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.

(c) Recognition and measurement

Lease receivables in finance leases are recognized at the amount of the Group's net investment in the leases, 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 rate is recognized in profit or loss.

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

(4) Accounting treatment of goodwill

Please refer to "(8) Accounting treatment of business combinations" for the measurement of goodwill at initial recognition. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortized and is tested for impairment when there is an indication of impairment in operating segments to which goodwill has been allocated, and at a certain timing within the fiscal year, irrespective of whether there is any indication of impairment. For the details of impairment, please refer to "(5) Impairment of property, plant and equipment, right-of-use assets, intangible assets, and goodwill."

Any excess in the cost of acquisition of an associate or a joint venture over the Group's interest in the net fair value of the identifiable assets and liabilities recognized at the date of acquisition is recognized as goodwill and included within the carrying amount of 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 investment in associates or joint ventures, including goodwill, is tested for impairment as a single asset whenever objective evidence indicates the investment may be impaired.

(5) Impairment of property, plant and equipment, 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 determines 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 when any indication of impairment exists and at a certain timing 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 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 when there is an indication of impairment in the operating segments to which goodwill has been allocated, and at a certain timing within the fiscal year, irrespective of whether there is any indication of impairment. 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.

(6) Criteria for recording significant 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 the estimated future cash flows, discounted using a pretax rate reflecting the time value of money and the specific risks of the liability, after considering the risks and uncertainties surrounding the obligation at the end of the fiscal year.

The Group mainly recognizes asset retirement obligations, provision for loss on contracts and provision for loss on interest repayment as provisions.

(7) Revenue recognition

a. Revenue

Consumer business

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

(a) Mobile services and sales of mobile devices

The Group provides mobile 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 services, sales revenue is mainly generated from basic monthly charges, mobile 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 services, the contractual period is defined as the period in which the party to the contract has present enforceable rights and obligations based on the terms of the contract with the subscriber. If the subscriber is granted an option to renew the contract and it is determined that the option provides the subscriber with a “material right,” a separate performance obligation is identified. As a practical alternative to estimating the stand-alone selling price of the option that represents a performance obligation, the Group allocates the transaction price to the mobile communications services related to the option by reference to the mobile communications services expected to be provided and the corresponding expected consideration.

Basic charges and mobile service fees are billed to subscribers on a monthly basis and are generally due within one month. Mobile device payments for indirect sales are billed to dealers at the time of sale to the respective dealers and are generally due within one month. 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 one month. 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 payments and 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 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 goods and services based on historical experience.

The Company 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 service fees are recognized as revenue over time during the contractual period because the performance obligation of mobile services is to provide a certain amount of data communications monthly to subscribers during the contractual period. Discounts on mobile communications charges are deducted from the revenues recognized from monthly mobile services. Commission fees paid to dealers related to the sales of mobile devices are deducted from sales.

ii. Direct sales

For direct sales, the total amount of transaction prices is allocated to sales of mobile devices and mobile services revenue based on the ratio of their stand-alone selling prices as the revenues from the sales of mobile devices and mobile services, including related fees, are considered to be one transaction. Discounts on mobile communications charges related to mobile service revenue are deducted from the total transaction price. 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 services. If the amount of revenue recognized at the time of sales 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 services are provided, and is recognized as revenue.

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

The amount allocated to sales of mobile devices 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 service revenues are recognized as revenue over time during the contractual period because the performance obligation of mobile services is to provide a certain amount of data communications monthly to subscribers during the contractual period.

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 service fees primarily related to Internet connection (“revenues from broadband services”), and other fees.

Revenues from broadband services are recognized when broadband 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 upon receipt, then reversed when the broadband services are provided, and are recognized as revenue.

(c) Electricity

For electricity services, revenues are generated from the purchase and sale, supply and intermediation of electricity services, including *Ouchidenki*. Revenues from supply of electricity (retail service) are recognized when the services are provided to subscribers, based upon fixed monthly charges plus the fees charged for usage of electricity.

Enterprise business

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

(a) Mobile services and mobile device rental services

Revenues from mobile services mainly consist of revenues from mobile services and other fees. Mobile device rental services are provided on the condition that mobile service contracts are entered into. Consideration arising from these transactions is allocated to lease and other based on the fair value of leased mobile devices 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 based upon the consideration receivable from subscribers at the time of delivery or provision of the services to the subscribers representing the point in time when subscribers are considered to have obtained control of the solution services and other.

Distribution business

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

Revenues in the Distribution business are recognized as revenue at the time of delivery to customers, representing the point in time when 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.

Yahoo! JAPAN/LINE business

Revenues in the Yahoo! JAPAN/LINE business consist of revenues arising mainly from media business and commerce business.

(a) Media business

The media business mainly comprises planning and sale of internet-based advertising-related services, information listing services, and other corporate services. Revenues in the media business mainly consist of revenues from Yahoo! JAPAN advertising services and LINE advertising services.

i. Yahoo! JAPAN advertising services

Yahoo! JAPAN advertising services consist of paid search advertising, display advertising and other advertising to advertisers.

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 comprises display advertising (reservation) and display advertising (programmatic).

Revenues from display advertising (reservation) are recognized over the period in which the related advertisement is displayed.

Revenues from display advertising (programmatic) 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.

ii. LINE advertising services

LINE advertising services mainly consist of display advertising, account advertising and other advertising to advertisers.

Revenues from display advertising are recognized upon the fulfilment of certain actions under contracts with advertisers, such as impressions, views, and clicks.

Account advertising mainly comprises LINE Official Accounts and LINE Sponsored Stickers.

Revenues from LINE Official Accounts are recognized over time during the contractual period in which the account is available for the registered user.

Revenues from LINE Sponsored Stickers are recognized over time during the contractual period.

(b) Commerce business

The commerce business mainly comprises sales of products and planning and providing of services, which are provided via the internet for small to medium-sized businesses and individual customers. Revenues in the commerce business mainly consist of revenues from the sales of goods by ASKUL Group, e-commerce-related services, such as *ZOZOTOWN* and *YAHUOKU!*, and membership services, such as *Yahoo! Premium*.

i. Sales of goods by ASKUL Group

ASKUL Group engages in the business of selling office-related products and other goods. ASKUL Group's major customers are small- and medium-sized companies as well as individual users. Revenues from the sale of goods 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.

ii. *ZOZOTOWN*

ZOZO Inc. operates *ZOZOTOWN* and mainly 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.

iii. *YAHUOKU!*

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.

iv. *Yahoo! Premium*

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.

b. Contract costs

The Group recognizes the costs of obtaining telecommunications service contracts 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 telecommunications 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 (mainly two to four 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.

