

**IMPORTANT NOTICE**

NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO U.S. PERSONS OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**CONFIRMATION OF YOUR REPRESENTATION:** You have accessed the attached document on the basis that you have confirmed your representation to the issuer and to Deutsche Bank AG, London Branch, Goldman Sachs International, Mizuho International plc, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, Merrill Lynch International, Crédit Agricole Corporate and Investment Bank, Nomura International plc, SMBC Nikko Capital Markets Limited, UBS Limited, Barclays Bank PLC, Daiwa Capital Markets America Inc., BNP Paribas and Citigroup Global Markets Limited (together, the “*Initial Purchasers*”) that (1) you are not a U.S. Person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “*Securities Act*”) or a dealer or professional fiduciary acting for the benefit or account of a U.S. Person and, to the extent you purchase the securities described in the attached offering memorandum, you will be doing so in an offshore transaction pursuant to Regulation S under the Securities Act, (2) the electronic mail address to which the attached offering memorandum has been delivered is not located in the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or does not belong to a U.S. person or a person acting on behalf of a U.S. person, and (3) you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission. The attached document has been made available to you in electronic form.

You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the issuer, the Initial Purchasers and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the issuer, the Initial Purchasers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version.

Restrictions: The attached document is being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or to any U.S. person.

**ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION. YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Initial Purchasers or the issuer that would or is intended to, permit a public offering of the securities, or possession or distribution of the offering memorandum (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering memorandum is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

You are reminded that the attached offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**SoftBank Group Corp.****\$1,000,000,000 6% Senior Notes due 2025****\$1,000,000,000 5¾% Senior Notes due 2022****€500,000,000 5¼% Senior Notes due 2027 €1,250,000,000 4¾% Senior Notes due 2025 €500,000,000 4% Senior Notes due 2022**

SoftBank Group Corp., which changed its name from SoftBank Corp. on July 1, 2015, (the “Company”) is offering \$1,000,000,000 aggregate principal amount of its 6% Senior Notes due 2025 denominated in U.S. dollars (the “2025 Dollar Notes”), \$1,000,000,000 aggregate principal amount of its 5¾% Senior Notes due 2022 denominated in U.S. dollars (the “2022 Dollar Notes”) and, together with the 2025 Dollar Notes, the “Dollar Notes”), €500,000,000 aggregate principal amount of its 5¼% Senior Notes due 2027 denominated in euro (the “2027 Euro Notes”), €1,250,000,000 aggregate principal amount of its 4¾% Senior Notes due 2025 denominated in euro (the “2025 Euro Notes”) and €500,000,000 aggregate principal amount of its 4% Senior Notes due 2022 denominated in euro (the “2022 Euro Notes”, together with the 2027 Euro Notes and the 2025 Euro Notes, the “Euro Notes”, and, together with the Dollar Notes, the “Notes”). The maturity date of the 2027 Euro Notes is July 30, 2027, the maturity date of the 2025 Euro Notes and the 2025 Dollar Notes is July 30, 2025, and the maturity date of the 2022 Euro Notes and the 2022 Dollar Notes is July 30, 2022. We will pay interest on the Notes semi-annually in arrears on January 30 and July 30 of each year, commencing January 30, 2016.

The Notes will be general unsecured obligations of the Company. They will rank equally in right of payment with all existing and future debt of the Company that is not contractually subordinated to the Notes or preferred by operation of law and will be senior in right of payment to any future debt of the Company that is contractually subordinated to the Notes. The Notes will effectively be subordinated to any existing and future secured debt of the Company and its subsidiaries, to the extent of the value of the property and assets securing such debt.

The Notes will be guaranteed (the “Note Guarantee”) by SoftBank Corp. (which changed its name from SoftBank Mobile Corp. on July 1, 2015). The Note Guarantee by SoftBank Corp. will be a general unsecured obligation of SoftBank Corp. The Note Guarantee will rank equally in right of payment with all existing and future debt of SoftBank Corp. that is not contractually subordinated to its Note Guarantee or preferred by operation of law and will be senior in right of payment to any future debt of SoftBank Corp. that is contractually subordinated to its Note Guarantee. The Notes will be structurally subordinated to all existing and future debt or other obligations of any Subsidiary of the Company that does not guarantee the Notes.

At any time prior to the date that is 90 days prior to their respective maturities, we may on any one or more occasions, at our option, redeem all or part of any series of Notes by paying a “make-whole” premium. At any time on or after the date that is 90 days prior to their respective maturities, we may on any one or more occasions redeem all or a part of any series of Notes at par. We may also redeem the Notes, in whole but not in part, at any time upon certain changes in tax laws. In the case of a change of control triggering event, we may be required to make an offer to purchase the Notes at a redemption price equal to 100% of the principal amount thereof. See “Description of the Notes.”

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or information contained in this offering memorandum. Approval in-principle granted by the SGX-ST for the listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, us, our subsidiaries or associated companies (if any) or the Notes. Currently, there is no public market for the Notes.

**The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any other jurisdiction. The Notes are being offered and sold in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act (“Regulation S”). The Notes and the Note Guarantees may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “Notice to Investors” for additional information about eligible offerees and transfer restrictions.**

**Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 22.**

Issue Price (expressed as percentage of aggregate principal amount), plus accrued interest from the issue date:

|                                |                                |
|--------------------------------|--------------------------------|
| <b>2025 Dollar Notes: 100%</b> | <b>2022 Dollar Notes: 100%</b> |
| <b>2027 Euro Notes: 100%</b>   | <b>2025 Euro Notes: 100%</b>   |
|                                | <b>2022 Euro Notes: 100%</b>   |

The Notes will be represented on issuance by one or more global notes, which we expect will be delivered in book-entry form through Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream”) on or about July 28, 2015 (the “Issue Date”).

*Joint Global Coordinators*

**Deutsche Bank**  
(Sole Physical Bookrunner)

**Goldman Sachs International**

*Joint Bookrunners*

**Mizuho Securities**  
**BofA Merrill Lynch**

**Morgan Stanley**  
**NOMURA**

**Crédit Agricole CIB**

*Co-Managers for the Dollar Notes*

**SMBC Nikko**  
**Barclays**

**UBS Investment Bank**  
**Citigroup**

**Daiwa Capital Markets**

*Co-Managers for the Euro Notes*

**SMBC Nikko**  
**Barclays**

**UBS Investment Bank**  
**BNP PARIBAS**

**Daiwa Capital Markets**

The date of this offering memorandum is July 22, 2015.

## IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

You should rely only on the information contained in this offering memorandum. Neither we nor any of Deutsche Bank AG, London Branch, Goldman Sachs International, Mizuho International plc, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, Merrill Lynch International, Cr dit Agricole Corporate and Investment Bank, Nomura International plc, SMBC Nikko Capital Markets Limited, UBS Limited, Barclays Bank PLC, Daiwa Capital Markets America Inc., BNP Paribas and Citigroup Global Markets Limited (the “Initial Purchasers”) have authorized any other person to provide you with information different or inconsistent from what is included in this offering memorandum. If anyone provides you with different or inconsistent information, you should not rely on it.

The information in this offering memorandum is current only as of the date on the cover, and our business or financial condition and other information in this offering memorandum may change after that date. You should not consider any information in this offering memorandum to be legal, business, accounting or tax advice. You should consult your own attorney, business advisor, accountant and tax advisor for legal, business, accounting and tax advice regarding an investment in the Notes. In making an investment decision, you must rely on your own examination of our business and the terms of this offering and the Notes, including the merits and risks involved.

If you purchase the Notes, you will be deemed to have made certain acknowledgements, representations and warranties as detailed under “Notice to Investors.” You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. We do not make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

This offering memorandum is confidential and we have prepared this offering memorandum solely for use in connection with the offer of the Notes to persons other than U.S. persons in accordance with Regulation S under the U.S. Securities Act and for application for listing of the Notes on the SGX-ST. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You may not distribute this offering memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing, and further agrees not to make any photocopies of this offering memorandum or any documents referred to in this offering memorandum.

None of the Initial Purchasers represent or warrant that the information herein is accurate or complete. By receiving this document you acknowledge that (i) you have not relied on the Initial Purchasers, any selling agent or any of their affiliates in connection with your investigation of the accuracy of the information in this document or your investment decision and (ii) no person has been authorized to give any information or make any representation concerning us or the Notes offered hereby other than as contained herein and, if given or made, such other information or representation should be not be relied upon as having been authorized by us, any Initial Purchaser or any U.S. selling agent or any of their affiliates.

We reserve the right to withdraw this offering of the Notes at any time. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

**IN CONNECTION WITH THIS OFFERING DEUTSCHE BANK AG, LONDON BRANCH (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY**

**TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.**

The Notes have not been, and will not be, registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except to persons other than U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”), and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the “Special Taxation Measures Act”). The Notes may not be offered or sold in Japan, to any person resident in Japan, or to others for reoffering or resale directly or indirectly in Japan, or to a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

In addition, the Notes are not, as part of the initial distribution by the Initial Purchasers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a gross recipient, except as specifically permitted under the Special Taxation Measures Act. A “gross recipient” for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, (ii) a Japanese financial institution or financial instruments business operator as designated in Article 3-2-2, Paragraph 29 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) relating to the Special Taxation Measures Act that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. **By subscribing for the Notes, an investor will be deemed to have represented that it is a gross recipient.**

## **NOTICE TO CERTAIN INVESTORS**

### **NOTICE TO INVESTORS IN THE EEA**

This offering memorandum is not a prospectus and is being distributed to a limited number of recipients for the sole purpose of assisting such recipients in determining whether to proceed with a further investigation of the purchase of, or subscription for, the Notes. This offering memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under the Prospectus Directive (as defined below), as implemented in member states of the European Economic Area (“EEA”), from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Notes, which are the subject of the offering contemplated in this offering memorandum, should only do so in circumstances in which no obligation arises for the Company or the Initial Purchasers to produce a prospectus for such offer. None of the Company or any of the Initial Purchasers has authorized, nor do any of them authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “Relevant Member State”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) no offer has been made and no offer will be made of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of the Notes to the public may be made in that Relevant Member State at any time:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Company for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

*provided* that no such offer of the Notes shall result in a requirement for the publication by the Company or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.



For the purposes of this restriction, the expression an “offer of the Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

The Notes are being offered hereunder in minimum subscription amounts of €100,000 or \$200,000.

#### NOTICE TO INVESTORS IN BAHRAIN

In relation to investors in Bahrain, the Notes and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “CBB”) in Bahrain where such investors make a minimum investment of at least \$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This offering memorandum does not constitute an offer of securities in Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This offering memorandum and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this offering memorandum or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this offering memorandum or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this offering memorandum and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this offering memorandum. No offer of securities will be made to the public in Bahrain and this offering memorandum must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### NOTICE TO INVESTORS IN HONG KONG

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding up and Miscellaneous provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding up and Miscellaneous provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

#### NOTICE TO INVESTORS IN NORWAY

This offering memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Norwegian Securities Trading Act (*Norw. Lov om verdipapirhandel*, L29.06.2007 nr 75) nor any other Norwegian enactment. Neither the Norwegian Financial Supervisory Authority (*Norw. Finanstilsynet*) nor any other Norwegian public body has examined, approved or registered this offering memorandum or will examine, approve or register this offering memorandum. Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Norway other than in circumstances that are deemed not to be an offer to the public which would require a prospectus under the Norwegian Securities Trading Act.

## NOTICE TO INVESTORS IN SAUDI ARABIA

This offering memorandum may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the “Capital Market Authority”).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this offering memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this offering memorandum. Prospective purchasers of the Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this offering memorandum he or she should consult an authorised financial adviser.

## NOTICE TO INVESTORS IN SINGAPORE

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person from an offer referred to in Section 275(1A) or 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## NOTICE TO INVESTORS IN SWITZERLAND

This offering memorandum, as well as any other material relating to the Notes which are the subject of the offering contemplated by this offering memorandum, does not constitute a public offering prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange Ltd., and, therefore, the documents relating to the Notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange Ltd. and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange Ltd. The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This offering memorandum, as well as any other material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This offering

memorandum, as well as any other material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without the Company's express consent. This offering memorandum, as well as any other material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied or distributed to the public in (or from) Switzerland.

#### NOTICE TO INVESTORS IN THE UNITED KINGDOM

The issue and distribution of this offering memorandum is restricted by law. This offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") by, a person authorized under the FSMA. This offering memorandum is only being distributed to and is only directed at persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), (iii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, or (iv) to the extent that doing so does not prejudice the lawful distribution of this offering memorandum to the foregoing, are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum must not be acted or relied upon by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of this offering memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person in the United Kingdom without the prior written consent of the Company. The Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the FSMA.

#### NOTICE TO INVESTORS IN QATAR

This offering memorandum does not and is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar. The Notes are not and will not be traded on the Qatar Exchange.

#### NOTICE TO INVESTORS IN OTHER JURISDICTIONS

The distribution of this offering memorandum and the offer and sale or resale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum (or any part hereof) comes are required by us and the Initial Purchasers to inform themselves about, and to observe, any such restrictions.

#### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. In some cases these forward-looking statements can be identified by the use of terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "may," "plan," "potential," "predict," "projected," "should," or "will" or, in each case, the negative of such terms, or other variations or comparable terminology. Forward-looking statements appear in a number of places throughout this offering memorandum and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industries in which we



operate are consistent with the forward-looking statements contained in this offering memorandum, such results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- We face intense competition, including from other large and established competitors, and such competition may intensify.
- Our financial results may be significantly affected by risks relating to Sprint, its operations and financial performance.
- Our holdings in Sprint, Yahoo Japan and our strategic associates such as GungHo or Alibaba will not necessarily generate cash that can be used to pay principal or interest on the Notes or our other indebtedness.
- Security breaches and illegal or inappropriate use of our services could adversely affect our reputation and expose us to claims from customers and penalties from authorities.
- Any adverse conditions in the economy could adversely affect us.
- Demographic trends may make it difficult for us to sustain our growth.
- Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in Japanese yen.
- A downgrade of the credit rating of the Company or our subsidiaries could have a negative effect on us.
- The acquisition of other companies, businesses or technologies, or the internal reorganization of our group structure, could result in operating difficulties, dilution or other harmful consequences.
- Our financial condition and results of operation may be subject to increased volatility as a result of our strategy of targeting companies in high growth potential fields.
- We may have to recognize charges on our statements of income due to the impairment of goodwill or other intangible assets or investments in strategic associates.
- We depend on the telecommunications lines and facilities of other companies in certain circumstances and could be materially and adversely affected if our access were restricted or terminated or if related utilization or connection fees were increased.
- We depend on the satisfactory performance of our network systems and sufficient spectrum to operate our telecommunications services.
- Fast-paced innovations in technology and business models, as well as alternative telecommunication technologies may make our services, technology or business models obsolete.
- Our operations may be significantly affected by natural disasters such as earthquakes, volcanic eruptions or other events.
- We face risks associated with operation and investment in multiple markets, and if we are unable to manage these risks effectively, they could impair our ability to expand our business.
- The loss of key senior management personnel, including Mr. Masayoshi Son in particular, could negatively affect our business.
- We are subject to laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business.
- We may suffer from unauthorized use of our intellectual property by third parties and incur costs associated with protecting our intellectual property.
- We may be subject to intellectual property claims.
- From time to time, we may become involved in legal proceedings, which could adversely affect our business.
- We depend on the *Yahoo!* brand and related trademarks, the continued use of which is important to our business.
- We rely on subcontractors and other third-parties for certain of our operations.
- Our mobile communications business is capital intensive and we may not have sufficient liquidity to fund our capital expenditure programs or our ongoing operations in the future.

- We purchase and lease various equipment, products and services, from suppliers and our inability to procure such equipment, products and services or defects therein could adversely affect our business.
- Our business may be adversely affected by actual or perceived health risks associated with mobile communication devices and the location of base stations and antennas.
- Our online game business is dependent upon a limited number of titles.
- Our renewable energy business is vulnerable to reductions in power production due to climatic and other factors.

We urge you to read the sections of this offering memorandum entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur.

We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements above and contained elsewhere in this offering memorandum.

## **ENFORCEMENT OF CIVIL LIABILITIES**

We are a limited-liability company (*kabushiki kaisha*) established under the laws of Japan. The majority of our directors and most of our management reside in Japan, and a substantial portion of our assets and the assets of such persons are located in Japan. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against us or such persons judgments obtained in U.S. courts in actions such as those predicated upon the civil liability provisions of U.S. federal or state securities laws. We have been advised by our Japanese counsel, Mori Hamada & Matsumoto, that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, of liabilities predicated solely upon U.S. federal or state securities laws.