(8) Accounting treatment of business combinations

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

The consideration transferred in business combinations is measured at fair value as the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree, and 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 that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefits are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits,” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the 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 manner as the Group disposed such interest in the acquiree. The amount 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 manner as those used in the disposal of the interests 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 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 new information about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognized amounts for the business combination. The measurement period shall not exceed one year from the acquisition date.

Goodwill arising 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) as of the date of transition to IFRS and recorded by that carrying amount after an impairment test.

For transactions under common control (all of the combining companies or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory) , the Company accounts for those transactions based on the book value of the parent company and, regardless of the actual date of the transaction under common control, retrospectively combines the financial statements of the acquired companies as if such transactions were executed by the Group on the later of the date when the parent obtained control of the transferred companies prior to the transfer or the beginning of the previous fiscal year.

(Notes Relating to Accounting 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 Coronavirus Disease 2019, we recorded various estimates on the consolidated financial statements for which we can reasonably estimate based on the information and facts available at the time.

However, uncertainties exist and changes may occur in the future. Such events 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.

1. 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 needs 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 from business combinations is described in “(8) Accounting treatment of business combinations” under “4. Significant accounting policies.” Information relating to impairment loss of intangible assets and goodwill is described in “(5) Impairment of property, plant and equipment, right-of-use assets, intangible assets, and goodwill” under “4. Significant accounting policies.”

2. 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 by management may have a material impact on their carrying amounts and related depreciation and amortization.

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 “(3) Valuation standards and methods for property, plant and equipment and intangible assets, and methods of depreciation and amortization thereof” under “4. Significant accounting policies.”

3. 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.

Information relating to fair value of financial instruments is described in “(1) Fair value hierarchy”, “(2) Financial instruments measured at fair value on a recurring basis” and “(3) Fair value measurements of financial instruments that are categorized as Level 3” under “2. Fair value of financial instruments and matters relating to categorization by level within fair value hierarchy.”

4. 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 considering 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.

Information relating to contract acquisition costs is described in "(7) Revenue recognition b. Contract costs" under "4. Significant accounting policies."

(Notes Relating to Consolidated Statement of Financial Position)

1. Assets pledged as collateral, borrowings related to equity securities lending contract and others

(1) Assets pledged as collateral

Certain investment securities of ¥53,433 million are pledged as collateral for financing and exchange settlement purposes by the banking subsidiary. In addition, deposits in the central clearing house of ¥125,200 million are included in other financial assets (non-current).

(2) Borrowings related to equity securities lending contract

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

	(Millions of yen)
Interest-bearing debt:	
Short-term borrowings	71,300

(3) Others

a. Assets with limited property rights due to installment purchase

Assets with limited property rights due to installment purchase by the Group are as follows:

	(Millions of yen)
Property, plant and equipment	27

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

	(Millions of yen)
Interest-bearing debt:	
Current portion of installment payables	54
Installment payables	72
Total	126

b. Assets with limited property rights due to sale and leaseback transactions not accounted for as sales

Assets with limited property rights retained by lessors due to sale and leaseback transactions not accounted for as sales are as follows:

	(Millions of yen)
Property, plant and equipment	632,965

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

	(Millions of yen)
Interest-bearing debt:	
Current portion of long-term borrowings	162,720
Long-term borrowings	422,006
Total	584,726

c. Assets with limited property rights due to lease contracts of intangible assets

Assets with limited property rights retained by lessors due to lease contracts of intangible assets to which the Group does not apply IFRS 16 are as follows:

	(Millions of yen)
Intangible assets	360,664

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

	(Millions of yen)
Interest-bearing debt:	
Current portion of long-term borrowings	118,236
Long-term borrowings	223,295
Total	341,531

d. Deposits in the Bank of Japan

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 Deposit Requirement System in Japan. As of March 31, 2022, cash and cash equivalents included deposits at the Bank of Japan of ¥320,403 million, which are more than the legal reserve requirement.

2. Allowance for doubtful accounts directly deducted from assets

	(Millions of yen)
Trade and other receivables	25,892
Other current assets	0
Other financial assets (current)	2,696
Other financial assets (non-current)	27,965
Total	56,553

3. Accumulated depreciation of assets

	(Millions of yen)
Accumulated depreciation of property, plant and equipment	2,571,292
Accumulated depreciation of right-of-use assets	1,065,208

Accumulated depreciation includes accumulated impairment losses.

4. 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)
Total lending commitments	6,853,076
Funded	603,605
Unfunded	6,249,471

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 of unfunded lending commitments are within one year because they are payable on demand.

(2) Credit guarantee

The credit guarantee of the Group mainly consists of guarantees provided 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)
Total amount of financial guarantee contract	16,430
Guarantee balance	7,307

(3) Litigation

The Group is a party to several pending legal and administrative proceedings. As it is difficult to reasonably estimate the outcomes of such matters, provisions have not been recorded. Based on the information currently available, we do not expect that the results of these proceedings will have a material adverse effect on our financial position or results of operations.

a. 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, etc., for additional services provided in connection with the installation of telecommunication lines, etc., that were ordered by JPiT in relation to a project to migrate the 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 telecommunication lines for Japan Post Group’s business sites 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, etc. (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, etc., 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 such lawsuit, JPiT alleges that the Company and NRI delayed performance, etc., of the ordered services related to the project for migration to the 5th PNET mentioned in a. above and alleges that such delay caused damages to JPiT (¥16.15 billion). JPiT made joint and several claims against both the Company and NRI for such 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 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 the lawsuit mentioned in a. above. In addition, in light of increased procurement costs of telecommunication lines for JPiT, the Company modified the amount of claim to approximately ¥22.3 billion on October 12, 2016, and further to approximately ¥24.0 billion on September 7, 2017.

JPiT filed an additional claim regarding the lawsuit mentioned in b. above on June 24, 2020, modifying the amount of claim against the Company from ¥16.15 billion to ¥16.81 billion.

5. Financial covenants

(1) 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 non-consolidated 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.

(2) 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 subsequent to the six-month period ended September 30, 2020, Z Holdings Corporation is required to maintain net assets presented in the non-consolidated balance sheet 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 beginning with the six-month period ended September 30, 2020, Z Holdings Group is required to maintain net assets presented in the consolidated statement of financial position at a minimum of 75% of that of the same date during the previous fiscal year.
- At March 31 of each year subsequent to the six-month period ended September 30, 2020, 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 beginning with the six-month period ended September 30, 2020, 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 for two consecutive fiscal years.
- 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 for two consecutive fiscal years.
- At March 31 and September 30 of each year beginning with the six-month period ended September 30, 2020, 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 PayPay Bank Corporation.