## **CERTAIN DEFINITIONS**

In this offering memorandum, unless the context otherwise requires, references to the “Company” refer to SoftBank Group Corp., and references to “we,” “our,” “us,” “SoftBank” and the “SoftBank Group” refer to the Company, its consolidated subsidiaries and equity-method non-consolidated subsidiaries and associates, as the context requires. References to “SoftBank Corp.” refer to SoftBank Corp., the subsidiary which merged with several other subsidiaries as of April 1, 2015. See “Summary—Recent Developments.” References to “Sprint” are to Sprint Corporation and its consolidated subsidiaries, as the context requires. References to “Yahoo Japan” are to Yahoo Japan Corporation and its consolidated subsidiaries as the context requires. References to “Brightstar” are to Brightstar Corp. and its consolidated subsidiaries as the context requires. References to “GungHo” are to GungHo Online Entertainment, Inc. and its consolidated subsidiaries as the context requires. References to “Supercell” are to Supercell Oy and its consolidated subsidiaries as the context requires. References to “SB Group US” are to SB Group US, Inc. and its consolidated subsidiaries as the context requires. References to “Alibaba” are to Alibaba Group Holding Ltd. and its consolidated subsidiaries as the context requires.

Unless otherwise noted, the mobile communications market of Japan comprises SoftBank Corp., NTT DOCOMO and KDDI.

In our audited financial statements, included elsewhere in this offering memorandum, references to “SoftBank Corp.” refer to SoftBank Group Corp. (which changed its name from SoftBank Corp. on July 1, 2015) on a stand-alone basis, references to the “Company” refer to SoftBank Group Corp. and its subsidiaries, on a consolidated basis, and references to SoftBank Mobile Corp. refer to SoftBank Corp. (which changed its name from SoftBank Mobile Corp. on July 1, 2015).

## **CURRENCY PRESENTATION**

In this offering memorandum:

- “¥” or “yen” means the lawful currency of Japan;
- “€” or “euros” means the single currency of the participating member states in the third stage of European economic and monetary union of the Treaty Establishing the European Community, as amended from time to time; and
- “\$”, “U.S. dollars” or “dollars” means the lawful currency of the United States.

Solely for your convenience, this offering memorandum contains translations of certain yen amounts into U.S. dollar amounts.

Unless otherwise indicated, yen amounts have been translated into U.S. dollars at the rate of ¥120.17 = \$1.00 and from euros at the rate of ¥130.32 = €1, the approximate rates of exchange based on the average of buying and selling rates of telegraphic transfers from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 10:00 a.m. (Tokyo time), prevailing as of March 31, 2015. However, these translations should not be construed as representations that the yen amounts have been, could have been or could be converted into U.S. dollars at those or any other rates.

## **PRESENTATION OF FINANCIAL INFORMATION**

### ***General***

The consolidated financial statements, selected financial information and other financial data for the fiscal years ended March 31, 2013 (“fiscal year 2012”), 2014 (“fiscal year 2013”) and 2015 (“fiscal year 2014”) included in this offering memorandum are presented in accordance with International Financial Reporting Standards (“IFRS”). We switched from Japanese Generally Accepted Accounting Principles (“JGAAP”) to IFRS and started reporting our consolidated financial information under IFRS in the first quarter of fiscal year 2013. In our audited consolidated financial statements for fiscal year 2013 included elsewhere in this offering memorandum, we have retrospectively prepared and presented prior period consolidated financial information for fiscal year 2012 in accordance with IFRS. Our annual consolidated financial statements included elsewhere in this offering memorandum are audited by our independent auditors, Deloitte Touche Tohmatsu LLC.

Except as otherwise indicated, all financial information with respect to us presented in this offering memorandum is presented on a consolidated basis.

Where information is presented in trillions, billions, millions or other stated amounts, amounts of less than the stated amount have been rounded. As a result, certain numerical figures shown in tables in this offering memorandum may not be exact arithmetic aggregations of the figures that precede them. All percentages have been rounded to the nearest one tenth of one percent or one hundredth of one percent, as the case may be.

### ***Changes in accounting policies***

In preparing our consolidated financial statements for fiscal year 2014, we have made certain changes in the accounting policies in accordance with the adoption of a new accounting standard, to clarify the timing of recognition of liabilities related to the payment of levies. In our consolidated financial statements for fiscal year 2014 we have retrospectively applied this accounting standard to prior period financial information for fiscal year 2013 (“fiscal year 2013 (revised)”) and have therefore revised certain accounting items from the way we reported the same in the previously issued audited consolidated financial statements for fiscal year 2013. In particular, the new accounting standard defines the “obligating event” for the recognition of a liability as the activity that triggers the payment of the levies in accordance with the relevant legislation. Under this standard, liabilities are recognized progressively if the obligating event occurs over a period of time and, if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

We have not retrospectively revised and re-issued our financial statements for fiscal year 2012 or fiscal year 2013 to reflect the same changes in accounting policies. Accordingly, financial information included in our consolidated financial statements for fiscal year 2014 and for fiscal year 2013 (revised), to the extent affected by these changes, is not directly comparable to financial information included in the audited consolidated financial statements for fiscal year 2012 and fiscal year 2013. For additional information regarding the changes in accounting policies implemented in connection with our consolidated financial statements for fiscal year 2014, see note 4 to our audited consolidated financial statements for the fiscal year ended March 31, 2015 included elsewhere in this offering memorandum.

### ***As Adjusted Financial Data***

We present in this offering memorandum certain unaudited as adjusted financial data (on a consolidated basis and excluding Sprint) that have been adjusted to reflect certain effects of (i) the offering of the Notes, (ii) the May 22, 2015 redemption in full by SFJ Capital Limited of ¥200 billion in preferred securities (the “Preferred Securities Redemption”) and (iii) our June 18, 2015 issuance of ¥100 billion in senior unsecured bonds (the “June Yen-denominated Bonds Issuance”), on our total interest-bearing debt, cash position, cash and cash equivalents and net interest-bearing debt as if each had occurred on March 31, 2015. See “Summary—Summary Financial and Operating Information” and “Capitalization.”

Such as adjusted financial data has not been adjusted for:

- amounts we received with respect to the completed tender by us on June 1, 2015 of 188,235,200 shares of GungHo Online Entertainment, Inc.;
- our investment of \$1 billion in Forward Ventures, LLC, the holding Company of the owner and operator of *Coupang*, an e-commerce company with operations in the Republic of Korea;
- our May 29, 2015 acquisition of an additional 22.7% of the shares of Supercell from other investors in Supercell.

See “Summary—Recent Developments.” Our historical results may not be indicative of our future results following consummation of this offering. The as adjusted financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting as adjusted financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

### ***Non-IFRS Financial Measures***

In this offering memorandum we present certain financial measures that are not required by or presented in accordance with IFRS, including “EBITDA” and “Capital Expenditure (acceptance basis)”, because we believe they provide investors with useful additional information to measure our performance, liquidity or capital expenditures. The information presented by the non-IFRS financial measures included in this offering memorandum is unaudited and is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission, the Prospectus Directive or generally accepted accounting standards.

#### ***EBITDA***

EBITDA is defined as net sales, *less* cost of sales, *less* selling, general and administrative expenses, *plus* depreciation and amortization.

EBITDA should not be considered in isolation or as a substitute for measures of our operating performance or liquidity reported in accordance with IFRS. EBITDA has limitations as an analytical tool, some of which are as follows:

- EBITDA does not reflect the significant interest expense on our debt or the cash requirements necessary to service interest or principal payments on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements;
- EBITDA excludes certain tax payments that may represent a reduction in cash available to us;
- other companies in the industry in which we operate may calculate EBITDA differently than we do, limiting their usefulness as comparative measures; and
- our calculation and presentation of EBITDA in this offering memorandum are similar to, but different from, the calculation of EBITDA under certain of the agreements and instruments governing our indebtedness. Accordingly, EBITDA does not provide precise indications as to the level of our adherence to the terms of such indebtedness.

Because of these limitations, we rely primarily on our IFRS financial information and use EBITDA only to supplement such information. You are encouraged to evaluate each of the adjustments reflected in our presentation of EBITDA and whether you consider each to be appropriate.

#### ***Capital Expenditure (acceptance basis)***

Capital expenditure (cash flow basis) refers to the purchase of property and equipment and intangibles as reported in our audited cash flow statements prepared in accordance with IFRS. Capital expenditure (acceptance basis) differs from Capital expenditure (cash flow basis) in that capital expenditures recorded on an acceptance basis are recognized on an inspection and acceptance basis to accurately reflect when we capitalize the purchase of property and equipment and intangibles. Capital expenditure (acceptance basis) should not be considered in isolation or as a substitute for capital expenditure reported (cash flow basis) as reported in accordance with IFRS.

#### ***Cash position***

Cash position refers to cash and cash equivalents *plus* short-term investments. Cash and cash equivalents consist of cash, demand deposits and investments with maturities of three-month or less that are readily

convertible to cash and subject to insignificant risk of change in value. Short-term investments consist of marketable securities and time deposits (maturities of over three-month) and other recorded as current assets.

### ***Presentation of Financial Information Excluding the Sprint Segment***

We present in this offering memorandum certain consolidated financial information of the Company that excludes the Sprint segment, including (without limitation) total interest-bearing debt (excluding Sprint) and EBITDA (excluding Sprint). Excluding Sprint financial information is calculated by subtracting the results of our Sprint segment from our consolidated results.

The Company is a pure holding company and substantially all of its operating income and cash flow are derived from its subsidiaries. We rely on our subsidiaries' operating income and cash flow to make payments due under our existing and future indebtedness, including the Notes. Sprint, however, has incurred substantial amounts of stand-alone indebtedness that has limited recourse to Sprint itself and certain of its guarantor subsidiaries, is highly leveraged and uses a significant portion of its cash flow to service its own indebtedness and substantial capital expenditure requirements. The financial maintenance and incurrence covenants included in the terms of Sprint's indebtedness impose significant restrictions on its ability to pay dividends, distribute cash or return capital to us. Accordingly, only limited reliance can be placed on our Sprint segment's EBITDA, operating income and cash flow as indicators of our ability to service our indebtedness, including the Notes.

We believe that presenting certain consolidated financial information of the Company excluding the Sprint segment provides investors with useful additional information about our leverage and ability to meet related debt service requirements. This financial information excluding Sprint, however, has limitations as an analytical tool and should not be considered in isolation or as an alternative to measures of liquidity prepared in accordance with IFRS.

### ***Presentation of segment data***

Our reportable segments are the components of our business activities for which separate resource allocation and performance assessment are made. We have four reportable segments: Mobile Communications, Sprint, Fixed-line Telecommunications and Internet, as well as a segment for Other sources of revenue and costs not otherwise allocated.

We present segment income for each of our segments, defined as net sales, *less* cost of sales, *less* general and administrative expenses of that segment in the relevant period.

### ***Guarantor Financial Information***

SoftBank Corp. merged with our consolidated subsidiaries SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation (the "Intra-Group Consolidation"), on April 1, 2015. We have not prepared and do not plan to prepare consolidated financial information under IFRS showing the standalone financial information of SoftBank Corp. SoftBank Corp., together with merged entities, contributes the substantial majority of the results of the Mobile Communications and Fixed-Line Telecommunications segments. However, the results of both the Mobile Communications segment and the Fixed-line Telecommunications segment include contributions from entities that were not combined into the Note Guarantor and that do not guarantee the Notes. Specifically, the results of the Mobile Communications segment include contributions of Supercell, GungHo, Wireless City Planning and Brightstar and the results of the Fixed-line Telecommunications segment include limited contributions from Yahoo Japan.

This offering memorandum presents certain financial information presented under JGAAP for each of the four entities that merged on April 1, 2015 pursuant to the Intra-Group Consolidation. JGAAP differs materially in certain respects from IFRS as applied in the preparation of the consolidated financial statements contained elsewhere in the offering memorandum, and line items under JGAAP cannot be compared to similar line items under IFRS. Certain differences include:

- *Treatment of handset sales commissions.* Under JGAAP, commission fees related to sales of mobile handsets that the Company pays to dealers of mobile handsets were expensed as incurred. Under IFRS, such commission fees are deducted from the related revenues; and
- *Recording of certain accounts receivable securitizations on our balance sheet.* Regarding certain securitization transactions that qualify for extinguishment of financial assets under JGAAP, securitized receivables are recognized and accompanying liabilities are recognized as interest-bearing debt under IFRS when they are not qualified for derecognition of financial assets under IFRS.



Due to the above and other differences, the JGAAP financial information of certain subsidiaries included elsewhere in the offering memorandum is not comparable to our consolidated IFRS financial information, and we have made no attempt to identify or quantify the impact of these differences between JGAAP and IFRS. In making an investment decision, investors must rely upon their own examination of our business, the terms of the offerings and the financial information herein. Potential investors should consult with their own professional advisors for an understanding of the differences between JGAAP and IFRS, and how those differences might affect the financial information herein.

The JGAAP financial information of these four companies cannot be arithmetically aggregated to produce an approximation of the historical financial information of the Note Guarantor. Material reconciliations and eliminations of intra-group transactions, which have not been applied, are necessary to calculate the Note Guarantor's historical financial information.

## **PRESENTATION OF OPERATIONAL INFORMATION**

### ***Market and Industry Data***

In this offering memorandum, we rely on and refer to statistical and other information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this offering memorandum were obtained from market research, governmental and other publicly available information, industry publications and reports prepared by industry consultants. Industry publications and other third-party surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. While we have endeavored to accurately extract and reproduce data from such sources, we have not independently verified such data and cannot guarantee the accuracy or completeness thereof.

As noted in this offering memorandum, we have obtained market and industry data relating to our business from providers of industry data, including:

- BMI Research ("BMI"), a provider of economic, industry and financial market analysis. BMI provides historical information and forecasts about the U.S. and Japanese telecommunications markets—both fixed and mobile—for the calendar year ended December 31, 2014.
- Telecommunications Carriers Association ("TCA"), a Japanese telecommunications industry trade group. TCA researches and tracks matters of importance in the telecommunications industry. This source provides historical subscriber information on a monthly and quarterly basis for Japanese mobile telecommunications firms, by group, carrier and firm.
- International Data Corporation ("IDC") Worldwide Telecommunications Research, a provider of market intelligence and advisory services for the information technology, telecommunications and consumer technology markets. This source provides historic market data and forecasts related to user spending in fixed and mobile telecommunications markets globally.
- Dentsu, an international advertising and public relations company. Dentsu publishes an annual review on Japanese advertising expenditures. This source provides analysis and statistics related to the internet advertising market in Japan.
- the World Bank, an international financial institution and data aggregator. The World Bank collects and possesses large amounts of data, which it makes available to the public. This source provides per capita gross domestic product statistics.
- GSMA Intelligence ("GSMA"), a telecommunications industry research organization and data aggregator. This source provides subscriber data, operational data, financial data and demographic data on the mobile telecommunications industry.
- Ministry of Internal Affairs and Communications ("MIC"), a Japanese government ministry held with overseeing, among other things, administration of information and communications systems. This source provides volume, subscriber and market share information for the fixed, mobile and broadband telecommunications industries.
- MM Research Institute, a Japanese research and consulting firm, which provides market research and analysis and management consultancy services. This source provides shipment volumes and subscription data for feature phones and smartphones in Japan.
- Ministry of Economy, Trade and Industry of Japan ("METI"), a Japanese government ministry which deals with the economic, industrial, and trade-related issues of the country. This source provides volume and market size information for the Japanese e-commerce industry.

Additionally, certain market data contained in this offering memorandum has been sourced from Agoop Corp., our subsidiary that produces and operates a mobile application that aggregates data connectivity and downlink speed information.

### ***Market Share Data***

In this offering memorandum, we make reference to our market share and the market shares of our competitors. We measure our market share by number of subscribers. Our subscriber data comes from internal information and includes subscribers under both the *SoftBank* and *Y!mobile* brands (including PHS). Subscriber data for our competitors, NTT DOCOMO and KDDI, is derived from TCA.

### ***Key Performance Indicators***

#### ***Mobile Communications Segment***

We utilize ARPU, number of subscribers, churn rate and upgrade rate to analyze and develop strategies for our sales channels and mobile services. We believe these measures are important in understanding the performance of our mobile operations and facilitate operating performance comparisons.