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

(Notes Relating to Consolidated Statement of Income)

Other operating income and other operating expenses

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

	(Millions of yen)
Other operating income	
Gain on loss of control over subsidiaries	21,216
Other	2,331
Total	23,547
Other operating expenses	
Impairment loss	(2,448)

(Notes Relating to Consolidated Statement of Changes in Equity)

1. Class and total number of outstanding shares

Class of shares	Number of shares at beginning of the current fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at end of the current fiscal year
Common stock (Thousands of shares)	4,787,145	-	-	4,787,145

2. Dividends

(1) Dividends paid

The Company

Board of Directors' meeting held on May 21, 2021

Class of shares	Common stock
Total dividends	¥201,519 million
Dividends per share	¥43.00
Record date	March 31, 2021
Effective date	June 8, 2021

Board of Directors' meeting held on October 22, 2021

Class of shares	Common stock
Total dividends	¥202,189 million
Dividends per share	¥43.00
Record date	September 30, 2021
Effective date	December 6, 2021

(2) Dividends for which the record date is in the current fiscal year, and the effective date for payment is in the following fiscal year

The resolution planned at the Board of Directors' meeting on May 20, 2022 is as follows:

The Company

Board of Directors' meeting held on May 20, 2022

Class of shares	Common stock
Total dividends	¥202,414 million
Dividends per share	¥43.00
Record date	March 31, 2022
Effective date	June 9, 2022
Source of dividends	Retained earnings

3. Class and number of shares for stock acquisition rights as of March 31, 2022

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

Common stock	22,083,700 shares

(Notes Relating to Financial Instruments)

1. Matters regarding conditions of financial instruments

The Group is promoting diversification of its business and is subjected 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.

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.

(1) Credit risk

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

In the course of the Group's business, trade and other receivables, contract assets, and other financial assets (including deposits, equity securities, debt securities, and derivatives), 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 issuer's credit risk. This risk is managed by continuously monitoring the financial conditions of issuers and other factors.

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 periodically to avoid an increase in any uncollectible amounts. Regarding installment receivables, the Group refers to external institutions for credit risk information.

Derivative transactions are executed and managed in accordance with 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 instruments, net of impairment, which is presented in the consolidated statement of financial position, as well as the amount of lending commitments, 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. For other receivables and financial assets, the Group assesses whether there is a significant increase in their credit risk, and then the future expected credit losses are measured accordingly. The Group determines whether credit risk has increased significantly based on the change in the risk of default by considering the counterparty's 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 the initial recognition.

Regarding events that have a detrimental impact on the estimated future cash flows of financial assets such as those listed below, the Group deems the financial assets to be credit-impaired and measures the expected credit losses 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
- high possibility of the borrower filing for bankruptcy or entering financial reorganization

(2) Market risk

a. Foreign exchange risk

The Group conducts foreign currency-denominated transactions and is exposed to currency risk arising mainly from fluctuations in the exchange rate of U.S. dollars to Japanese yen. To avoid this risk, the Company 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 and reviews the holding status of the instruments considering the business relationships with those issuers.

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 agreements for certain borrowings with floating interest rates to avoid 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.

(3) Liquidity risk

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

In order to prevent and reduce liquidity risk, the Group maintains access to diversified fundraising sources, including both indirect financing, such as bank loans and leases, and direct financing, such as issuance of bonds and securitization, taking market conditions and its current/non-current debt ratios into consideration. Funds are mainly invested in short-term deposits.

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

2. Fair value of financial instruments and matters relating to categorization by level within fair value hierarchy

(1) 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 current fiscal year.

(2) Financial instruments measured at fair value on a recurring basis

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

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities	42,489	-	314,742	357,231
Bonds	9,497	219,415	1,039	229,951
Trust beneficiary rights	-	-	126,428	126,428
Derivative financial assets	5,941	3,487	-	9,428
Other	4,593	9,232	109,471	123,296
Total	62,520	232,134	551,680	846,334
Financial liabilities				
Derivative financial liabilities	1,647	4,761	-	6,408
Total	1,647	4,761	-	6,408

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 gross profit 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 method 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.

(3) 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 used for major equity securities are cost of capital and gross profit multiples of equivalent companies. This cost of capital and gross profit multiple to use for measurements of financial instruments are 35.0% and 7.5 times, respectively.

b. Sensitivity analysis

Fair value of equity securities decreases (increases) when cost of capital increases (decreases) among unobservable inputs. On the other hand, fair value of equity securities increases (decreases) when gross profit multiples increase (decrease). The financial instruments classified as Level 3 are not expected to significantly change its fair value in case the unobservable inputs are changed to reasonably 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:

(Millions of yen)

	Equity securities (Note 2)	Bonds	Trust beneficiary rights	Other
As of April 1, 2021	229,082	1,648	148,126	49,676
Gains or losses				
Net income (*1)	259	-	-	26,698
Other comprehensive income	12,474	1	(163)	1,917
Purchases (*2)	111,461	-	13,500	37,123
Sales	(2,476)	(560)	(35,035)	(926)
Changes in scope of consolidation	(3,941)	-	-	(25)
Transfer for Level 1 by listing	(2,912)	-	-	-
Other (*2)	(29,205)	(50)	-	(4,992)
March 31, 2022	314,742	1,039	126,428	109,471

(*1) Gains or losses recognized in net income are included in "Financing income" and "Financing costs" in the consolidated statement of income.

(*2) The Group acquired preferred stock in PayPay Corp., and "Purchases" includes acquisition cost of ¥98,000 million. "Other" includes share of losses of associates accounted for using the equity method of ¥30,570 million recognized on the preferred stock.

(4) Financial instruments not measured at fair value on a recurring basis

The table below presents the carrying amounts of financial liabilities not ordinarily measured at fair value and categorization by level within the fair value hierarchy:

Financial instruments whose carrying amounts are reasonably similar to their fair values are not included in the table below.

(Millions of yen)

	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Interest-bearing debt (non-current)					
Long-term borrowings	2,446,389	-	1,497,714	973,979	2,471,693

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 a 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.

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

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

(Millions of yen)

	Carrying amount	Aggregation of redemption schedule	Within 1 year	1 year to 2 years
Interest-bearing debt				
Short-term borrowings	528,630	528,630	528,630	-
Commercial paper	270,401	270,401	270,401	-
Long-term borrowings (including current portion)	3,363,179	3,379,378	918,901	869,563
Bonds (including current portion)	1,073,229	1,075,000	95,000	120,000
Lease liabilities	763,960	763,960	225,720	134,428
Installment payables	126	126	54	44
Deposits for banking business[1]	1,423,219	1,423,219	1,406,205	6,219
Total	7,422,744	7,440,714	3,444,911	1,130,254

	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Interest-bearing debt				
Short-term borrowings	-	-	-	-
Commercial paper	-	-	-	-
Long-term borrowings (including current portion)	1,010,897	264,786	159,702	155,529
Bonds (including current portion)	85,000	220,000	200,000	355,000
Lease liabilities	76,168	61,807	53,345	212,492
Installment payables	13	6	6	3
Deposits for banking business[1]	4,559	1,439	1,061	3,736
Total	1,176,637	548,038	414,114	726,760

Note: Deposits for banking business payable on demand are included in "Within 1 year." Deposits for banking business include ¥1,299,057 million deposits for banking business payable on demand.

(Notes Relating to Per Share Data)

1. Equity per share attributable to owners of the Company ¥355.87

2. Basic earnings per share ¥110.13

(Notes Relating to Business Combinations)

Acquisition of LINE Corporation and business integration of the LINE Group and Z Holdings Corporation
(Amendment of provisional amounts)

The Company obtained control of LINE Corporation[1] effective February 28, 2021. Consideration transferred is allocated to assets acquired and liabilities assumed based on their fair value on the acquisition date. The allocation of the consideration transferred was completed during the current fiscal year.

The main amendments from the initial provisional amounts comprise decrease in property, plant and equipment of ¥2,762 million, decrease in intangible assets including identifiable intangible assets of ¥14,092 million, decrease in deferred tax liabilities of ¥5,352 million, decrease in non-controlling interests of ¥5,861 million, and increase in goodwill of ¥5,861 million.

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

(Millions of yen)

	Acquisition date (February 28, 2021)
Cash and cash equivalents	312,791
Trade and other receivables	67,553
Other current assets	46,687
Property, plant and equipment	21,905
Right-of-use assets	62,940
Intangible assets	395,947
Investments accounted for using the equity method	167,873
Other non-current assets	104,809
Total assets	1,180,505
Interest-bearing debt (current and non-current)	244,248
Trade and other payables	233,671
Other current liabilities	49,169
Deferred tax liabilities	150,504
Other non-current liabilities	20,745
Total liabilities	698,337
Net assets	482,168
Non-controlling interests	250,760
Goodwill	630,664

Note: Refers to LINE Corporation, surviving company in the absorption-type merger conducted by Shiodome Z Holdings G.K. LINE Corporation, the acquiree, transferred all business to LINE Split Preparation Corporation (currently, LINE Corporation) and changed its name to A Holdings Corporation effective February 28, 2021.

(Notes Relating to Revenue Recognition)

1. Disaggregation of revenue

The components of revenue are as follows:

	(Millions of yen)
Consumer business	
Service revenues	
Mobile	1,600,343
Broadband	404,610
Electricity	239,106
Revenues from sales of goods and others	630,872
Subtotal	2,874,931
Enterprise business	
Mobile[3]	306,407
Fixed-line	183,232
Business solution and others[3]	212,526
Subtotal	702,165
Distribution business	448,232
Yahoo! JAPAN/LINE business	
Media	626,912
Commerce	793,213
Strategy	104,941
Other	13,440
Subtotal	1,538,506
Other	126,772
Total	5,690,606

1. The components of revenue represent sales to external customers.
2. The components of revenue include revenues from other sources, excluding those arising from IFRS 15 (mainly from Enterprise business leases). Revenues from other sources were ¥125,697 million.
3. “Mobile” and “Business solution and others” under “Enterprise business” include service revenues and revenues from sales of goods and others. Service revenues and revenues from sales of goods and others were ¥406,758 million and ¥112,175 million, respectively.

2. Information that serves as the basis for understanding revenue

Information that serves as the basis for understanding revenue is described in “Note 4. Significant accounting policies (7) Revenue recognition” under “Basis of Preparation of Consolidated Financial Statements.”

3. Transaction prices allocated to remaining performance obligations

(1). Contract balances

The components of contract balances are as follows:

(Millions of yen)

	As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers	836,857	837,308
Contract assets	18,423	17,817
Total	855,280	855,125
Contract liabilities	112,854	124,831

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 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 changes; and
- Consideration for services already received from the customer, such as advances received, is recognized as contract liabilities.

Of the revenue recognized during the current fiscal year, the amount included in the balance of contract liabilities at the beginning of the year is ¥77,959 million

Impairment loss recognized for receivables arising from contracts with customers during the current fiscal year is ¥11,755 million

(2). Transaction prices allocated to unsatisfied performance obligations

The aggregate amount of transaction prices allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the current fiscal year is ¥143,328 million. The unsatisfied performance obligations arise primarily from mobile 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.

(Other Notes)

The impact of Coronavirus disease 2019

Due to the outbreak of the Coronavirus disease 2019 (COVID-19), there has been a downward trend in business sentiment among Japanese companies, but this has not had a significant impact on the Group's business results for this fiscal year. Currently, it is difficult to reasonably estimate the duration and extent of the impact of the outbreak of COVID-19, and if the containment of COVID-19 is further delayed, it may affect the Group's future earnings and cash flows and there will be certain uncertainties in the estimates. In this situation, we have made reasonable estimates of valuation of intangible assets and goodwill, in consideration of the duration and the risks and uncertainties of the impact 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 amounts as a result of the best estimates and the subsequent results.

Notes to Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and methods for major assets

(1) Securities

Shares of subsidiaries and associates	: Stated at cost determined by the moving-average method
Available-for-sale securities	
With market quotations	: Stated at fair value (unrealized gains/losses are directly included in net assets; cost of securities sales is determined by the moving-average method)
Without market quotations	: Stated at cost determined by the moving-average method
(2) Derivative instruments	: Stated at fair value
(3) Inventories	: Stated at cost determined primarily by the moving-average method (the balance sheet value is determined by the write-down method based on a decline in profitability.)

2. Depreciation and amortization

(1) Property, plant and equipment (including leased assets)	: Calculated using the straight-line method
(2) Intangible assets (including leased assets)	: Calculated using the straight-line method
(3) Long-term prepaid expenses	: Calculated using the straight-line method

3. Principles for allowances and provisions

(1) Allowance for doubtful accounts

In anticipation of uncollectible receivables, allowance for doubtful accounts is calculated based on bad debt ratio, as well as considering the collectability of the account on an individual basis.

(2) Provision for retirement benefits

Provision for retirement benefits is calculated based on the expected retirement benefit obligation at the end of the current fiscal year.

From March 31, 2007, the Group has frozen all defined benefit lump-sum plans.

1) Attributing expected retirement benefits to periods

In determining its retirement benefit obligation, the expected retirement benefits are attributed to periods until the end of the current fiscal year based on the benefit formula basis.

2) Accounting for unrecognized differences and prior service costs

Actuarial gains (losses) and past service costs are all expensed in the fiscal year when they are incurred.

(3) Provision for bonuses

Expected bonus payments are recorded based on the amount to be incurred in the current fiscal year.

(4) Provision for loss on business termination

To prepare for future losses associated with the termination of the business, an amount of losses for the next and subsequent fiscal years is estimated and the amount as deemed necessary is recorded.