**ARPU.** We measure the average monthly revenue generated per customer under our *SoftBank* brand in our Mobile Communications segment. ARPU for a given month represents (i) data-related revenue, basic monthly charges, voice-related revenues and certain other revenues, for the month, divided by (ii) the number of active subscribers at the beginning of the month, *plus* the number of active subscribers at the end of the month, *divided by two* and rounded to the nearest ¥10. Data revenue includes packet communication and flat-rate charges, basic monthly internet connection charges, content-related revenue, etc. Voice revenue includes basic monthly usage charges, voice call charges, revenues from incoming calls, device warrantee services, advertising, etc. Other revenues include revenues from incoming calls, that is interconnection charges received from other operators for voice calls from their customers that are carried from their own to our own networks. The calculation of ARPU excludes revenues that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees. SoftBank Corp. calculates ARPU based on the number of its mobile subscribers, excluding subscribers of communication modules.

**Subscribers.** Subscriber numbers are based on the cumulative number of assigned telephone numbers, including telephone numbers assigned to tablets and modules. We are currently considering a change to our definition of subscribers, mainly due to the merger of our four domestic telecommunication subsidiaries on April 1, 2015. As a result of the definition change, the total number of cumulative subscribers of SoftBank Corp. under the *SoftBank* brand and Ymobile Corporation under the *Y!mobile* brand (including PHS), as of March 31, 2015, may decrease by approximately 6%. Such decrease would result primarily due to the cessation of the double counting of devices which are included as subscribers by both SoftBank Corp. and Ymobile under our current definition. Such devices mainly comprise mobile data communication devices which access both SoftBank Corp. and Ymobile spectrum.

**Churn.** The number of customers who terminate their service in any particular period. Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service, or churn, relative to the total subscriber base for a given period. We calculate churn rate by dividing the total number of subscribers who churned in the relevant period by the average number of subscribers for the same period. The average number of subscribers for a given month is the average of the number of subscribers at the beginning of the month and the number of subscribers at the end of the month. To calculate churn rate for multi-month periods, which is presented as a monthly average, we divide the total number of subscribers who churned in the relevant months by the sum of the average number of subscribers for each month in the period.

**Upgrade rate.** Upgrade rate is a measure that tracks the percentage of our mobile customers who upgrade their subscription or handset to a higher-value plan in a given period. We calculate upgrade rate by dividing the total number of upgrades in the relevant period by the average number of subscribers for the same period. The average number of subscribers for a given month is the average of the number of subscribers at the beginning of the month and the number of subscribers at the end of the month. To calculate upgrade rate for multi-month periods, we divide the total number of subscribers who upgraded in the relevant months by the sum of the average number of subscribers for each month in the period.

#### ***Sprint Segment***

We utilize ARPU, ABPU, subscribers and churn rate to analyze and develop strategies for our sales channels and mobile services. We believe these measures are important in understanding the performance of our mobile operations and facilitate operating performance comparisons.

*ARPU.* We measure the average monthly revenue generated per customer. ARPU is calculated by dividing service revenue by the sum of the monthly average number of subscribers in the applicable service category. Changes in average monthly service revenue reflect subscribers for either the postpaid or prepaid service category who change rate plans, the level of voice and data usage, the amount of service credits which are offered to subscribers, plus the net effect of average monthly revenue generated by new subscribers and deactivating subscribers.

*ABPU.* We track and disclose, average billings per customer, in addition to ARPU. ABPU is calculated by dividing service revenue and equipment billings (representing installment billings under our installment billing programs and lease fees under our lease programs) by the sum of the monthly average number of subscribers in the applicable service category.

*Subscribers.* A subscriber is defined as an individual line of service associated with each device activated by a customer. Subscribers that transfer from their original service category classification to another platform, or another service line within the same platform, are reflected as a net loss to the original service category and a net addition to their new service category. There is no net effect for such subscriber changes to the total wireless net additions (losses) or end of period subscribers.

*Churn.* The number of customers who terminate their service in any particular period. Postpaid and Prepaid churn consist of both voluntary churn, where the subscriber makes his or her own determination to cease being a subscriber, and involuntary churn, where the subscriber's service is terminated due to a lack of payment or other reasons. Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service, or churn, relative to the total subscriber base for a given period. Churn is calculated by dividing net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter. For postpaid accounts comprising multiple subscribers, such as family plans and enterprise accounts, net deactivations are defined as deactivations in excess of subscriber activations in a particular account within 30 days.

## **TRADEMARKS**

SoftBank owns or has rights to use the trademarks, service marks and trade names that SoftBank uses in conjunction with the operation of its business. One of the more important trademarks that SoftBank owns that appears in this offering memorandum is "SoftBank," which is registered in Japan and registered and/or pending registration in other jurisdictions, as appropriate to the needs of the relevant business. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is the property of its respective owner.

## EXCHANGE RATE INFORMATION

The following table sets forth, for each period indicated, certain information concerning the exchange rates of Japanese yen for U.S. dollars, expressed in yen per \$1.00, based on the average of buying and selling rates of telegraphic transfers from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 10:00 a.m. (Tokyo time) on each business day during the periods indicated. The rates below may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that yen amounts actually represent such U.S. dollar amounts or that such amounts could have been converted into U.S. dollars at any particular rate, if at all.

| Fiscal year ended March 31,        | ¥ per \$1.00 |         |         |            |
|------------------------------------|--------------|---------|---------|------------|
|                                    | High         | Low     | Average | Period end |
| 2012 .....                         | ¥ 85.44      | ¥ 75.98 | ¥ 79.08 | ¥ 82.19    |
| 2013 .....                         | 96.45        | 77.60   | 82.91   | 94.05      |
| 2014 .....                         | 105.39       | 92.91   | 100.17  | 102.92     |
| 2015 .....                         | 121.58       | 101.26  | 109.76  | 120.17     |
| <b>Calendar Year 2015</b>          |              |         |         |            |
| April .....                        | 120.51       | 118.93  | 119.58  | 119.00     |
| May .....                          | 123.73       | 119.26  | 120.75  | 123.73     |
| June .....                         | 125.49       | 122.45  | 123.75  | 122.45     |
| July (through July 13, 2015) ..... | 123.37       | 120.79  | 122.39  | 122.50     |

The following table sets forth, for each period indicated, certain information concerning the exchange rates of Japanese yen for euros, expressed in yen per €1.00, based on the average of buying and selling rates of telegraphic transfers from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 10:00 a.m. (Tokyo time) on each business day during the periods indicated. The rates below may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that yen amounts actually represent such euro amounts or that such amounts could have been converted into euro at any particular rate, if at all.

| Fiscal year ended March 31,        | ¥ per €1.00 |         |         |            |
|------------------------------------|-------------|---------|---------|------------|
|                                    | High        | Low     | Average | Period end |
| 2012 .....                         | ¥122.74     | ¥ 97.20 | ¥109.02 | ¥109.80    |
| 2013 .....                         | 127.19      | 94.24   | 106.78  | 120.73     |
| 2014 .....                         | 145.05      | 119.32  | 134.21  | 141.65     |
| 2015 .....                         | 149.42      | 127.41  | 138.69  | 130.32     |
| <b>Calendar Year 2015</b>          |             |         |         |            |
| April .....                        | 132.29      | 126.95  | 129.02  | 132.29     |
| May .....                          | 136.68      | 133.19  | 134.70  | 135.61     |
| June .....                         | 140.60      | 135.49  | 138.75  | 137.23     |
| July (through July 13, 2015) ..... | 136.45      | 133.62  | 135.42  | 136.38     |

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## SUMMARY

*The following summary is qualified in its entirety by, and is subject to, the more detailed information and financial statements contained elsewhere in this offering memorandum. Certain capitalized terms used but not defined in this summary are used herein as defined elsewhere in this offering memorandum. Prospective investors should carefully consider the information set forth under the caption “Presentation of Financial and Other Information,” “Risk Factors” and all other information in this offering memorandum, prior to making an investment in the Notes.*

### Overview

We are one of Japan’s leading mobile communications companies. We had approximately 48 million mobile subscribers across our two brands, *SoftBank* and *Y!mobile*, as of March 31, 2015, and approximately 30% subscriber market share, according to TCA. We outperformed our competitors in the lucrative Japanese mobile market over the past decade, nearly doubling our market share since our entry via the acquisition of Vodafone Japan in 2006. We helped transform the Japanese smartphone market when we were the first to offer the *iPhone* in Japan in 2008 and built a brand centered on the mobile internet—data-intensive, highly-connected and reliable. Our unique brand and outperformance have also been supported by high quality 4G/LTE network infrastructure, well developed over a recently-completed cycle of significant capital expenditure, which covers nearly all of the population of Japan, with robust and reliable connectivity. Our flagship *SoftBank* brand focuses on serving the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users (mostly *iPhone*) that agree to two-year contracts.

We combine our stable and profitable domestic mobile operations with select strategic investments in global internet and communications companies, differentiating us from other mobile operators and providing opportunities for mutually-advantageous growth among our group companies. We control Japan’s dominant search engine portal site, Yahoo Japan, which had a market capitalization of ¥2,825 billion (\$23,506 million) as of March 31, 2015, we hold a significant minority stake in one of the world’s largest e-commerce companies, Alibaba, with a market value of our owned shares of ¥7,980 billion (\$66,404 million) as of March 31, 2015, we hold an approximately 80% share in one of the four largest telecommunications operators in the United States, Sprint, which had a market capitalization of ¥2,259 billion (\$18,799 million) as of March 31, 2015, and we have significant shareholdings in other superior internet and gaming companies such as Supercell and GungHo. We merged our core domestic telecommunications businesses (including mobile, broadband and fixed-line telecommunications) into SoftBank Corp. as of April 1, 2015 to simplify our structure and realize cost synergies among our businesses. Our leadership team includes Japan’s leading technology and business innovator, Masayoshi Son, our founder, Chairman and CEO. On June 19, 2015, we added to our senior leadership team by appointing as President and COO Nikesh Arora, former senior vice president and chief business officer at Google and chief marketing officer at T-Mobile Europe.

We generated net sales of ¥4,870 billion (\$40,528 million) (excluding Sprint) for the fiscal year ended March 31, 2015, of which ¥4,190 billion (\$34,863 million) (86%) was contributed by our Mobile Communications segment, which includes certain results of SoftBank Corp. and the results of Supercell, GungHo and Brightstar. We generated EBITDA of ¥1,480 billion (\$12,315 million) (excluding Sprint) for the fiscal year ended March 31, 2015, of which ¥1,150 billion (\$9,567 million) (78%) was contributed by our Mobile Communications segment. We maintain a long-term corporate credit rating of Ba1 from Moody’s Japan K.K. and BB+ from Standard & Poor’s Financial Services LLC. We are listed on the Tokyo Stock Exchange with a market capitalization of ¥8,381 billion (\$69,748 million), as of March 31, 2015.

### Strengths

***Well-established position as a leading mobile communications company in Japan, one of the largest and most attractive mobile communications markets in the world***

We are one of Japan’s leading mobile communications companies in terms of mobile subscribers. As of March 31, 2015, we had approximately 48 million subscribers, which amounted to approximately 30% of subscribers in the Japanese market according to TCA, placing us second in Japan. Japan is one of the most technologically advanced and attractive mobile communications markets in the world and is the third-largest globally, following United States and China, with user spending estimated to be worth approximately \$68 billion in 2014, according to IDC (Source: IDC, Dec. 2014 “Worldwide Telecom 2014-2018 Forecast: FY13 and 1H14

Update” (#252690)). We and the other major network operators in Japan provide nationwide coverage, and therefore we do not incur costs in relation to internetwork termination fees. The Japanese mobile market is supported by several attractive characteristics:

***Japan is one of the wealthiest and most technologically advanced countries in the world, supporting stable and high levels of mobile spending***

Japan is the third largest economy in the world by GDP and one of the world’s most stable societies. According to the World Bank, in 2013 Japan had a GDP per capita of approximately \$39,000, which was greater than the average per capita GDP of the EU for the same year of approximately \$35,000. Japanese consumer preference for high-quality services has driven and reinforced a strong trend towards intensive data usage on mobile devices. Japanese mobile networks enable high connection speed and data consumption through 4G/LTE. We believe that the higher levels of Japan’s GDP per capita and consumer preference for high-quality services have historically promoted comparatively higher levels of consumer spending on mobile services and we expect this trend to continue.

***Japan has a well-established and stable competitive environment, which benefits from a transparent regulatory environment***

The Japanese mobile market is occupied by three main and well-established players (NTT DOCOMO, our Group and KDDI, each of which holds a substantial market share) and is characterized by rational competition and transparent regulation. In Japan, mobile spectrum is not auctioned off to operators but is allotted by the regulator. These factors, combined with the capital-intensive nature of the telecommunications industry and licensing requirements and administrative restrictions for obtaining permits to build mobile sites in Japan, have historically resulted in a lack of new market entrants and we believe that there is little risk of a fourth mobile network operator (“MNO”) entering the market.

***Stable customer base backed by large postpaid subscribers***

More than 99% of mobile telecommunication service subscribers in Japan are postpaid subscribers who accept two-year contract commitments and display relatively low levels of churn. We have invested heavily in a nationwide LTE network and this network is well developed to support high-quality services (i.e. communication downlink speed and connectivity), one of the key factors behind the decision to switch carriers. SoftBank Corp.’s churn rate is still relatively high compared to NTT DOCOMO and KDDI, which we consider to be partially a short-term consequence of the construction efforts required to improve our network and service quality. With our network improvements largely complete, we believe we have further room to improve our churn rate.

***Growth opportunities from potential to increase penetration and increasing data usage***

Japan has mobile penetration rate at 122.1%, which is lower than other advanced industrial economies such as Italy (145.4%), Germany (139.8%) or the United Kingdom (123.5%), each as of December 31, 2014 according to BMI. Smartphone penetration in particular was estimated at approximately 54.2% of the total mobile handset market as of December, 31 2014 and is rapidly increasing, as smartphones are expected to represent over 64% of total handsets sold by the end of March 2017, according to MM Research. In addition, mobile data traffic has shown significant growth, driven in part by smartphone uptake, and we expect this trend to continue. Due to increasing smartphone penetration and high quality networks in Japan, the Japanese mobile market’s appetite for wireless bandwidth, supporting high speed, data-intensive applications and internet traffic, is increasing. These characteristics translate into high average revenue per user per month (“ARPU”) and create a positive outlook of sustainably high levels of revenue for Japanese mobile carriers, especially as the pace of technological innovation continues to promote customers’ demand for greater speeds and better connectivity across multiple devices.

Our solid standing as leading network operator in Japan, along with our strong track record of using advanced and innovative service offerings to outperform our peers, puts us in a unique position to take advantage of the attractive dynamics of Japan’s mobile telecommunications market as we continue our focus on growing profitability. Since April 2006, when we acquired Vodafone Japan, we have demonstrated our success in competing with large, established incumbents and over the same period we have almost doubled our mobile communications market share from approximately 16% to approximately 30% as of March 31, 2015. We believe that our substantial growth has been due to powerful marketing and branding strategies, innovative products and continuous network enhancement and that these factors will facilitate our efforts to monetize our strong subscriber base. Because we have significant experience investing in and operating internet companies, we were

able to anticipate the mobile internet revolution and were the first company to offer the *iPhone* in Japan in 2008, which transformed the Japanese smartphone market. To this day, we continue to promote innovative smartphone-centric strategies and are well positioned to maintain strong cash flow from our existing operations.

***Well-invested, high-quality network, providing clear, high speed and stable communication services***

We believe that the quality of our mobile network is a key factor in acquiring and retaining mobile subscribers and have focused on maintaining and improving the quality and speed of our mobile network, especially with respect to our LTE network, and increasing network capacity to respond to the rapid rise in traffic attributable to increased penetration of smartphones and resultant increased data usage.

We have invested heavily in our domestic network, with over ¥1,866 billion (\$15,525 million) invested in our Mobile Communications segment over the last three fiscal years. We have caught up and overtaken our competitors in terms of connectivity and have carefully managed the explosive growth in data traffic that has accompanied the rapid popularization of smartphones. We achieved this, among other means, by using big data to make efficient, large-scale capital investments and massively increasing the number of base stations using the “platinum band” (the band of spectrum between 700 MHz and 900 MHz, which is optimal for mobile communications services). We were allocated our first access to the platinum band in 2012 and then expanded our available spectrum through our acquisitions of WILLCOM and eAccess (now merged with SoftBank Corp.). To further enhance our network connectivity, we have expanded the number of base stations for LTE services, which can make the most efficient use of spectrum and allow for rollout of more advanced technology using software rather than capital-intensive infrastructure.