(5) Provision for loss on contract

To prepare for future losses incurred in fulfilling contracts with customers, an amount of losses for the next and subsequent fiscal years is estimated and the amount as deemed necessary is recorded.

4. Principles for revenue and expenses

(1) Principles for revenue

The Company adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021), whereby the Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount which the Company expects to be entitled in exchange for those goods or services.

1) Consumer business

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

a. Mobile services and sales of mobile devices

The Company provides mobile 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 services, sales revenue is mainly generated from basic monthly charges, mobile 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 Company sells mobile devices to dealers and enters into mobile communications service contracts with subscribers through dealers, and “Direct” sales where the Company sells mobile devices to subscribers and enters into mobile communications service contracts directly with subscribers.

In mobile services, the contractual period is defined as the period in which the party to the contract has present enforceable rights and obligations based on the terms of the contract with the subscriber. If the subscriber is granted an option to renew the contract and it is determined that the option provides the subscriber with a “material right,” a separate performance obligation is identified. As a practical alternative to estimating the stand-alone selling price of the option that represents a performance obligation, the Company allocates the transaction price to the mobile communications services related to the option by reference to the mobile communications services expected to be provided and the corresponding expected consideration.

Basic charges and mobile service fees are billed to subscribers on a monthly basis and are generally due within one month. Mobile device payments for indirect sales are billed to dealers at the time of sale to the respective dealers and are generally due within one month. 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 one month. 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 payments and 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 “Accounting Standard for Revenue Recognition”.

For mobile 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 goods and services based on historical experience.

The Company 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 Company considers that dealers involved in indirect sales act as principals.

Basic monthly charges and mobile service fees are recognized as revenue over time during the contractual period because the performance obligation of mobile services is to provide a certain

amount of data communications monthly to subscribers during the contractual period. Discounts on mobile charges are deducted from the revenues recognized from monthly mobile services. Commission fees paid to dealers related to the sales of mobile devices are deducted from sales.

ii. Direct sales

For direct sales, the total amount of transaction prices is allocated to sales of mobile devices and mobile services revenue based on the ratio of their stand-alone selling prices as the revenues from the sales of mobile devices and mobile services, including related fees, are considered to be one transaction. Discounts on mobile charges related to mobile service revenue are deducted from the total transaction price. 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 services. If the amount of revenue recognized at the time of sales 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 services are provided, and is recognized as revenue.

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

The amount allocated to sales of mobile devices 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 service revenues are recognized as revenue over time during the contractual period because the performance obligation of mobile services is to provide a certain amount of data communications monthly to subscribers during the contractual period.

b. Broadband services

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

Revenues from broadband services are recognized when broadband 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 upon receipt, then reversed when the broadband services are provided, and are recognized as revenue.

2) Enterprise business

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

a. Mobile services and mobile device rental services

Revenues from mobile services mainly consist of revenues from mobile services and other fees. Mobile device rental services are provided on the condition that mobile service contracts are entered into. Consideration arising from these transactions is allocated to lease and other based on the fair value of leased mobile devices 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, managed service fees, data center service fees, and cloud service fees.

Revenues from business solution services and other are recognized based upon the consideration receivable from subscribers at the time of delivery or provision of the services to the subscribers representing the point in time when subscribers are considered to have obtained control of the solution services and other.

(2) Revenue from finance lease transactions

Revenue and cost of sales are recorded at the inception of lease contracts.

5. Other basis of presentation of financial statements

(1) Accounting for hedge transactions

Interest rate swaps

1) Hedge accounting

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

2) Derivative instruments for hedging and hedged items

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

3) Hedging policy

In accordance with internal policy, the Company uses derivative financial instruments to hedge the risk of exposures to fluctuations in interest rates, regarding loans payable with variable interest rates.

4) Effectiveness of hedge transactions

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

(Notes Relating to Changes in Accounting Policies)

1. Application of Accounting Standard for Revenue Recognition, etc.

The Company applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021) (hereinafter collectively referred to as the “Accounting Standard for Revenue Recognition, etc.”) from the beginning of the current fiscal year, whereby the Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount which the Company expects to be entitled in exchange for those goods or services.

The Company applies the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment provided for in the proviso to Article 84 of the Accounting Standard for Revenue Recognition. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance.

“Accounts receivable – trade,” which were presented under current assets in the balance sheet for the previous fiscal year, have been included in “accounts receivable – trade” as well as in “contract assets” from the current fiscal year. In addition, “advances received,” which were presented under current liabilities in the balance sheet for the previous fiscal year, have been included in “contract liabilities” as well as in “other current liabilities” from the current fiscal year, while “provision for sales returns,” which were presented under current liabilities in the balance sheet for the previous fiscal year, have been included in “other current liabilities” from the current fiscal year.

As a result of the abovementioned changes from the previously adopted policies, operating revenue and operating expenses decreased by ¥64,797 million and ¥59,506 million, respectively, and operating income, ordinary income and income before income taxes each decreased by ¥5,291 million. Meanwhile, the balance of retained earnings at the beginning of the current fiscal year increased by ¥7,041 million.

2. Application of Accounting Standard for Fair Value Measurement, etc.

The Company applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019), the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) and the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020), and the “Accounting Standard for the Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019) (hereinafter collectively referred to as the “Accounting Standard for Fair Value Measurement, etc.”) from the beginning

of the current fiscal year, whereby the Company prospectively applies the new accounting policies stipulated by Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment provided in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments.” This change has no impact on the amounts in the financial statements for the current fiscal year. Notes relating to the matters concerning the description of the valuation techniques and inputs used for calculating fair values are stated in the “Notes Relating to Financial Instruments.”

(Notes Relating to Changes in Presentation)

Balance sheet

Costs associated with spectrum use (¥37 million in the previous fiscal year), which were included in “other intangible assets” under “intangible assets” in the previous fiscal year, are aggregated with “spectrum migration costs” and presented as a modified item name of “spectrum-related costs” as the amounts became material.

(Notes Relating to Significant Accounting Estimates)

Of assets and liabilities recorded using accounting estimates in the non-consolidated financial statements of the current fiscal year, items that have the risk of significant impacts on the non-consolidated financial statements of the following fiscal year are as follows:

Estimates for impairment of shares of subsidiaries and associates

Shares of subsidiaries and associates are recorded at cost in the balance sheet; provided, however, that in cases where the fair value of shares of subsidiaries and associates has significantly declined, unless recovery is deemed possible, the carrying amount is written down to fair value, and the valuation differences are recognized as losses. In cases where it is extremely difficult to determine the fair value of shares of subsidiaries and associates, when the net asset value has significantly declined due to the deterioration of the issuer’s financial position, the carrying amount is reduced correspondingly, and the valuation differences are recognized as losses.

The net asset value used in estimating the impairment losses on shares of subsidiaries and associates is calculated by multiplying the net asset value per share of the issuer by the number of shares held. The net asset value per share of the issuer is determined based on the latest financial statements of the issuer, taking into consideration the fair valuation difference on assets and liabilities, the issuer’s excess earning power and other factors. In measuring the net asset value, management’s judgements and estimates may have a material impact on the non-consolidated financial statements of the Company. The fair value of assets and liabilities and the issuer’s excess earning power are measured based on the assumptions, such as estimated future cash flow generated by the issuer, growth rate and discount rate.

The assumptions above that are determined by management's best estimates may be affected by uncertainties in future economic conditions and may have a material impact on the non-consolidated financial statements of the following fiscal year if the assumptions were revised.

The estimated amounts of impairment losses on shares of subsidiaries and associates are described in “Notes Relating to Financial Instruments, 2. Fair value of financial instruments.”

(Notes Relating to Balance Sheet)

1. Contingencies

(1) Lending commitments

The Company entered into lending commitment contracts with subsidiaries and other entities.

The details of lending commitments with subsidiaries and other entities are as follows:

	(Millions of yen)
Total lending commitments	77,850
Funded	15,825
Unfunded	62,025

(2) Litigation

The Company is party to several pending legal and administrative proceedings. As it is difficult to reasonably estimate the outcomes of such matters, provisions have not been recorded. Based on the information currently available, we do not expect that the results of these proceedings will have a material adverse effect on our financial position or results of operations.

(a) 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, etc., for additional services provided in connection with the installation of telecommunication lines, etc., that were ordered by JPiT in relation to a project to migrate the 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 telecommunication lines for Japan Post Group’s business sites 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, etc. (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, etc., 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 such lawsuit, JPiT alleges that the Company and NRI delayed performance, etc., of the ordered services related to the project for migration to the 5th PNET mentioned in a. above and alleges that such delay caused damages to JPiT (¥16.15 billion). JPiT made joint and several claims against both the Company and NRI for such 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 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 the lawsuit in a. above. In addition, in light of increased procurement costs of telecommunication lines for JPiT, the Company modified the amount of claim to approximately ¥22.3 billion on October 12, 2016, and further to approximately ¥24.0 billion on September 7, 2017.

JPiT filed an additional claim regarding the lawsuit mentioned in b. above on June 24, 2020, modifying the amount of claim against the Company from ¥16.15 billion to ¥16.81 billion.

2. Accumulated reduction entry of property, plant and equipment due to subsidies received from governments and others

(Millions of yen)

3,939

3. Non-current assets - incidental business

"Non-current assets - incidental business" are included in "non-current assets - telecommunications business" because the amount is not material. The amount of "non-current assets - incidental business" is ¥1,286 million as of the end of the current fiscal year.

4. Borrowings related to equity securities lending contract

The Company lends shares under equity securities lending contract and cash received as collateral are presented as follows:

	(Millions of yen)
Short-term loans payable	71,300

The shares subjected to the transaction above is a portion of shares borrowed from its subsidiary under equity securities lending contract. The Company has a right to dispose by selling or collateralizing the borrowed shares. In addition, an external borrower has a right to dispose by selling or collateralizing the lent shares.
With regard to the shares borrowed from its subsidiary under the equity securities lending agreement, the fair value of self-owned shares and lent shares are as follows:

	(Millions of yen)
Fair value of self-owned shares	40,291
Fair value of lent shares	153,567
Fair value of borrowed shares	193,858

5. Financial covenants

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 non-consolidated 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.

6. Monetary receivables from and payables to subsidiaries and associates

Monetary receivables from and payables to subsidiaries and associates, other than those presented separately, are as follows:

	(Millions of yen)
Long-term monetary receivables	44
Long-term monetary payables	184
Short-term monetary receivables	64,317
Short-term monetary payables	214,974

7. Monetary receivables from and payables to board directors

Monetary receivables from and payables to board directors are as follows:

	(Millions of yen)
Monetary receivables	20,750
Monetary payables	359

(Notes Relating to Statement of Income)

1. Transactions with subsidiaries and associates

	(Millions of yen)
Operating revenue	69,099
Operating expenses	291,524
Non-operating transactions	40,231

(Notes Relating to Statement of Changes in Net Assets)

Class and number of treasury stock at the end of the current fiscal year

	(Thousands of Shares)
Common stock	79,843

(Notes Relating to Tax Effect Accounting)

Significant components of deferred tax assets and liabilities

Deferred tax assets	(Millions of yen)
Non-qualified contribution-in-kind	113,752
Loss on valuation of investment securities	43,192
Accounts payable - other and accrued expenses	21,283
Depreciable assets	18,394
Asset retirement obligations	17,616
Allowance for doubtful accounts	15,630
Provision for bonuses	10,960
Contract liabilities and other current liabilities	9,817
Inventories	4,847
Enterprise tax payable	3,878
Others	16,672
Gross deferred tax assets	276,041
Less: Valuation allowance	(163,326)
Total deferred tax assets	112,715
Offset against deferred tax liabilities	(16,982)
Net deferred tax assets	95,733

Deferred tax liabilities	(Millions of yen)
Removal costs for asset retirement obligations	(6,259)
Lease investments assets	(5,642)
Valuation difference on available-for-sale securities	(1,736)
Others	(3,345)
Total deferred tax liabilities	(16,982)
Offset against deferred tax assets	16,982
Net deferred tax liabilities	-

(Notes Relating to Non-current Assets Used under Leases)

Leased assets used under finance lease transactions

Non-current assets - telecommunications business	(Millions of yen)
Machinery	422,049
Antenna facilities	265,763
Terminal facilities	3,020
Local line facilities	1,269
Long-distance line facilities	4,505
Engineering facilities	8,352
Buildings	29,719
Structures	5,758
Machinery and equipment	6
Vehicles	17
Tools, furniture and fixtures	3,577
Software	225,669
Total	969,704

(Notes Relating to Financial Instruments)

1. Status of financial instruments

(1) Policy relating to financial instruments

The Company manages funds mainly in short-term deposits, and raises funds through loans from financial institutions, issuance of commercial paper and bonds, securitization of receivables and sale and lease back transactions. The funds raised are primarily intended for capital expenditures.

(2) Details of financial instruments, related risks and risk management system thereof

As investment securities consist primarily of shares of companies with which the Company aims to expand business, maintain its competitive advantage or create synergies in business operations, these securities are exposed to the issuer's credit risk and market price fluctuation risk. These risks are managed by continuously monitoring the financial conditions of issuers and other factors considering market price fluctuations.

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 Company 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 Company conducts screening in accordance with its internal 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 any uncollectible amounts. Regarding installment receivables, the Company refers to external institutions for credit risk information.

Short-term loans receivable consists mainly of loans extended to subsidiaries of the Company: HAPSMobile Inc., Tele-nishi Co.,Ltd., SB Media Holdings Corp., and Japan Computer Vision Corp.