Our investments have provided us with Japan’s foremost network in terms of smartphone data connectivity and smartphone communication speed. According to Agoop Corp., our industry data aggregator subsidiary, our smartphone data connectivity as of May 3, 2015 was 98.9%, compared to 98.1% and 97.4% for our primary competitors NTT DOCOMO and KDDI, respectively. According to the same source, our nationwide smartphone communication downlink speed was 22 Mbps, compared to 18 Mbps and 16 Mbps for NTT DOCOMO and KDDI, respectively. We pride ourselves on the technical reliability of our network and the high credibility that it gives us with our customers: we have not experienced any “serious incidents,” requiring a report to the MIC, since June 2011 with respect to SoftBank Corp.’s network, and since April 2013 with respect to Ymobile’s network. We believe that our high-quality network has bolstered our customer retention and led to reduced churn, and will strengthen our competitive position relative to the other MNOs.

Our well-invested infrastructure allows us to operate a technologically advanced network, supported by a comprehensive and all-but-completed footprint of steel towers for base stations, at controlled cost. We currently anticipate that capital expenditures in our Mobile Communications segment will run at a rate of approximately ¥372 billion (\$3,098 million) going for the fiscal year ending March 31, 2016 (including life-cycle expenditures), in part with a view to maintaining the cushion of excess network capacity we currently enjoy despite the expected increase in mobile data usage.

***Strong cash flow generation and prudent financial management***

Our strong market position as a leading mobile carrier and as a diversified telecommunications operator in Japan, coupled with the our synergistic ties with leading internet businesses and other strategic assets, has provided us with stable and strong recurring cash flows. In addition, steady growth of our mobile subscriber base coupled with agile control of operating costs, has allowed us to maintain consistent EBITDA growth, both for our consolidated group and key mobile operating company, SoftBank Corp., and to maintain a steady EBITDA margin for domestic mobile communications business, despite declines in ARPU in the past three fiscal years due to competition and declining voice ARPU. For the fiscal years ended March 31, 2014 and 2015, our Mobile Communications segment generated EBITDA of ¥1,001 billion (\$8,328 million) and ¥1,150 billion (\$9,567 million), respectively and made capital expenditures of ¥679 billion (\$5,650 million) and ¥537 billion (\$4,467 million), respectively.

We believe that our high level of prior investment in our network has stabilized our capital requirements over the medium term and will allow us to absorb the expected growth in mobile data usage with reduced incremental capital expenditures. Because of these previous investments, we can now limit capital expenditures to incremental upgrades required by new customer subscriptions and increased usage. Going forward, we estimate reduced capital expenditures in our Mobile Communications segment of ¥372 billion (\$3,098 million) for the fiscal year ending March 31, 2016 (including life-cycle expenditure). We believe that steady and sustainable growth of our domestic telecommunications businesses, coupled with operating efficiencies and reduced levels of capital investment, will bolster our free cash flow from domestic operations, allowing us to

dedicate additional resources to strategic high-value areas and to gradually reduce our leverage and repay outstanding debt. We have a proven track record of deleveraging and improving our credit profile over time. For example, we lowered our net interest-bearing debt by ¥0.7 trillion (\$7.8 billion) in the six years following the acquisition of Vodafone Japan in fiscal year 2006. In fiscal year 2013 our net interest-bearing debt increased as a result of the Sprint acquisition and our consolidation of Sprint's debt. However, in fiscal year 2014 we have resumed our deleveraging path and net interest-bearing debt-to-EBITDA ratio of our Group (excluding Sprint) was 3.1x as of March 31, 2015. We intend to continue deliberately managing our net leverage with an aim to improving our credit profile in the medium term.

We have a prudent and conservative approach to financial management as reflected by the large liquidity position available to us. As of March 31, 2015, we held a cash position of ¥3,424 billion (\$28,497 million), including ¥1,003 billion (\$8,349 million) which was collectively held by Sprint and Yahoo Japan and to which we do not have ready access. In addition, we have a commitment line with maximum drawings of ¥178.5 billion (\$1,485 million), of which all remained undrawn as of March 31, 2015. We have access to multiple sources of funding, including through the regular issuance of debt securities in the Japanese domestic market. For example, in the fiscal year ended March 31, 2015, ¥700 billion (\$5,825 million) of yen-denominated senior unguaranteed domestic bonds and ¥850 billion (\$7,073 million) of yen-denominated unguaranteed subordinated domestic bonds, with average coupons of 1.3% and 2.5%, respectively. We expect our strong liquidity position to provide ample capacity to cover our expected liquidity needs at least over the next 12 months.

***Broad range of internet and other strategic assets providing a unique foundation to build rich insight into the future of information communications***

We leverage our strategic investments in, and partnerships with, internet companies worldwide to gain a competitive advantage in our Japanese telecommunications markets and to expand into additional markets. Our continued growth in our domestic market has been based on using the internet as our business foundation and unleashing synergies with other Group companies or partners to enhance our content and service offerings and make them even easier to use. Our internet-related businesses allow us to participate in, and gather information on, market trends as they develop around the world. That insight, combined with our spirit of innovation and venture, allows us to differentiate ourselves from our competitors and avoid becoming a commodity provider by creating a unique service that revolves around tailored entertainment and greater customer convenience.

***Yahoo Japan***

Yahoo Japan, which we control, is the most popular internet portal site in Japan. As of March 31, 2015, we owned 43.0% of the voting rights in Yahoo Japan, representing a market value of ¥2,825 billion (\$23,506 million). It is also a key partner for our Mobile Communications segment and develops products that incorporate Yahoo Japan's services into our mobile network, offering our users advanced and convenient mobile internet services under the *Y!mobile* brand name. For example, in October 2015 we launched a partnership with Yahoo Japan whereby SoftBank smartphone users will be able to conveniently purchase products without registration on Yahoo Japan's e-commerce platform, with the amount charged to their smartphone bill.

***Supercell and GungHo***

Supercell is a leading mobile gaming company based in Finland, in which we owned 77.8% of the voting as of May 29, 2015. Its most popular mobile games include *Clash of Clans*, *Hay Day* and *Boom Beach*. *Clash of Clans* has consistently led all games for iOS and Android devices in net sales since its release according to research by App Annie. These hit titles have enabled Supercell to achieve rapid growth since its debut title in 2012. We also owned 28.4% of the voting rights as of June 1, 2015 in GungHo. GungHo is a leading Japanese online gaming company with a focus on mobile games, with hit games such as *Puzzle & Dragons*, one of Japan's top mobile games.

***Alibaba***

As of March 31, 2015, we held 31.9% of the voting rights in Alibaba, but a voting rights agreement effectively limits our share of voting rights to 30%, representing a market value of ¥7,980 billion (\$66,404 million), as of March 31, 2015. We believe Alibaba is one of the largest online and mobile commerce companies in the world in terms of gross merchandise volume. Since investing in the newly founded Alibaba in 2000, we have continued to build a close relationship with it by establishing business alliances and joint ventures. In addition, Alibaba's executive chairman Mr. Yun Ma serves as a director of the Company and Mr. Masayoshi Son (our Chairman and Chief Executive Officer) serves as a director of



Alibaba, with both directors using their knowledge and wealth of experience to contribute to the growth of each company. We have built a mutually advantageous relationship with Alibaba, as seen in our joint investment with Alibaba in Travice Inc. (currently Xiaoju Kuaizhi Inc.), a provider of one of China's most popular taxi booking mobile applications. Furthermore, in May 2015, Alibaba announced a partnership with Yahoo Japan whereby the two companies would work together to bring Japanese goods more efficiently to the Chinese consumer market.

In addition, our Group includes strategic assets that help us to improve our competitive position and achieve significant operational cost savings potential. We own 79.5% of the voting rights in and control Sprint, a major provider of fixed-line telecommunications services, mobile communications services, mobile devices, mobile handsets and accessories in the United States, which we consolidate as the Sprint segment. Sprint generates synergies with our Mobile Communications segment by allowing us to combine SoftBank and Sprint's purchases of network equipment and use the increased scale to achieve better global procurement terms. We also own 100% of Brightstar, one of the world's largest specialized wireless terminal distributors in terms of net sales, providing services in over 100 countries with local bases in over 50 countries, including mobile device and accessory wholesaling, mobile device distribution and inventory management and mobile device insurance and trade-in programs. Our acquisition of Brightstar made us one of the largest purchasers of mobile hardware in the world and further empowered us to negotiate with manufacturers from a position of strength. We have integrated Brightstar's global distribution network as a key component of our strategy to offer handset trade-in initiatives.

***World-class management team led by Japan's most successful entrepreneur, with a track record of growing businesses and risk control through disciplined portfolio management***

With our strong senior management team and a group of transformational internet entrepreneurs, we believe our leadership team has the experience and vision to continue our success.

Our founder, Chairman and CEO Masayoshi Son is Japan's foremost information technology and business innovator. Under his leadership, we have grown from a new-born distributor of packaged software in 1981 to what we believe is Japan's most innovative mobile-internet company, with a market capitalization of ¥8,381 billion (\$69,740 million) as of March 31, 2015. Mr. Son's entrepreneurial vision for SoftBank has placed us at the forefront of the information revolution. Anticipating the future of the mobile internet, under Mr. Son's leadership we founded the dominant portal site in Japan in 1996 through our joint venture Yahoo Japan, introduced the *iPhone* in Japan in 2008 and have become one of the leading mobile communications providers in Japan.

Our management team has proven our ability to build successful businesses, even in trying circumstances. We purchased a controlling interest in Sprint in 2013 and Sprint has begun to improve its performance since then. For example, Sprint had a net loss of 467 thousand customers in the fourth quarter of fiscal year 2013; Sprint had a net gain of 1,212 thousand customers in the fourth quarter of fiscal year 2014. In 2013, Sprint's network was rated the lowest among the major U.S. mobile firms. In network quality surveys conducted in late 2014, Sprint's network ranked third, above T-Mobile's network, in both cases according to Rootmetrics. Before Sprint, we acquired Vodafone's Japanese operations in 2006 and through prudent investment transformed a below-average network into our market leading 4G/LTE offering. Before that, we acquired Japan Telecom Co., Ltd. (a fixed-line business) and built that into our profitable fixed-line segment.

Our management team also has a proven ability to execute successful investment partnerships with transformational, high growth potential businesses. We first invested in Alibaba in 2000. Our stake in Alibaba had a market value of ¥7,980 billion (\$66,404 million), as of March 31, 2015. Other disruptive subsidiaries and strategic associates include gaming companies Supercell and GungHo, mobile taxi applications GrabTaxi and e-commerce site SnapDeal.

Our management team is ready for the challenges of adapting to the ever-changing technological landscape. At the SoftBank Group level, while our founder Masayoshi Son will remain in his role as Chairman and CEO for the foreseeable future, Nikesh Arora became our President and COO on June 19, 2015. Prior to joining SoftBank, Mr. Arora served as senior vice president and chief business officer at Google and as chief marketing officer at T-Mobile Europe.

**Strategies**

In order to realize our vision of "SoftBank 2.0"—a global enterprise with a business model facilitating sustained growth—we seek to leverage our strong position in our domestic market to maximize profitability in our Japanese businesses while leading the information revolution worldwide by promoting targeted collaborations with strategic partners and our own internet companies. We seek to build from our successful development in Japan to



become a global company with a strong presence in the United States, where we will continue the Sprint turnaround, China, India and other markets where we can profitably and sustainably build a synergistic corporate group.

***Leverage our leading market position in the attractive Japanese mobile telecommunications market to enhance revenue generation***

We have succeeded in achieving a robust market share and an established brand recognition as well as building effective marketing capabilities and a superior network infrastructure in the Japanese mobile telecommunications market and this gives us the opportunity to improve free cash flow in the near term.

***Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers***

Smartphone subscribers generate more revenue and lower churn rates relative to subscribers to other devices. We have focused our sales and marketing efforts on acquiring and retaining higher value smartphone subscribers, including by offering discounted rates in bundled plans of handset and fixed-line subscriptions and through loyalty programs. In addition, we are endeavoring to reduce churn through the introduction of attractive bundled products including FTTH using NTT's fiber network, which we believe will substantially mitigate an advantage of one of our competitors that historically led certain subscribers to migrate carriers.

***Offer higher-value, data-intensive pricing plans***

We intend to prioritize the marketing of data-intensive monthly plans such as the "Smartphone Flat-Rate" plan, which features a fixed price for unlimited voice usage and variable prices for different levels of data usage. We promote Smartphone Flat-Rate through concrete sales targets linked to plans that allow data usage of 5GB or more. Usage prices are generally consistent and undifferentiated among mobile operators across the Japanese market.

***Intensify dual-brand strategy***

We intend to further grow the number of our smartphone subscribers by appealing to Japanese customers with our two main brands, *SoftBank* and *Y!mobile*. We believe that we have a competitive advantage by appealing to existing and future customers through our dual brand approach. With our dual-brand strategy we will continue targeting clearly defined market segments with relevant dedicated products and service offerings in order to optimize our market reach and achieve further growth. In particular, our *SoftBank* brand is targeted at the mass market, which comprises the highest value customers. At the same time, we will continue to capture first-time, younger or more cost-conscious customers through our distinct *Y!mobile* brand, which expands our subscriber base and creates up-selling potential for the mass market segment once customers become older or more settled and increase the usage of their devices.

***Continue to pursue operating efficiencies and extract synergies from our investments***

As we seek to improve margins, we intend to find ways of reducing our operating costs. One example of this is the meaningful opportunities for cost saving we have identified in network operations, information systems, sales and marketing and personnel as part of the April 1, 2015 merger of our domestic telecommunications companies into SoftBank Corp. We also aim to realize synergies by leveraging our global scale in the combined procurement of telecommunication equipment and our partnership with Yahoo Japan whereby from October 2015 SoftBank smartphone users will be able to conveniently purchase products without registration on Yahoo Japan's e-commerce platform, with the amount charged to their smartphone bill. We also aim to leverage Brightstar's global distribution network to create synergies with our domestic mobile communications business.

***Reduce capital expenditures and accelerate free cash flow generation***

We have invested heavily in our domestic networks over the last three fiscal years, with ¥1,866 billion (\$15,525 million) in investment in our Mobile Communications segment peaking at ¥679 billion (\$5,650 million) in fiscal year 2013. However, we have nearly finished building our steel towers for base stations throughout Japan, the most costly aspect of our network revamp program, and we expect our capital expenditure to decline going forward. In particular, we expect capital investment of ¥372 billion (\$3,098 million) in the next fiscal year in our Mobile Communications segment (including life-cycle expenditure), which, paired with stable EBITDA levels, will amplify our generation of free cash flow.

***Pursue our vision for SoftBank 2.0 to realize sustainable growth through strategic investments and divestments***

One of the main principles underlying SoftBank 2.0 is to realize sustainable growth through strategic investments and divestments enabling synergies with our existing businesses. We intend to work with new and existing strategic partners and associates that are led by disruptive internet entrepreneurs and that have the potential for monetization. We have executed this strategy successfully with, for example, our joint venture with Yahoo! Inc., Yahoo Japan (43.0% held by us and effectively controlled by us), and with our investment in Alibaba (31.9% held by us). We intend to use a systematic approach to undertake new strategic partnerships and investments. To this end, our newly appointed President and COO Mr. Arora has already taken a leading role in assessing and diligencing potential investments. Mr. Arora has already led numerous investments together with Masayoshi Son in internet companies since he joined SoftBank, including our investments in GrabTaxi and SnapDeal.

We also expect to optimize our portfolio of assets to ensure that each contributes substantial value to the SoftBank Group. In assessing each part of our Group, we will systematically determine whether a full or partial exit from existing investments would support our vision for the future of SoftBank. We will undertake this process by leveraging our broad experience and extensive information telecommunications technology know-how.

***Continue the turnaround of Sprint and realize profitable growth through a unique and differentiated value proposition***

We believe that Sprint has the capacity to improve its earning power. Sprint competes in the United States, one of the world's largest mobile communications markets with continuing population growth. Sprint possesses a broad spectrum of 2.5 GHz and had 56.1 million subscribers on its Sprint platform as of March 31, 2015.

Our vision for Sprint is based on improving Sprint's brand by enhancing the customer experience. We have already achieved significant success in this regard, as demonstrated by our improved network rating in the second half of 2014 from Rootmetrics and a 20% reduction in calls to request customer service from the fourth quarter of fiscal year 2013 to the fourth quarter of fiscal year 2014. Further demonstrating this success, our net promoter score has also improved dramatically from March 2014 to March 2015. We hope to continue this success by further enhancing Sprint's network connectivity and speed, going beyond Sprint's current population coverage of approximately 280 million people with our LTE network area. We are also embracing voice calling over Wi-Fi as an additional tool to improve coverage and bolster customer acquisition and retention. Sprint will further bolster its brand and dramatically expand its retail presence by opening stores within 1,435 existing RadioShack locations.