Lease obligations are intended to raise funds required for capital expenditures. "Accounts payable – trade" and "accounts payable – other" in trade payables are generally due within one year.

Short-term loans payable mainly consist of loans from the Company's subsidiaries, Wireless City Planning Inc., SB Payment Service Corp., IDC Frontier Inc., and SB C&S Corp, as well as financing from equity securities lending contract and joint management designated money trusts. Loans from Wireless City Planning Inc. are provided through the Trust, which is a money trust agreement with Wireless City Planning Inc. as a consignor, a trust bank as a trustee, and the Company as the investment destination. Current portion of non-current liabilities and long-term loans payable are loans from financial institutions and bonds and commercial paper are funds raised from capital markets.

Derivative transactions are interest rate swap agreements to avoid the risk of interest rate fluctuations for long-term loans with floating interest rates and convert the floating rates into fixed rates. Derivative transactions are executed and managed in accordance with the internal rules, and the Company enters into derivative transactions only with highly creditworthy financial institutions in order to mitigate credit risk.

(3) Supplementary explanation on matters regarding fair value of financial instruments

Since certain assumptions and factors are reflected in determining the fair value of financial instruments, different assumptions and factors could result in a different fair value.

2. Fair value of financial instruments

The carrying amount, the fair value, and the differences between them as of the end of the current fiscal year are as follows.

Equity securities, etc. that do not have a market price are not included in the table below. (Please refer to Note 3.) Notes on cash are omitted, and notes on financial instruments that are settled in the short-term are omitted because their carrying amounts approximate their fair values.

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Investment securities			
Available-for-sale securities	16,511	16,511	-
(2) Shares of subsidiaries and associates			
Shares of subsidiaries	3,090	34,165	31,075
Shares of associates	2,565	6,424	3,859
(3) Accounts receivable – trade	767,422		
Less: Allowance for doubtful accounts (current assets) (*1)	(23,710)		
	743,712	743,712	-
(4) Deposits paid	72,087	72,087	-
Total assets	837,965	872,899	34,934
(5) Bonds	460,000	456,755	(3,245)
(6) Long-term loans payable	1,244,546	1,255,778	11,232
(7) Lease obligations (non-current liabilities)	515,199	518,968	3,769
(8) Current portion of non-current liabilities	322,165	322,165	-
(9) Lease obligations (current liabilities)	291,384	291,384	-
(10) Deposits received	112,539	112,539	-
Total liabilities	2,945,833	2,957,589	11,756
(11) Derivative transactions (*2)	(3,331)	(3,331)	-

(*1) This amount represents the allowance for “accounts receivable - trade.”

(*2) The net amount of assets and liabilities arising from derivative transactions is presented, and the amount in parentheses represents a net liability position.

(Note 1) Description of the valuation techniques and inputs used for calculating fair value

Fair values of financial instruments are classified into the following three levels, according to the observability and significance of inputs used in the fair value measurement.
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 multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Investment securities, (2) Shares of subsidiaries and associates

The fair value of equity securities is based on quoted market price, and the fair value of investment trusts is based on net asset value. Equity securities are measured using quoted prices in active markets for identical assets if such prices are available, and are classified as Level. 1.

(3) Accounts receivable - trade

Installment receivables are discounted, by using the interest rate reflecting the remaining period to maturity and credit risk, and are classified as Level 2. Installment receivables are stated at carrying amount because their carrying amounts approximate their fair values. Accounts receivable – trade other than installment receivables are categorized into groups for each section of period and calculated for each such group, by using the discounted present value method based on the interest rate reflecting the amount of receivables,

the remaining period to maturity and credit risk, and are classified as Level 2. Fair value of accounts receivable – trade other than installment receivables are stated at carrying amount because their carrying amounts approximates their fair values.

(4) Deposits paid

Deposits paid are categorized into groups for each section of period and calculated for each group, by using the discounted present value method based on the interest rate reflecting the amount of receivables, the remaining period to maturity and credit risk, and are classified as Level 2. Deposits paid without maturity are stated at carrying amount because their carrying amounts approximate their fair values.

(5) Bonds

The carrying amounts of bonds are measured based on the Reference Statistical Prices for OTC Bond Transactions published by the Japan Securities Dealers Association, and are classified as Level 2.

(6) Long-term loans payable

The fair values of long-term loans payable are measured by discounting the total of principal and interest at an interest rate that would be used for a similar new loan, whereby long-term loans payable with floating rate is classified as Level 2, while those with fixed rate as Level 3.

(7) Lease obligations (non-current liabilities)

The fair values of lease obligations are estimated by discounting the total of principal and interest at an interest rate that would be used for a lease contract with the same terms and maturity, and are classified as Level 2.

(8) Current portion of non-current liabilities

The fair values of the current portion of non-current liabilities are measured by discounting the total of principal and interest at an interest rate that would be used for a similar new loan, whereby current portion of non-current liabilities with floating rate is classified as Level 2, while that with fixed rate as Level 3. Current portion of non-current liabilities is stated at carrying amount because its carrying amount approximates its fair value.

(9) Lease obligations (current liabilities)

The fair values of lease obligations are estimated by discounting the total of principal and interest at an interest rate that would be used for a lease contract with the same terms and maturity, and are classified as Level 2. Lease obligations (current liabilities) are stated at carrying amount because their carrying amounts approximate their fair values.

(10) Deposits received

Deposits received are categorized into groups for each section of period and calculated for each such group, by using the discounted present value method based on the interest rate reflecting the future cash flows, remaining period to due date and credit risk, and are classified as Level 2. Demand deposits received are stated at the amount payable on demand at the balance sheet date (carrying amount), which is deemed to represent fair value.

(Note 2) Derivative transactions

(1) Derivative transactions for which hedge accounting is not applied

There are no applicable items.

(2) Derivative transactions for which hedge accounting is applied

With respect to the derivative transactions for which hedge accounting is applied, the contract amount or the notional amount specified in the contract for each hedge accounting method at the balance sheet date are as follows:

(Millions of yen)

Hedge accounting method	Transaction type, etc.	Main hedged item	Contract amount	Contract amount maturing over 1 year	Fair value (*1)
General treatment	Interest rate swaps Pay fixed / Receive floating	Long-term loans payable	700,000	700,000	(3,331)

(*1) Fair value measurement is based on quoted prices by counterparty financial institutions and the fair value is classified as Level 2.

(Note 3) Equity securities, etc. that do not have a market price

(Millions of yen)

Category	Carrying amount
Investment securities	
Unlisted shares	8,227
Shares of subsidiaries and associates	
Shares of subsidiaries	
Unlisted shares	1,037,774
Shares of associates	
Unlisted shares	164,981
Other	50,983

These instruments are not included in "(1) Investment securities" and "(2) Shares of subsidiaries and associates."

(Notes Relating to Profit and Loss on Equity Method Investments, etc.)

(Millions of yen)

Amount of investments in associates	248,263
Amount of investments on equity method	251,924
Amount of investment losses on equity method	87,337

(Note) The amounts above include the amounts related to investments in associates held by subsidiaries of the Company. The amount of investments in associates is the carrying amount of the investments to which the equity method is applicable under IFRS, pursuant to the provisions of Paragraph 1 of Article 120 of the Regulation on Corporate Accounting. The amount of investments on equity method and the amount of investment losses on equity method are calculated in accordance with IFRS.
The amount of investment losses on equity method are presented by including impairment loss on equity method investments.

(Notes Relating to Related-Party Transactions)

Subsidiaries

Category	Name	Nature of business or profession	Voting rights (%)	Relationship with related-party	Nature of transaction	Amount of transaction (Millions of yen)	Balance as of March 31, 2022	
							Account	Amount (Millions of yen)
Subsidiary	Wireless City Planning Inc.	Telecommunica-tions business	(Own) Direct 31.8	Interlocking directorate Borrowing of loans	Receipt of dividend	29,991	-	-
Subsidiary	A Holdings Corporation	Holding company	(Own) Direct 50.0	Interlocking directorate Borrowing of stocks	Borrowing of stocks[1]	193,858	-	-
					Payment of rent[1]	5	Prepaid expenses	3
					Receipt of dividend	1,917	-	-
					Refund of contribution	36,680		

(Note) 1. Please refer to Notes relating to Balance Sheet, "4. Borrowings related to equity securities lending contract." The amount of rent is determined by reference to loan transactions with external financial institutions.

Officers, major individual shareholders, etc.

Category	Name	Nature of business or profession	Voting rights (%)	Relationship with related-party	Nature of transaction	Amount of transaction[1] (Millions of yen)	Balance as of March 31, 2022	
							Account	Amount (Millions of yen)
Officers and their relatives	Ken Miyauchi	Board Director of the Company	(Own) Direct 0.06	Board Director of the Company	Exercise of stock acquisition rights[1]	498	-	-
Officers and their relatives	Junichi Miyakawa	Board Director of the Company	(Own) Direct 0.32	Board Director of the Company	Exercise of stock acquisition rights[1]	249	-	-
					Lending of loans[2,3,4,5]	20,000	Long-term loans receivable to directors and employees	20,000
					Receipt of interest on loans receivable[2]	212	-	-
					Receipt of deposits[2]	250	Other current liabilities	39
					Payment of interest on deposits	1	-	-
Officers and their relatives	Jun Shimba	Board Director of the Company	(Own) Direct 0.02	Board Director of the Company	Exercise of stock acquisition rights[1]	249	-	-

Category	Name	Nature of business or profession	Voting rights (%)	Relationship with related-party	Nature of transaction	Amount of transaction[1] (Millions of yen)	Balance as of March 31, 2022	
							Account	Amount (Millions of yen)
Officers and their relatives	Yasuyuki Imai	Board Director of the Company	(Own) Direct 0.02	Board Director of the Company	Exercise of stock acquisition rights[1]	249	-	-
					Lending of loans[2,3,4]	430	Long-term loans receivable to directors and employees	430
					Receipt of interest on loans receivable	4	-	-
Officers and their relatives	Kazuhiko Fujihara	Board Director of the Company	(Own) Direct 0.02	Board Director of the Company	Exercise of stock acquisition rights[1]	187	-	-
					Lending of loans[2,3,4]	320	Long-term loans receivable to directors and employees	320
					Receipt of interest on loans receivable	0	-	-
					Receipt of deposits[2]	320	Other current liabilities	320
					Payment of interest on deposits	0	-	-
Officers and their relatives	Masayoshi Son	Board Director of the Company	(Own) Direct 0.05	Board Director of the Company	Exercise of stock acquisition rights[1]	498	-	-

(Notes) 1. The amount represents the exercise of stock acquisition rights under the resolution passed at the Board Directors' meetings held on March 6, 2018 and March 27, 2018 for the current fiscal year. The amount of the transaction is calculated by the number of the stock granted due to exercise of stock acquisition rights multiplying by payment amount.

2. Lending rate was set at 1.1% (fixed rate) as reasonably determined in consideration of the borrowing rate actually borne by the Company, which is on the level similar to market rate on similar term, with both interest and principal repayable in one lump-sum on the due date of March 31, 2026, allowing five-year extension of repayment period up to March 31, 2031 subject to mutual agreement, or optional prepayment at borrower's discretion. Borrowers are entitled to deposit the fund not exceeding the balance of this loan to the Company, in which case the interest rate applicable to such borrowings is the same as the abovementioned lending rate. Decrease in the amount of deposits is offset against loan interest.

3. In this transaction, the borrowers' assets as follows have been provided as security.
   - Shares in SoftBank Corp. purchased by using the loan

4. In the event that the fair value of the security falls below certain percentage of the loan balance prior to the due date, the Company shall be entitled to request pledge of additional security from the borrowers.
   In such case, the Company shall be entitled to reserve part of the remuneration, etc. the Group will pay to the borrowers within certain limitation, and to use it for the repayment of the loan (hereinafter the "Additional Entitlement").

5. Of the total amount due, the remaining shortfall, if any, after the enforcement of security and execution of the Additional Entitlement shall fully be guaranteed by Board Director, Mr. Masayoshi Son.

(Notes Relating to Asset Retirement Obligations)

Asset retirement obligations that are reported on the balance sheet

1. Summary of asset retirement obligations

Asset retirement obligations are recognized based on the reasonably estimated amount required for the removal of equipment or site restoration for 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.

2. Calculation method for the amount of asset retirement obligations

The expected usage period is estimated, and the average yield of interest-bearing government bonds is used as the discount rate.

3. Increase or decrease in the total amount of asset retirement obligations during the current fiscal year

	(Millions of yen)
Balance at the beginning of the current fiscal year	67,762
Increase due to acquiring property, plant and equipment	856
Adjustment due to passage of time	144
Decrease due to payments for asset retirement obligations	(11,332)
Increase due to changes in estimates	100
Balance at the end of the current fiscal year	57,530

4. Changes in estimates of asset retirement obligations

The Company considered the demands of communication traffic, efficient operation of network equipment and equipment replacement and concluded that it has become highly probable that certain network equipment will be disposed of. Accordingly, the Company recognized asset retirement obligations of ¥100 million.

(Notes Relating to Per Share Data)

Net assets per share	¥181.87
Net income per share	¥77.51

(Notes Relating to Revenue Recognition)

Information that serves as the basis for understanding revenue from contract with customers is described in “4. Principles for revenue and expenses” under “Significant Accounting Policies.”