Our vision for Sprint is also based on maximizing profitability in the long term. Profitability at Sprint can be improved by concentrating on high-revenue products such as postpaid handsets and decreasing customer retention costs and churn rates. Demonstrating our success so far in these areas, Sprint's churn rate among postpaid subscribers for the fourth quarter of fiscal year 2014 was down 46 basis points from the preceding quarter. In addition, Sprint had net additions of postpaid subscribers of 211 thousand in the fourth quarter of fiscal year 2014, up from a net loss of 231 thousand postpaid subscribers in the fourth quarter of fiscal year 2013. Although Sprint's net customer additions, according to our estimates, trail those of Sprint's competitors, over the past fiscal year Sprint has shown stronger improvement in terms of net additions in postpaid subscribers compared to its main competitors, particularly with respect to postpaid phone subscribers.

While we will play an active role in Sprint's turnaround, we expect that Sprint will continue to act as an independent subsidiary with stand-alone funding capacity for its operations and capital requirements and we do not anticipate providing our Sprint segment with additional financial support to meet its capital expenditure plans or other liquidity needs. Instead, we expect to aid Sprint's turnaround by working closely with Sprint management to share SoftBank's proven operational, technological and financial expertise, including the appointment of former SoftBank Corp. Chief Technology Officer Junichi Miyakawa as Technical Chief Operating Officer of Sprint in November 2014, with the goal of improving Sprint's network by introducing 2.5GHz TD-LTE network expertise and know-how developed in Japan. In August 2014, Marcello Claure, the founder and entrepreneur behind Brightstar, joined Sprint as CEO. Under Mr. Claure, Brightstar became one of the world's largest specialized wireless terminal distributors in terms of net sales, providing services in over 100 countries with local bases in over 50 countries after its founding in 1997. Mr. Claure has been instrumental in crafting a dynamic turnaround strategy that has helped to revitalize the Sprint business.

## **Recent Developments**

### ***Redemption of Senior Notes by Ymobile***

On March 27, 2015, Ymobile Corporation paid a full redemption amount to a trustee to redeem before maturity (redemption date: April 1, 2015) its foreign currency denominated straight corporate bonds in an aggregate principal amount of \$420 million and €200 million. There are no amounts outstanding under these notes and these notes do not appear in our fiscal year 2014 audited financial statements.

### ***Intra-Group Consolidation***

On April 1, 2015, SoftBank Corp. merged with and assumed the business operations of SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation (the “Intra-Group Consolidation”). The four companies subject to the merger were engaged in domestic telecommunications businesses within the SoftBank Group: SoftBank Corp. is our core operating subsidiary providing mobile communications services under the “SoftBank” brand, SoftBank BB provided broadband services under the “Yahoo! BB” brand, SoftBank Telecom provided telecommunications services such as fixed-line telephone and data communications services, and Ymobile provided mobile communications services under the “Y!mobile” brand. The four companies subject to the merger have been working on mutually utilizing each other’s communications networks, distribution channels and other resources, and enhancing their collaboration for these services. SoftBank Corp. currently continues to operate the existing brands of the pre-merged entities.

### ***Redemption of Preferred Securities by a Subsidiary***

On May 22, 2015, our wholly-owned subsidiary, SFJ Capital Limited, fully redeemed preferred securities issued by it and guaranteed on a subordinated basis by the Company, by paying ¥200 billion (\$1,664 million) to holders of these preferred securities. The redemption was funded by allocation of part of the funds raised by the Company through the issuance of unsecured subordinated corporate bonds on December 19, 2014.

### ***Additional Investment in Supercell***

On May 29, 2015, we completed an acquisition of an additional 22.7% of the shares of Supercell from other Supercell investors using cash on our balance sheet, increasing our ownership in Supercell and resulting in us holding a 77.8% voting stake.

### ***Tender of Shares in GungHo***

On June 1, 2015, GungHo completed a tender offer in which we tendered a portion of the shares of GungHo held by us representing 16.34% of GungHo’s outstanding common shares. As a result of the completion of this tender offer, and certain concurrent transactions, we hold a 28.41% voting stake in GungHo and GungHo is now treated as our equity-method associate. In connection with the completion of the tender offer and our receipt of ¥80.0 billion (\$666 million) in cash consideration for tendered shares, the Company expects to record, on a standalone basis, ¥78.0 billion (\$649 million) of gain on sales of shares of subsidiaries and associates on its non-consolidated financial statements for the fiscal year ending March 2016. See “Related-Party Transactions.” The Company also expects to record, on a consolidated basis, income or loss resulting from loss of control on its consolidated financial statements for the fiscal year ending March 2016, equal to the difference between (i) the carrying amount of GungHo on a consolidated basis at the time of loss of control on June 1, 2015 after reflecting GungHo’s net income or loss from April 1 to June 1, 2015, and (ii) the fair value of GungHo at the time it became an associate (on June 1, 2015), which is the closing share price of GungHo on such date multiplied by the number of its shares held by the Company.

### ***Investment in Coupang***

On June 3, 2015, we announced a definitive agreement with Forward Ventures, LLC, the holding Company of the owner and operator of *Coupang*, one of the largest and fastest growing standalone e-commerce companies in the Republic of Korea, under which a subsidiary of the Company will invest \$1 billion in Forward Ventures, LLC. The investment closed in mid-July 2015. This funding is expected to be applied to fuel Coupang’s innovations in its end-to-end fulfillment service, same-day delivery network and leading mobile applications that will extend Coupang’s leadership in the future. Forward Ventures, LLC will also expand its R&D offices in Silicon Valley, Seattle, Shanghai and Seoul. Driven by a high level of mobile engagement and its innovative delivery service, *Coupang* has become one of Asia’s leading e-commerce platforms.

### ***Issuance of 47<sup>th</sup> Unsecured Straight Corporate Bond***

On June 18, 2015, we issued ¥100 billion (\$832 million) in senior unsecured bonds, due June 18, 2020. The bonds have a coupon rate of 1.36% per annum. We expect to apply the proceeds of the issuance of the bonds to redeem outstanding bonds and repay other indebtedness. See “Description of Other Indebtedness.”

### ***Changes in Senior Management and Board Members***

On June 19, 2015, Mr. Nimesh Arora was elected as a member of the Board of Directors of the Company. On the same day, we appointed him as Representative Director, President and COO of the Company, in order to enhance our management structure to accommodate further global development. Mr. Arora had previously held the positions of Vice Chairman of the Company and CEO of SB Group US, Inc. from September 2014, and has been deeply involved in the development and execution of the SoftBank Group’s growth strategy.

On June 19, 2015, Mr. Ken Miyauchi assumed the role of Director of the Company, in order to focus on the operation of SoftBank Corp. while continuing to play a leading role in the SoftBank Group management. Mr. Ken Miyauchi, joined the Company in 1984, has been instrumental in the business expansion of the SoftBank Group particularly in areas of sales and marketing, and also serves as President and CEO of SoftBank Corp.

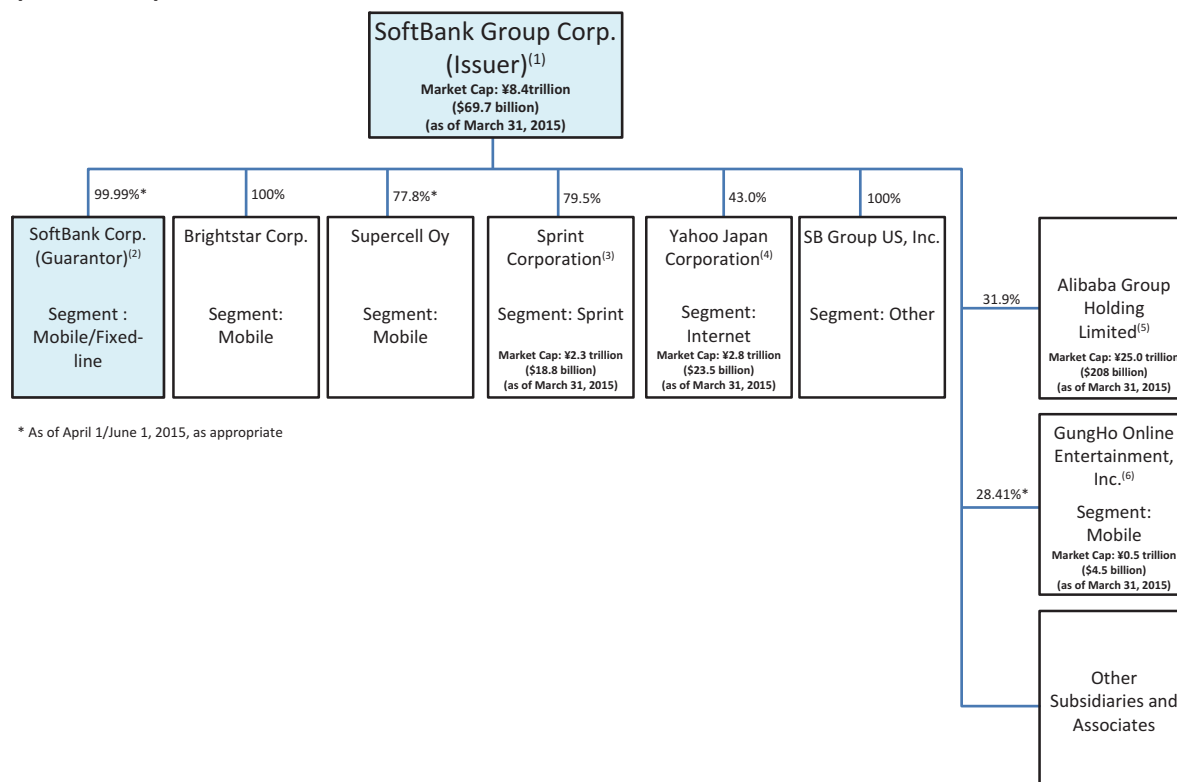
### ***Change of Corporate Name***

On July 1, 2015, we changed our corporate name from SoftBank Corp. to SoftBank Group Corp. in order to more clearly describe, in the course of further global development, our position as a pure holding company in the SoftBank Group. At the same time, SoftBank Mobile Corp. changed its corporate name to SoftBank Corp.

### **Organizational Structure**

The following is a simplified summary of the corporate and financing structure of the Company adjusted to reflect the Intra-Group Consolidation. The chart does not include all of our subsidiaries. Unless otherwise indicated, the subsidiaries included in the simplified structure below are directly or indirectly owned by the Company.

#### **Simplified Group Structure**



- (1) The shares of the Company trade on the Tokyo Stock Exchange and we have a market capitalization as of March 31, 2015 of ¥8.4 trillion (\$70 billion). Our principal shareholders are our founder, Chairman, and CEO, Masayoshi Son (19.26%), JP Morgan Chase Bank (7.05%) and The Master Trust Bank of Japan, Ltd (5.11%). See “Principal Shareholders.”
- (2) SoftBank Corp., Ymobile Corporation, SoftBank BB Corp., and SoftBank Telecom Corp. conducted an absorption type merger with SoftBank Corp. being the surviving company, effective on April 1, 2015. See “—Recent Developments.” SoftBank Corp. will provide an upstream senior guarantee to the Notes offered hereby. SoftBank Corp. is the core operating entity for our Mobile Communications segment and SoftBank Telecom Corp. was, prior to its absorption by SoftBank Corp., the core operating entity for our Fixed-line Telecommunications segment.
- (3) We acquired a controlling interest in Sprint in on July 10, 2013, which interest we increased to 79.5% as of March 31, 2015 after we acquired an additional approximately 2%, and consolidate Sprint’s results as our Sprint segment. For the year ended March 31, 2015, the Sprint segment had net sales of ¥3,800 billion (\$31,622 million), EBITDA of ¥653 billion (\$5,434 million) and segment income of ¥74 billion (\$615 million). As of March 31, 2015, Sprint had a market capitalization of ¥2.3 trillion (\$19 billion). Sprint will not guarantee the Notes.
- (4) As of March 31, 2015, we held a 43.0% voting stake in Yahoo Japan and consolidate Yahoo Japan’s results, mainly in our Internet segment. For the year ended March 31, 2015, the Internet segment had net sales of ¥419 billion (\$3,488 million), EBITDA of ¥205 billion (\$1,705 million) and segment income of ¥187 billion (\$1,556 million). As of March 31, 2015, Yahoo Japan had a market capitalization of ¥2.8 trillion (\$24 billion). Yahoo Japan will not guarantee the Notes.
- (5) As of March 31, 2015, we held directly and indirectly shares representing 31.9% of the voting rights of Alibaba, but a voting rights agreement effectively limits our share of voting rights to 30%. See “Business—Strategically Important Companies—Alibaba.” As of March 31, 2015, our share of Alibaba had a market value of ¥7,980 billion (\$66,404 million). We do not consolidate Alibaba’s results and Alibaba will not guarantee the Notes.
- (6) We held 28.4% of GungHo’s shares after June 1, 2015 when we sold back certain shares to GungHo. See “Recent Developments—GungHo.” As a result of this sale, we will no longer consolidate GungHo’s results. GungHo will not guarantee the Notes.

The table below shows net sales, operating income and total assets of SoftBank Corp. and the three entities that were absorbed into SoftBank Corp. pursuant to the Intra-Group Consolidation: SoftBank Telecom Corp., SoftBank BB Corp. and Ymobile Corporation. See “—Recent Developments.” The financial information in this table was prepared under JGAAP, which differs materially in certain respects from IFRS as applied in the preparation of the consolidated financial statements contained elsewhere in the offering memorandum, and line items under JGAAP cannot be compared to similar line items under IFRS. See “Presentation of Financial Information—Guarantor Financial Information.” The JGAAP financial information of these four companies cannot be arithmetically aggregated to produce an approximation of the historical financial information of the Note Guarantor. Material reconciliations and eliminations of intra-group transactions, which have not been applied, are necessary to calculate the Note Guarantor’s historical financial information.

|                        |        | As of and for the fiscal year ended March 31, 2015 |      |                        |      |                   |      |                     |  |
|------------------------|--------|--|------|------------------------|------|-------------------|------|---------------------|--|
|                        |        | SoftBank Corp.                                     |      | SoftBank Telecom Corp. |      | SoftBank BB Corp. |      | Ymobile Corporation |  |
|                        |        | (billions of yen and millions of dollars)          |      |                        |      |                   |      |                     |  |
| Net sales . . . . .    | ¥2,536 | \$21,101   | ¥487 | \$4,056                | ¥152 | \$1,263           | ¥316 | \$2,630             |  |
| Operating income . . . | 506    | 4,208  | 78   | 646                    | 26   | 215               | (6)  | (49)                |  |
| Total assets . . . . . | 3,617  | 30,096   | 573  | 4,768                  | 255  | 2,123             | 467  | 3,888               |  |

The table below shows consolidated net interest-bearing debt at the Company, entities absorbed into SoftBank Corp. in connection with the Intra-Group Consolidation as well as Sprint as of March 31, 2015. The below information was prepared under IFRS and is net of intra-group reconciliations and eliminations.

#### Consolidated Net Interest-bearing Debt as of March 31, 2015

|                                | Total interest-bearing debt               | Total interest-bearing debt | Cash position <sup>(1)</sup> | Cash Position <sup>(1)</sup> | Net interest-bearing debt <sup>(2)</sup> | Net interest-bearing debt <sup>(2)</sup> |
|--------------------------------|---|-----------------------------|------------------------------|------------------------------|--|--|
|                                | (billions of yen and millions of dollars) |                             |                              |                              |  |  |
| Consolidated . . . . .         | ¥11,607                                   | \$96,590                    | ¥3,424                       | \$28,497                     | ¥8,183                                   | \$68,094                                 |
| SoftBank Group Corp. . . . .   | 5,325 <sup>(3)</sup>                      | 44,308                      | 1,672                        | 13,914                       | 3,652                                    | 30,394                                   |
| Guarantor Entities . . . . .   | 1,516                                     | 12,612                      | 59                           | 494                          | 1,456                                    | 12,118                                   |
| SoftBank Corp. . . . .         | 1,300                                     | 10,814                      | 50                           | 420                          | 1,249                                    | 10,394                                   |
| SoftBank Telecom Corp. . . . . | 83  | 690                         | 3                            | 25                           | 80                                       | 665                                      |
| SoftBank BB Corp. . . . .      | 34  | 282                         | 0                            | 1                            | 34                                       | 281                                      |
| Ymobile Corporation . . . . .  | 99  | 826                         | 6                            | 48                           | 93                                       | 778                                      |
| Sprint . . . . .               | 4,103                                     | 34,142                      | 502                          | 4,176                        | 3,601                                    | 29,966                                   |

(1) Cash position: cash and cash equivalents plus short term investment.

(2) Net interest-bearing debt: total interest-bearing debt minus cash position.

(3) Includes ¥4,195 billion guaranteed by SoftBank Corp. and Softbank Telecom Corp. on a senior unsecured basis which will rank *pari passu* with the Notes.



## The Offering

The summary below describes the principal terms of the Notes. The terms and conditions described below are subject to important limitations and exceptions. The “Description of the Notes” section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

|                                     |  |
|-------------------------------------|--|
| <b>Issuer</b> .....                 | SoftBank Group Corp.   |
| <b>Guarantor</b> .....              | SoftBank Corp.   |
| <b>Notes Offered</b> .....          | <p>\$1,000,000,000 aggregate principal amount of its 6% Senior Notes due 2025 denominated in U.S. dollars (the “2025 Dollar Notes”);</p> <p>\$1,000,000,000 aggregate principal amount of its 5⅜% Senior Notes due 2022 denominated in U.S. dollars (the “2022 Dollar Notes” and, together with the 2025 Dollar Notes, the “Dollar Notes”);</p> <p>€500,000,000 aggregate principal amount of its 5¼% Senior Notes due 2027 denominated in euro (the “2027 Euro Notes”);</p> <p>€1,250,000,000 aggregate principal amount of its 4¾% Senior Notes due 2025 denominated in euro (the “2025 Euro Notes”); and</p> <p>€500,000,000 aggregate principal amount of its 4% Senior Notes due 2022 denominated in euro (the “2022 Euro Notes”, together with the 2027 Euro Notes and the 2025 Euro Notes, the “Euro Notes”, and, together with the Dollar Notes, the “Notes”).</p>                                   |
| <b>Offering Price</b> .....         | 100.000% of the principal amount of the Notes plus accrued interest, if any, from the Issue Date.  |
| <b>Maturity Date</b> .....          | <p>2025 Dollar Notes: July 30, 2025.</p> <p>2022 Dollar Notes: July 30, 2022.</p> <p>2027 Euro Notes: July 30, 2027.</p> <p>2025 Euro Notes: July 30, 2025.</p> <p>2022 Euro Notes: July 30, 2022.</p>   |
| <b>Interest Payment Dates</b> ..... | We will pay interest on the Notes on each January 30 and July 30, commencing January 30, 2016.   |
| <b>Form and Denominations</b> ..... | The Company will issue the Notes on the Issue Date in global registered form. Dollar Notes will be issued in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof and Euro Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.   |
| <b>Ranking of the Notes</b> .....   | <p>The Notes will:</p> <ul style="list-style-type: none"> <li>• be general unsecured obligations of the Company;</li> <li>• in insolvency proceedings of the Company, rank <i>pari passu</i> in right of payment with all existing and future Indebtedness of the Company (including the Sprint Acquisition Loan, the 2013 Notes and the Company’s senior unsecured yen-denominated bonds), except that the Notes will: <ul style="list-style-type: none"> <li>○ rank senior in right of payment to all existing and future Indebtedness of the Company that is contractually subordinated in right of payment and all existing and future Indebtedness of the Company that is subordinated in right of payment by operation of law; and</li> <li>○ be subordinated in right of payment to all existing and future Indebtedness of the Company that is preferred by operation of law;</li> </ul> </li> </ul> |

- be effectively subordinated to any existing and future Indebtedness of the Company, that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness through either enforcement of such Indebtedness outside insolvency proceedings or preferred treatment of such Indebtedness in insolvency proceedings;
- be effectively subordinated to all existing and future Indebtedness or other obligations, including the Sprint Senior Notes and any trade payables, of any Subsidiary of the Company that does not Guarantee the Notes; and
- be guaranteed, as of the Issue Date, by the Initial Note Guarantor as set forth under “Description of the Notes—The Note Guarantee.”

See “Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to the existing and future secured indebtedness of the Company and its subsidiaries. We and our subsidiaries may in future incur substantial amounts of secured debt.” and “Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantee will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries”, and “Risk Factors—Risks Relating to the Notes—Enforcement of claims on the Notes and the Note Guarantees will be subject to certain limitations arising under Japanese insolvency and corporate laws. Japanese laws may be different from, and not as favorable to you as, the laws in other jurisdictions.”

#### Ranking of the Note

#### Guarantees .....

The Note Guarantees will:

- be a general unsecured obligation of the Note Guarantor;
- in insolvency proceedings of the Note Guarantor, rank *pari passu* in right of payment with all existing and future Indebtedness of the Note Guarantor (including its obligations under the Sprint Acquisition Loan, the 2013 Notes and the Company’s yen-denominated senior unsecured bonds), except that the Note Guarantee will:
  - rank senior in right of payment to all existing and future Indebtedness of the Note Guarantor that is contractually subordinated in right of payment and all existing and future Indebtedness of the Note Guarantor that is subordinated in right of payment by operation of law; and
  - be subordinated in right of payment to all existing and future Indebtedness of the Note Guarantor that is preferred by operation of law;
- be effectively subordinated to any existing and future Indebtedness of the Note Guarantor that is secured by property or assets that do not secure the Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness through either enforcement of such Indebtedness outside insolvency proceedings or preferred treatment of such Indebtedness in insolvency proceedings; and
- be effectively subordinated to all existing and future Indebtedness or other obligations, including lease obligations, securitization and installment payable any trade payables, of any Subsidiary of the Note Guarantor that does not Guarantee the Notes.

As of March 31, 2015, total interest-bearing debt of Non-Guarantor Subsidiaries was ¥4,767 billion (\$39,670 million or 41.1% of the total interest-bearing debt of the Company).

See “Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to the existing and future secured indebtedness of the Company and its subsidiaries. We and our subsidiaries may in future incur substantial amounts of secured debt,” and “Risk Factors—Risks Relating to the Notes—Enforcement of claims on the Notes and the Note Guarantees will be subject to certain limitations arising under Japanese insolvency and corporate laws. Japanese laws may be different from, and not as favorable to you as, the laws in other jurisdictions.”

**Optional Redemption** . . . . . With respect to each series of the notes, at any time prior to the date that is 90 days prior to the final maturity date of such series we may on any one or more occasions, at our option, redeem all or part of such series by paying a “make-whole” premium, and at any time on or after the date that is 90 days prior to the final maturity date of such series we may on any one or more occasions, at our option, redeem all or part of such series at par. See “Description of the Notes—Optional Redemption.”

**Tax Redemption** . . . . . In the event of certain developments affecting taxation, we may redeem all, but not less than all, of the Notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption. See “Description of Notes—Redemption for Changes in Taxes.”

**Repurchase of Notes upon a Change of Control Triggering Event** . . . . . Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 100% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date. See “Description of the Notes—Repurchase at the Option of Holders upon a Change of Control Triggering Event.”

**Covenants** . . . . . We will issue the Notes under an indenture (the “Indenture”) that will limit, among other things, the Company’s and each Note Guarantor’s ability to:

- layer debt;
- create or incur certain liens;
- pay dividends or make distributions, in excess of a specified leverage ratio, in respect of net proceeds from asset sales; and
- consolidate or merge with other entities.

In addition, the Indenture will limit, among other things, the ability of the Company to guarantee or provide collateral in support of indebtedness of Subsidiaries other than the Note Guarantor with recourse to the Company or the Note Guarantor.

Each of the covenants is subject to a number of important exceptions and qualifications. Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating. See “Description of the Notes—Certain Covenants.”

**No Prior Market** . . . . . The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

**Listing** . . . . . Approval in-principle has been received for the listing of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of

any of the statements made or opinions expressed or information contained in this offering memorandum. Approval in-principal granted by the SGX-ST for the listing of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, us, our subsidiaries or associated companies (if any) or the Notes. Currently, there is no public market for the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of (in the case of the Dollar Notes) \$200,000 or (in the case of the Euro Notes) €200,000.

|   |  |
|---|--|
| <b>Governing Law</b> .....              | The Indenture, the Notes and the Note Guarantees will be governed by the laws of the State of New York.  |
| <b>Transfer Restrictions</b> .....      | The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are being offered and sold only to non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “Notice to Investors” for additional information about eligible offerees and transfer restrictions. We have not agreed to, or otherwise undertaken to, register the Notes and the Note Guarantees (including by way of an exchange offer). |
| <b>Use of Proceeds</b> .....            | We expect to receive a total of approximately \$4,365 million (equivalent) in net proceeds from this offering, comprising approximately \$1,966 million from the Dollar Notes and €2,212 million from the Euro Notes, after deducting underwriting discounts and commissions and other offering expenses payable by us. We intend to use the net proceeds from the sale of the Notes to refinance certain indebtedness and for general corporate purposes.   |
| <b>Additional Amounts</b> .....         | All payments made by the Company or the Note Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes in any taxing jurisdiction unless required by applicable law. If withholding or deduction for such taxes is required to be made in a relevant taxing jurisdiction with respect to a payment on the Notes or a Note Guarantee, subject to certain exceptions, the Company or the Note Guarantor, as the case may be, will pay the additional amounts necessary so that the net amount received after the withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. See “Description of Notes—Additional Amounts.”  |
| <b>Trustee</b> .....                    | Deutsche Trustee Company Limited   |
| <b>Principal Paying Agent</b> .....     | Deutsche Bank AG, London Branch  |
| <b>Transfer Agent and Registrar</b> ... | Deutsche Bank Luxembourg S.A.  |
| <b>Security Codes</b> .....             | 2025 Dollar Notes:<br>ISIN: XS1266660122<br>Common Code: 126666012<br><br>2022 Dollar Notes:<br>ISIN: XS1266660635<br>Common Code: 126666063<br><br>2027 Euro Notes:<br>ISIN: XS1266661013<br>Common Code: 126666101   |

2025 Euro Notes:  
ISIN: XS1266662334  
Common Code: 126666233

2022 Euro Notes:  
ISIN: XS1266662763  
Common Code: 126666276

**Risk Factors** ..... Investing in the Notes involves substantial risks. You should refer to the section entitled “Risk Factors” for an explanation of certain risks involved in investing in the Notes.



## Summary Financial and Operating Information

The following tables show selected information of SoftBank Group as of and for the fiscal years ended March 31, 2013 (“fiscal year 2012”), 2014 (“fiscal year 2013”) and 2015 (“fiscal year 2014”). The selected consolidated financial information as of and for the fiscal years ended March 31, 2013, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this offering memorandum that were prepared in accordance with IFRS.

The below information does not include standalone financial information of the Note Guarantor, which is not available under IFRS. The Note Guarantor absorbed on April 1, 2015 three former subsidiaries of the Company. Prior to this combination, the Note Guarantor and these former subsidiaries contributed to the results of the Mobile Communications segment and Fixed-line Telecommunications segment. The results of both the Mobile Communications segment and the Fixed-line Telecommunications segment include, however, entities that were not combined into the Note Guarantor and that do not guarantee the Notes. Specifically, the results of the Mobile Communications segment include the results of GungHo, Supercell and Brightstar and the results of the Fixed-line Telecommunications segment include the results of Yahoo Japan. See “Presentation of Financial Information—Guarantor Financial Information.”

In preparing our consolidated financial statements for fiscal year 2014 we have made certain changes in the accounting policies in accordance with which we report our financial information, with a view to clarify the timing of recognition of liabilities related to the payment of levies. In our consolidated financial statements for fiscal year 2014 we have presented prior period financial information for fiscal year 2013 on the same basis of presentation adopted for fiscal year 2014 and have therefore reclassified certain accounting items from the way we reported the same in the previously issued consolidated financial statements for fiscal year 2013. See “Presentation of Financial Information—Changes in accounting policies.” We have not retrospectively revised and re-issued our financial statements for fiscal year 2012 or fiscal year 2013 to reflect the same changes in accounting policies. For additional information regarding the changes in accounting policies implemented in connection with our consolidated financial statements for fiscal year 2014, see note 4 to our fiscal year 2014 audited consolidated financial statements included elsewhere in this offering memorandum.

Certain unaudited as adjusted financial data presented below (on a consolidated basis and excluding Sprint) have been adjusted to reflect certain effects of (i) the offering of the Notes, (ii) the Preferred Securities Redemption and (iii) the June Yen-denominated Bonds Issuance on our total interest-bearing debt, cash and cash equivalents and net interest-bearing debt as if each had occurred on March 31, 2015. The financial data presented below has not been adjusted for our tender of 188,235,200 shares of GungHo Online Entertainment, Inc. (equal to an 16.34% stake in GungHo) at the price of ¥425 per share in the offer announced by GungHo on April 28, 2015. GungHo’s repurchase of 16.34% of its capital stock from us closed on June 24, 2015 in exchange for a cash payment to us of ¥80 billion and resulted in GungHo no longer being consolidated as one of our subsidiaries and being accounted for as an associate under the equity-method from June 1, 2015. See “Presentation of Financial Information—As Adjusted Financial Information.” Our historical results may not be indicative of our future results following consummation of this offering. The as adjusted financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting as adjusted financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

This section includes certain financial measures that are not required by or presented in accordance with IFRS, including EBITDA and Capital Expenditure (acceptance basis), because we believe they provide investors with useful additional information to measure our performance, liquidity or capital expenditures. These non-IFRS financial measures have important limitations as analytical tools. See “Presentation of Financial Information—Non-IFRS Financial Measures.”

This section presents certain financial information that excludes the Sprint segment. We believe that presenting certain consolidated financial information of the Company excluding the Sprint segment provides investors with useful additional information about our leverage and ability to meet related debt service requirements. This financial information excluding Sprint, however, has limitations as an analytical tool and should not be considered in isolation or as an alternative to measures of liquidity prepared in accordance with IFRS. See “Presentation of Financial Information—Presentation of Financial Information Excluding the Sprint Segment.”

The summary historical and unaudited as adjusted financial and other data should be read in conjunction with “Risk Factors,” “Use of Proceeds,” “Capitalization,” “Selected Consolidated Financial and Other Information,” “Management’s Discussion and Analysis of our Financial Condition and Results of Operations,” “Description of the Notes” and our consolidated financial statements and the related notes thereto included elsewhere in this offering memorandum.

### Historical Financial Information

|  | As of and for the fiscal year ended March 31, |                   |                |                  |
|--|---|-------------------|----------------|------------------|
|  | 2013  | 2014<br>(revised) | 2015           | 2015             |
|  | (billions of yen and millions of dollars)     |                   |                |                  |
| <b>Statement of Income:</b>                                  |   |                   |                |                  |
| <b>Net sales</b> <sup>(1)</sup>                              | ¥ 3,203                                       | ¥ 6,667           | ¥ 8,670        | \$ 72,150        |
| Cost of sales  | (1,611)                                       | (3,961)           | (5,327)        | (44,331)         |
| <b>Gross profit</b>  | 1,592   | 2,705             | 3,343          | 27,819           |
| Selling, general and administrative expenses                 | (794)   | (1,827)           | (2,333)        | (19,411)         |
| Gain from remeasurement relating to business combination     | 2   | 254               | —              | —                |
| Other operating loss   | —   | (55)              | (28)           | (230)            |
| <b>Operating income</b> <sup>(2)</sup>                       | 799   | 1,077             | 983            | 8,178            |
| Finance cost   | (65)  | (271)             | (367)          | (3,050)          |
| Equity in income (loss) of associates                        | (4)   | 74                | 77             | 638              |
| Dilution gain from changes in equity interest <sup>(3)</sup> | —   | 4                 | 600            | 4,991            |
| Other non-operating income (loss)                            | (15)  | 40                | (16)           | (130)            |
| <b>Income before income taxes</b>                            | 716   | 924               | 1,277          | 10,627           |
| Income taxes   | (278)   | (346)             | (513)          | (4,272)          |
| <b>Net income</b>  | <u>¥ 438</u>                                  | <u>¥ 578</u>      | <u>¥ 764</u>   | <u>\$ 6,355</u>  |
| <b>Net income attributable to</b>                            |   |                   |                |                  |
| Owners of the parent   | 372   | 520               | 668            | 5,562            |
| Non-controlling interests                                    | 65  | 58                | 95             | 793              |
| <b>Balance Sheet Data:</b>                                   |   |                   |                |                  |
| Total assets   | ¥ 7,218                                       | ¥16,690           | ¥21,034        | \$175,037        |
| Cash and cash equivalents                                    | 1,439   | 1,963             | 3,259          | 27,117           |
| Total liabilities  | 5,288   | 13,860            | 17,181         | 142,972          |
| Total interest-bearing debt <sup>(4)</sup>                   | 3,708   | 9,170             | 11,607         | 96,590           |
| Total equity   | <u>1,930</u>                                  | <u>2,830</u>      | <u>3,853</u>   | <u>32,064</u>    |
| <b>Total liabilities and equity</b>                          | <u>¥ 7,218</u>                                | <u>¥16,690</u>    | <u>¥21,034</u> | <u>\$175,037</u> |
| <b>Cash Flow Data:</b>                                       |   |                   |                |                  |
| Net cash provided by operating activities                    | 813   | 860               | 1,155          | 9,613            |
| Net cash used in investing activities                        | (874)   | (2,718)           | (1,667)        | (13,874)         |
| Net cash provided by financing activities                    | 471   | 2,359             | 1,720          | 14,312           |

(1) The following shows our net sales by segment:

|                                      | For the fiscal year ended March 31,       |                   |        |          |
|--------------------------------------|---|-------------------|--------|----------|
|                                      | 2013                                      | 2014<br>(revised) | 2015   | 2015     |
|                                      | (billions of yen and millions of dollars) |                   |        |          |
| Net Sales by segment                 |   |                   |        |          |
| Mobile Communications <sup>(a)</sup> | ¥2,346                                    | ¥3,166            | ¥4,190 | \$34,863 |
| Sprint                               | —   | 2,601             | 3,800  | 31,622   |
| Fixed-line Telecommunications        | 531                                       | 548               | 541    | 4,502    |
| Internet                             | 357                                       | 400               | 419    | 3,488    |
| Others                               | 117                                       | 124               | 111    | 925      |
| Reconciliation <sup>(b)</sup>        | (148)                                     | (172)             | (391)  | (3,251)  |
| Total net sales                      | ¥3,203                                    | ¥6,667            | ¥8,670 | \$72,150 |

(a) Net sales for the Mobile Communications segment for the periods indicated is affected by the start of consolidation of various subsidiaries. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Business Segments.”

(b) Reconciliation includes an elimination of intersegment transaction and the corporate general expenses unallocated to each reportable segment.

- (2) The following shows our segment income by segment, defined as net sales, *less* cost of sales, *less* general and administrative expenses of that segment in the relevant period:

|                                      | For the fiscal year ended March 31,       |           |        |         |
|--------------------------------------|---|-----------|--------|---------|
|                                      | 2014                                      |           | 2015   | 2015    |
|                                      | 2013                                      | (revised) |        |         |
|                                      | (billions of yen and millions of dollars) |           |        |         |
| Segment Income                       |   |           |        |         |
| Mobile Communications <sup>(a)</sup> | ¥517                                      | ¥606      | ¥ 695  | \$5,786 |
| Sprint                               | —   | (6)       | 74     | 615     |
| Fixed-line Telecommunications        | 114                                       | 108       | 100    | 834     |
| Internet                             | 181                                       | 189       | 187    | 1,556   |
| Others                               | 6   | 6         | (20)   | (170)   |
| Reconciliation <sup>(b)</sup>        | (21)                                      | (24)      | (26)   | (213)   |
| Consolidated segment income          | ¥798                                      | ¥879      | ¥1,010 | \$8,408 |

(a) Segment Income for the Mobile Communications segment for the periods indicated is affected by the start of consolidation of various subsidiaries. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Business Segments.”

(b) Reconciliation includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment.

- (3) For the fiscal year ended March 31, 2013 dilution gain from changes in equity interest was included within other non-operating income (loss). Dilution gain from changes in equity interest in fiscal year 2014 resulted from the issuance of new shares by Alibaba and the conversion of certain convertible preference shares issued by Alibaba into common stock. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Factors Affecting Our Consolidated Results of Operations—Dilution gain from changes in equity interest.”
- (4) Total interest-bearing debt consists of borrowings (short-term and long-term), commercial paper, corporate bonds (current and non-current) lease obligations (current and non-current), current portion of preferred securities and installment payables (current and non-current).

### Other Financial Data

|   | As of and for the fiscal year ended March 31,  |                     |        |          |
|---|--|---------------------|--------|----------|
|   | 2014   |                     |        |          |
|   | 2013   | (revised)           | 2015   | 2015     |
|   | (billions of yen and millions of dollars with the exception of percentages and ratios) |                     |        |          |
| Other Financial Data (consolidated):                      |  |                     |        |          |
| Net interest-bearing debt <sup>(1)</sup> . . . . .        | ¥2,258   | ¥7,059              | ¥8,183 | \$68,094 |
| EBITDA <sup>(2)</sup> . . . . .                           | 1,153  | 1,778               | 2,133  | 17,749   |
| EBITDA margin <sup>(3)</sup> . . . . .                    | 36.0%  | 26.7%               | 24.6%  | 24.6%    |
| Finance cost . . . . .                                    | 65   | 271                 | 367    | 3,050    |
| Net interest-bearing debt/EBITDA <sup>(4)</sup> . . . . . | 2.0x   | 4.0x <sup>(5)</sup> | 3.8x   | 3.8x     |
| Capex (acceptance basis) <sup>(6)</sup> . . . . .         | 753  | 1,245               | 1,355  | 11,274   |
| Capex (cash flow basis) . . . . .                         | 589  | 1,371               | 1,398  | 11,632   |

|   | As of and for the fiscal year ended March 31,  |           |        |          |
|---|--|-----------|--------|----------|
|   | 2014   |           | 2015   | 2015     |
|   | 2013   | (revised) |        |          |
|   | (billions of yen and millions of dollars with the exception of percentages and ratios) |           |        |          |
| <b>Other Financial Data (excluding Sprint):</b>           |  |           |        |          |
| Net interest-bearing debt <sup>(1)</sup> . . . . .        | ¥2,258   | ¥4,337    | ¥4,582 | \$38,127 |
| EBITDA <sup>(2)</sup> . . . . .                           | 1,153  | 1,366     | 1,480  | 12,315   |
| EBITDA margin <sup>(3)</sup> . . . . .                    | 36.0%  | 33.6%     | 30.4%  | 30.4%    |
| Finance cost . . . . .                                    | 65   | 117       | 130    | 1,080    |
| Net interest-bearing debt/EBITDA <sup>(4)</sup> . . . . . | 2.0x   | 3.2x      | 3.1x   | 3.1x     |
| Capex (acceptance basis) . . . . .                        | 753  | 781       | 655    | 5,451    |
| Capex (cash flow basis) . . . . .                         | 589  | 808       | 714    | 5,942    |

(1) Net interest-bearing debt is total interest-bearing debt minus cash and cash equivalents and short term investment.

(2) EBITDA is defined as net sales, *less* cost of sales, *less* selling, general and administrative expenses, *plus* depreciation and amortization. See “Presentation of Financial Information—Non-IFRS Financial Measures.” The table below provides a reconciliation of EBITDA to net sales for the periods indicated.

| For the fiscal year ended March 31,          |   |                   |              |               |
|--|---|-------------------|--------------|---------------|
|  | 2013                                      | 2014<br>(revised) | 2015         | 2015          |
|  | (billions of yen and millions of dollars) |                   |              |               |
| <b>EBITDA</b>                                |   |                   |              |               |
| Net sales                                    | ¥ 3,203                                   | ¥ 6,667           | ¥ 8,670      | \$ 72,150     |
| Cost of sales                                | (1,611)                                   | (3,961)           | (5,327)      | (44,331)      |
| Selling, general and administrative expenses | (794)                                     | (1,827)           | (2,333)      | (19,411)      |
| Depreciation and amortization                | 355                                       | 900               | 1,123        | 9,341         |
| <b>EBITDA</b>                                | <u>1,153</u>                              | <u>1,778</u>      | <u>2,133</u> | <u>17,749</u> |

Our EBITDA by segment, which we define in the same way as EBITDA for our consolidated operations, is detailed below.

| For the fiscal year ended March 31, |   |                   |              |               |
|-------------------------------------|---|-------------------|--------------|---------------|
|                                     | 2013                                      | 2014<br>(revised) | 2015         | 2015          |
|                                     | (billions of yen and millions of dollars) |                   |              |               |
| <b>EBITDA by segment</b>            |   |                   |              |               |
| Mobile Communications               | ¥ 797                                     | ¥1,001            | ¥1,150       | \$ 9,567      |
| Sprint <sup>(a)</sup>               | —   | 412               | 653          | 5,434         |
| Fixed-line Telecommunications       | 168                                       | 170               | 160          | 1,334         |
| Internet                            | 193                                       | 204               | 205          | 1,705         |
| Others                              | 13  | 14                | (11)         | (87)          |
| Reconciliation <sup>(b)</sup>       | (19)                                      | (23)              | (24)         | (204)         |
| <b>EBITDA</b>                       | <u>1,153</u>                              | <u>1,778</u>      | <u>2,133</u> | <u>17,749</u> |
| <b>EBITDA excluding Sprint</b>      | <u>1,153</u>                              | <u>1,366</u>      | <u>1,480</u> | <u>12,315</u> |

(a) Consolidated from July 10, 2013.

(b) Reconciliation includes an elimination of intersegment transaction and the corporate general expenses unallocated to each reportable segment.

Set forth below is a reconciliation of EBITDA to net sales for the fiscal year ended March 31, 2015 for each segment of our operations, including reconciliations.

| For the fiscal year ended March 31, 2015 |                       |            |                               |            |             |                |
|--|-----------------------|------------|-------------------------------|------------|-------------|----------------|
|  | Mobile Communications | Sprint     | Fixed-line Telecommunications | Internet   | Others      | Reconciliation |
|  | (billions of yen)     |            |                               |            |             |                |
| Net Sales                                | ¥ 4,190               | ¥ 3,800    | ¥ 541                         | ¥ 419      | ¥ 111       | ¥(391)         |
| Segment expenses <sup>(a)</sup>          | (3,494)               | (3,726)    | (441)                         | (232)      | (132)       | 365            |
| Depreciation and amortization            | 454                   | 579        | 60                            | 18         | 10          | 1              |
| <b>EBITDA</b>                            | <u>1,150</u>          | <u>653</u> | <u>160</u>                    | <u>205</u> | <u>(11)</u> | <u>(24)</u>    |

(a) Segment expenses is equal to the total amount of cost of sales and selling, general and administrative expenses.

(3) EBITDA margin is calculated as EBITDA divided by net sales.

(4) Following the offering of the Notes, we do not expect a material change in our net interest-bearing debt to EBITDA ratio.

(5) EBITDA for the fiscal year ended March 31, 2014 includes EBITDA for Sprint of ¥412 billion, representing Sprint's results only for the portion of the fiscal year subsequent to our consolidation of Sprint on July 10, 2013. Annualized EBITDA for Sprint for this period was ¥570 billion, which is calculated by dividing ¥412 billion by the number days that Sprint was consolidated for this period (264) and then multiplying the quotient by the number of days in a year (365). Calculating our net interest-bearing debt/EBITDA ratio using annualized EBITDA for Sprint would yield a ratio of 3.6x. Such annualized presentation is not indicative of Sprint's actual results for the period.

(6) For the fiscal year ending March 31, 2016, we expect capital expenditure (acceptance basis) of ¥372 billion (\$3,098 million) for the Mobile Communications segment (including life-cycle expenditures) and approximately \$5,000 million (excluding the acquisition of the mobile handsets for leasing) for Sprint (cash flow basis). Capital expenditure (acceptance basis) differs from Capital expenditure (cash flow basis) in that capital expenditures recorded on an acceptance basis are recognized on an inspection and acceptance basis to accurately reflect when we capitalize the purchase of property and equipment and intangibles.

The following shows Capex (acceptance basis) by segment:

| For the fiscal year ended March 31, |   |              |              |               |
|-------------------------------------|---|--------------|--------------|---------------|
|                                     | 2013                                      | 2014         | 2015         | 2015          |
|                                     | (billions of yen and millions of dollars) |              |              |               |
| <b>Capex by segment</b>             |   |              |              |               |
| Mobile Communications               | ¥650                                      | ¥ 679        | ¥ 537        | \$ 4,467      |
| Sprint <sup>(a)</sup>               | —   | 464          | 700          | 5,824         |
| Fixed-line Telecommunications       | 66  | 60           | 62           | 516           |
| Internet                            | 23  | 26           | 30           | 250           |
| Others                              | 15  | 16           | 26           | 218           |
| <b>Total Capex</b>                  | <u>753</u>                                | <u>1,245</u> | <u>1,355</u> | <u>11,274</u> |

(a) Consolidated from July 10, 2013.

### As adjusted financial data

The following table shows certain additional metrics based upon the calculations set forth under “Capitalization” reflecting the issuance of the Notes offered hereby, the Preferred Securities Redemption and the June Yen-denominated Bonds Issuance, as if each had occurred on March 31, 2015.

|  | As of and for the fiscal year ended<br>March 31, 2015       |           |                  |          |
|--|---|-----------|------------------|----------|
|  | Consolidated  |           | Excluding Sprint |          |
|  | (billions of yen and millions of dollars except for ratios) |           |                  |          |
| EBITDA   | ¥ 2,133   | \$ 17,749 | ¥1,480           | \$12,315 |
| As adjusted total interest-bearing debt              | 12,041  | 100,198   | 7,938            | 66,056   |
| As adjusted cash position <sup>(1)</sup>             | 3,858   | 32,104    | 3,356            | 27,929   |
| As adjusted net interest-bearing debt <sup>(2)</sup> | 8,183   | 68,094    | 4,582            | 38,127   |
| As adjusted total interest-bearing debt/EBITDA       | 5.6x  | 5.6x      | 5.4x             | 5.4x     |
| As adjusted net interest-bearing debt/EBITDA         | 3.8x  | 3.8x      | 3.1x             | 3.1x     |

(1) Cash position is cash and cash equivalents *plus* short-term investments.

(2) Reflects as adjusted total interest-bearing debt *minus* as adjusted cash position.

### Operational Data

The following shows selected operational data for the fiscal years ended March 31, 2013, 2014 and 2015. For definitions of certain of the terms used in the below, see “Key Performance Indicators.”

|  |           | As of and for the fiscal year ended March 31, |        |        |
|--|-----------|---|--------|--------|
|  | Units     | 2013  | 2014   | 2015   |
| <b>Operational Data: Mobile Communications</b> |           |   |        |        |
| Cumulative subscribers                         | Thousands | 41,885  | 45,936 | 47,783 |
| SoftBank Corp.                                 | Thousands | 32,480  | 35,925 | 37,766 |
| Ymobile Corporation <sup>(1)(2)</sup>          | Thousands | 9,405   | 10,011 | 10,017 |
| PHS  | Thousands | 5,086   | 5,546  | 5,159  |
| (SoftBank Corp.)                               |           |   |        |        |
| Net subscriber additions                       | Thousands | 3,531   | 3,445  | 1,841  |
| Postpaid                                       | Thousands | 3,585   | 3,526  | 1,951  |
| Prepaid  | Thousands | (55)  | (81)   | (110)  |
| ARPU <sup>(3)</sup>                            | ¥/month   | 4,550   | 4,450  | 4,230  |
| Churn rate                                     | %/month   | 1.09  | 1.27   | 1.33   |
| Postpaid                                       | %/month   | 1.03  | 1.22   | 1.29   |
| Upgrade rate                                   | %/month   | 1.53  | 1.36   | 1.27   |
| Units sold                                     | Thousands | 13,113  | 14,175 | 13,355 |
| New subscription                               | Thousands | 7,519   | 8,629  | 7,711  |
| Handset upgrades                               | Thousands | 5,594   | 5,546  | 5,644  |
| Handsets shipped                               | Thousands | 11,558  | 12,033 | 11,121 |
| <b>Sprint</b>                                  |           |   |        |        |
| Cumulative subscribers <sup>(4)</sup>          | Thousands | —   | 54,887 | 57,141 |
| Sprint platform                                | Thousands | —   | 53,551 | 56,137 |
| Postpaid                                       | Thousands | —   | 29,918 | 29,706 |
| Prepaid  | Thousands | —   | 15,257 | 15,706 |
| Wholesale & associate                          | Thousands | —   | 8,376  | 10,725 |
| ABPU <sup>(5)</sup>                            |           |   |        |        |
| Postpaid                                       | \$/month  | —   | 64.13  | 61.71  |
| ARPU <sup>(5)</sup>                            |           |   |        |        |
| Postpaid                                       | \$/month  | —   | 63.52  | 56.94  |
| Prepaid  | \$/month  | —   | 26.45  | 27.50  |
| Churn rate <sup>(5)</sup>                      |           |   |        |        |
| Postpaid                                       | %/month   | —   | 2.11   | 1.84   |
| Prepaid  | %/month   | —   | 4.33   | 3.84   |



|  |           | As of and for the fiscal year ended March 31, |       |       |       |
|--|-----------|---|-------|-------|-------|
|  |           | Units   | 2013  | 2014  | 2015  |
| <b>Fixed-line Telecommunications</b>                       |           |   |       |       |       |
| Cumulative number of <i>Yahoo! BB</i> ADSL subscribers . . | Thousands |   | 2,172 | 1,846 | 1,618 |
| Cumulative number of <i>Yahoo! BB hikari with FLET'S</i>   |           |   |       |       |       |
| subscribers . . . . .                                      | Thousands |   | 2,081 | 2,504 | 2,724 |
| Number of <i>OTOKU Line</i> lines . . . . .                | Thousands |   | 1,703 | 1,710 | 1,707 |

- (1) eAccess Ltd. changed its company name to Ymobile Corporation on July 1, 2014. Preceding this, eAccess Ltd. merged with WILLCOM, Inc. on June 1, 2014. Amounts for the fiscal year ended March 31, 2013 include results from the PHS of WILLCOM.
- (2) Cumulative subscriber count for Ymobile Corporation includes PHS subscribers.
- (3) Rounded to the nearest ten yen. ARPU refers to the ARPU of subscribers under our *SoftBank* brand only.
- (4) Includes subscribers under the U.S. Cellular and Clearwire platforms.
- (5) ABPU, ARPU and churn refer to the ABPU, ARPU and churn of the Sprint platform and are presented on a quarterly basis, for the 3 months ended March 31, 2014 and 2015.

## RISK FACTORS

An investment in our Notes involves significant risk and uncertainty. You should consider carefully the risk factors described below as well as other information contained in this offering memorandum, including our financial statements and the related notes included elsewhere in this offering memorandum, before making any investment decision. The risks and uncertainties discussed below, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially affect our business, financial condition and results of operations, affect our ability to make payments on the Notes or cause the market price of the Notes to decline. This could result in you losing all or part of your investment.

### Risks Relating to Our Business

*We face intense competition, including from other large and established competitors, and such competition may intensify.*

Our primary business domain is the information industry, particularly the Japanese mobile communications industry, where we compete for consumer spending with other communications companies such as NTT DOCOMO, Inc. (“NTT DOCOMO”) and KDDI Corporation (“KDDI”). We have substantial competitors in the markets in which we operate, and, in certain instances, we may face competitors that have larger operations than we do, or otherwise have a competitive advantage over us in terms of, for example, capital, services and products, price competitiveness, customer base, sales capability, or brand or public recognition. Going forward, the competition among network operators may further intensify as a result of which we may revise our billing plans, offer discounts or take other steps to capture new subscriptions and maintain existing subscriptions, that could adversely affect our profitability. For example, in July 2014 we introduced new flat-rate plans, including flat-rate domestic voice service. However, we cannot be certain that these rate revisions and discounted services will enable us to acquire new and maintain existing subscriptions. Also, the subscription ratio for discount services or the trend to migration to flat-rate services may not be in line with our expectations and may result in a larger decrease in ARPU than expected.

In the future, our competitors may become even more competitive than they are today, due to an increase in the number of users switching operators using mobile number portability (“MNP”) and as we may face competition from new entrants into the markets in which we operate and an increase in the number of subscriptions to mobile virtual network operator services (“MVNO”) which are businesses that provide wireless services using communication infrastructure borrowed from other companies.

If our competitors were to sell services or products that harness their competitive advantages to a greater extent than they currently do, we may be placed at a disadvantage in sales competition or may be unable to provide services and products or acquire or retain customers as anticipated. Moreover, even if we introduce highly competitive services, products or sales methods ahead of our competitors, our competitive advantages may lessen if our competitors deploy equivalent or better services, products or sales methods. For instance, we were the first to bring the *iPhone* to Japan in July 2008. However, our competitors KDDI and NTT DOCOMO began to offer the *iPhone* in October 2011 and September 2013, respectively, and we face increased competition because of this. Although we have been able to sustain growth despite KDDI and NTT DOCOMO offering the *iPhone* as well, there can be no assurance that this trend will continue or that we will be able to sustain our growth in the future. In addition, in March 2015 Nippon Telegraph and Telephone East Corporation (“NTT East”) and Nippon Telegraph and Telephone West Corporation (“NTT West”), two fixed-line telecommunications carriers belonging to Nippon Telegraph & Telephone Corp. (“NTT”), a listed company, approximately one-third owned by the Japanese government, began offering wholesale fiber-optic broadband connections in addition to selling directly to customers while NTT DOCOMO began to offer NTT’s fiber-optic services, bundled with its own discount mobile services. We compete with the bundled plans offered by NTT DOCOMO and KDDI by offering our own discount mobile phone plan bundled with fixed-line services using NTT’s optical broadband infrastructure. This has led to increased competition for not only our fixed-line, but also our mobile communications segments.

In addition, the Japanese population, which comprises the current market for the majority of our products and services, is both aging and declining. The total number of domestic mobile communications service subscribers reached 157.9 million, as of March 31, 2015, and the penetration rate for mobile phones in Japan stood at approximately 122%, as of the end of the 2014 calendar year, indicating ownership of more than one handset per person. This suggests that the market may be approaching saturation, which could result in a lower number of customer additions and increased competition in the coming years. Furthermore, as a result of competition for subscribers, we may incur higher costs than expected, such as distributor commissions and other expenses, such as subsidies for reimbursement of subscriber termination fees and other subscriber acquisition and retention expenses. We cannot be certain whether measures that we take will enable us to acquire new or maintain existing subscribers at our past rates.

Any of the above consequences could have a material adverse effect on our business, financial condition and results of operations.

***Our financial results may be significantly affected by risks relating to Sprint, its operations and financial performance.***

Our consolidated subsidiary, Sprint, accounted for 39.0% and 43.8% of our net sales for the years ended March 31, 2014 and 2015, respectively. Sprint is in the business of selling communication services to subscribers and faces business risks associated with the telecommunications industry as well as risks unique to Sprint. Sprint's ability to retain its existing subscribers, to compete successfully for new subscribers and reduce its churn rate depends on, among other things:

- Sprint's ability to anticipate and respond to various competitive factors, including its successful execution of marketing and sales strategies; service delivery and customer care activities, including new account set up and billing; and execution under credit and collection policies;
- Sprint's successful deployment of new technologies and services;
- The actual or perceived quality and coverage of Sprint's network;
- Public perception about Sprint's brand;
- Sprint's ability to anticipate and develop new or enhanced technologies, products and services that are attractive to existing or potential subscribers;
- Sprint's ability to maintain adequate liquidity;
- Sprint's ability to access additional spectrum; and
- Sprint's ability to maintain its current MVNO relationships and to enter into new MVNO arrangements.

Sprint's ability to retain subscribers may be negatively affected by industry trends related to subscriber contracts. Recently, Sprint has seen aggressive customer acquisition efforts by its competitors. For example, certain service providers are offering wireless service plans without any long-term commitment. Furthermore, some service providers are reimbursing contract termination fees, including paying off the outstanding balance on devices, incurred by new customers in connection with such customers terminating service with their current wireless service providers. Sprint's competitors' aggressive customer contract terms, such as those described above, could negatively affect Sprint's ability to retain subscribers and could lead to an increase in its churn rates if Sprint is not successful in providing an attractive product, price and service mix.

We expect Sprint to continue to incur expenses, such as subsidies, the reimbursement of subscriber termination fees and other subscriber acquisition and retention expenses, to attract and retain subscribers and to improve subscriber retention and reduce churn, but there can be no assurance that Sprint's efforts will generate new subscribers or result in a lower churn rate. Subscriber losses and a high churn rate could adversely affect Sprint's business, financial condition and results of operations.

Moreover, Sprint faces increasing competition as it and other operators continue to seek a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers. These new subscribers to Sprint could include customers with lower credit scores who have a higher delinquency risk. To the extent Sprint cannot compete effectively for new subscribers or if Sprint attracts more subscribers that are not creditworthy, its revenues and results of operations could be adversely affected.

Sprint has introduced installment billing plans under which subscribers are no longer required to sign a fixed-term service contract. Sprint could experience a higher churn rate than expected due to the ability of subscribers to more easily migrate to other providers. Installment billing also exposes Sprint to certain credit risks associated with consumer credit issues, as subscribers have the option to pay for devices over 24 months. Similarly, subscribers who lease a device are no longer required to sign a fixed-term service contract, which could result in higher churn and higher bad debt expense.

In connection with leases of devices to certain Sprint subscribers, Sprint may fail to realize expected residual value of devices due to factors such as economic factors or obsolescence. Sprint may also suffer negative consequences, including increased costs, as a result of a lease subscriber default, the related termination of a lease, and the attempted repossession of the device.

We believe that Sprint's business and capital expenditure plans are tailored to Sprint's ability to generate cash from operations and obtain financing on acceptable terms. We consider Sprint to be a public company with substantial independence and the means to secure adequate financing through, among others things, capital

markets issuances, securitization of receivables and vendor finance and improvements in cash from operations. However, if Sprint is unable to conduct business as anticipated, is unable to create sufficient synergies with other Group companies, or requires more funds than anticipated to develop its business, we may provide Sprint with financial assistance such as loans.

***Our holdings in Sprint, Yahoo Japan and our strategic associates such as GungHo or Alibaba will not necessarily generate cash that can be used to pay principal or interest on the Notes or our other indebtedness.***

Each of Sprint, Yahoo Japan, GungHo and Alibaba have equity securities listed on public exchanges and as such operate with varying degrees of independence from the Company. To a varying extent, we are able to exercise control over these companies through our control of certain voting stock and pursuant to shareholders' agreements. But we are unable to easily access cash generated from operations by these businesses without a dividend, distribution or other payment made in accordance with the relevant corporate articles of each company. In addition, Sprint is subject to financial covenants (including restrictions on dividends and other payments) in certain of its indebtedness that restrict Sprint's ability to make payments to us. See "Presentation of Financial Information—Presentation of Financial Information Excluding the Sprint Segment."

The ability of Sprint, Yahoo Japan and our strategic associates such as GungHo or Alibaba to make a dividend, distribution or other payment to us is further constrained by their business results, which are subject to substantial risks. In particular, Yahoo Japan and Alibaba are subject to risks including:

- Macroeconomic trends reducing advertising and online spending or re-orienting spending in a way that we do not anticipate;
- Technological change undermining expectations on how people will access services;
- Competition from existing companies or disruptive threats;
- Reliance on third-party providers and electrical and internet transmission infrastructure;
- Regulatory changes and interventions affecting e-commerce, social media or financial services particularly in, but not limited to, China;
- Litigation and regulatory sanctions with respect to intellectual property infringement or litigation from end-users, in particular with respect to fraud in online sales and information security; and
- Risks in collecting sums spent through our infrastructure and services.

For further discussion on the risks facing Sprint, see "—Our financial results may be significantly affected by risks relating to Sprint, its operations and financial performance."

In the event we attempt to exit any of our investments in Sprint, Yahoo Japan, GungHo or Alibaba, there is no assurance that we would be able to do successfully, or at all. We have significant unrealized gains in the equity of certain affiliates, which we may be unable to recognize. For example, we own a 31.9% stake in Alibaba, representing a market value of ¥7,980 billion (\$66,404 million), as of March 31, 2015. The book value of the Alibaba stake is recorded at ¥870 billion (\$7,238 million) on our consolidated balance sheet as of March 31, 2015. If the share price of Alibaba were to decrease, for example due to increased selling of Alibaba's shares upon the expiration, in September 2015, of lock-up agreements entered into at the time of Alibaba's IPO by certain of its management and affiliates, which we believe collectively hold a majority of Alibaba's outstanding shares, we could be unable to recognize these unrealized gains. Our inability to monetize such holdings could affect our liquidity and ability to make payments on our indebtedness, including the Notes.

***Security breaches and illegal or inappropriate use of our services could adversely affect our reputation and expose us to claims from customers and penalties from authorities.***

We collect, handle and maintain customer information, including personal information, and other confidential information in the course of our business operations. In some cases we also rely upon third-party subcontractors to handle customer information. Information handled by ourselves or our subcontractors may include a customer's name and email address, as well as date of birth, address, contact information, bank account information, credit card information and other information. We are subject to various regulations regarding the storage and protection of customer information, and we are required to exercise care in protecting the confidentiality of personal information, as well as take steps to ensure the security of our services. See "Regulation—Certain Other Laws, Regulations and Guidelines—Protection of Personal Information." However, we have experienced leaks of personal information in the past, including unauthorized access to Yahoo Japan's servers in 2013, which exposed user information of up to 22 million users. Our fiscal year results of operations during such period were adversely affected due to our apology to our customers, which, reflecting Japanese business customs, included the issuance of gift certificates.

Any similar material leak of personal information, due to hacking or other unauthorized access of one of our databases, or due to the willful misconduct or inadvertent mistake of one of our own employees or subcontractors or otherwise, could result in claims or lawsuits against us, and we could be held legally responsible for any damages sustained by the affected persons. Such events could also result in reputational damage even if we are not held legally responsible. Further, we could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives from the government, or in connection with public relations campaigns designed to prevent or mitigate damage to our corporate image or reputation. Any related reputational damage could lead to a decline in new subscribers or users or an increase in subscriber or user cancellations for any of our services. Any of the above consequences could have a material adverse effect on our business, financial condition and results of operations.

If our mobile telecommunications, internet or other services were used illegally or to commit crimes, such as bank-transfer phishing scams, our credibility or corporate image could be damaged. Despite our efforts to monitor and restrict illegal and inappropriate use by our subscribers and users, we may suffer from reputational damage and become subject to lawsuits, governmental regulation or restrictions, or consumer backlash, any of which could have a material adverse effect on our business, financial condition and results of operations.

***Any adverse conditions in the economy could adversely affect us.***

Demand for the services and products that we provide, including, but not limited to, telecommunications services and internet advertising, depends on the performance of the Japanese, American, Indian, Chinese and global economies, which involves factors beyond our control. Additionally, we procure the funds we require for developing new and existing businesses by borrowing from financial institutions, by issuing corporate bonds and from other sources. Therefore, disruptions in the economy that result in a deterioration of economic conditions in Japan or globally could adversely affect us or diminish our ability to procure funds. During the recent past, several major events, including the global financial crisis in 2008 and 2009, the ensuing sovereign debt crisis in Europe and the recent deceleration of economic growth in China caused increases in volatility in financial and capital markets and weakened economic conditions, particularly in major developed economies, including Japan. In Japan, economic conditions have shown improvement in recent years due in part to the monetary easing measures aimed at overcoming deflation implemented by the Bank of Japan, economic measures implemented by the Japanese government to stimulate the economy and market expectations that the Bank of Japan and the Japanese government will implement further economic or monetary measures. However, the increase in consumption tax from 5% to 8% effective from April 1, 2014 has had an adverse impact on the Japanese economy, and the outlook of the Japanese economy remains uncertain. Particular concerns include whether and to what extent the measures implemented by the Bank of Japan and the Japanese government will succeed in ending deflation, increasing consumption and investment and achieving growth, whether the anticipated further increase in consumption tax from 8% to 10% planned to take effect on April 1, 2017 could hurt consumer spending and the economy as a whole and weaken demand, as well as the potential negative consequences of an increasing budget deficit. Our business and results of operations could be adversely affected under difficult economic or market conditions.

***Demographic trends may make it difficult for us to sustain our growth.***

The Japanese population, which comprises the current market for the majority of our products and services, is both aging and declining. As a result, the number of net new subscribers we acquire each month may decline in the future and we may not obtain the number of subscribers we expect. Furthermore, as a result of competition for the acquisition of subscribers, we may incur higher costs than expected, such as distributor commissions and other expenses. We cannot be certain whether measures that we take will enable us to acquire new or maintain existing subscribers at our past rates.

***Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in Japanese yen.***

We invest in overseas companies directly at the holding company level or through our subsidiaries outside of Japan, as well as through other means. Additionally, a material portion of our operations are conducted in currencies other than Japanese yen—most significantly, U.S. dollars—and as we increase our non-yen revenues, the relative percentage of our non-yen business may increase. Our business is therefore sensitive to fluctuations in foreign currency exchange rates, especially yen-U.S. dollar exchange rates, and a foreign exchange loss may be recognized if we sell our equity interests when the yen is stronger than at the time of investment. Likewise, the presentation of our results of operations may be affected by the translation of foreign currencies into yen for the purpose of our consolidated financial statements. Also, a weak Japanese yen could have the effect of exacerbating losses incurred by our foreign subsidiaries, such as Sprint, as reflected in our



consolidated results of operations. We may not be successful in managing our exposure to currency exchange risks and this may have a material adverse effect on our business, financial condition and results of operations.

In connection with the Notes offering and other debt obligations, should we choose to issue in currencies other than yen, we expect to be exposed to increased foreign exchange rate fluctuation risks. To the extent we are unable to successfully hedge our overall risks related to outstanding monetary assets and liabilities, we may record gains or losses in future periods solely attributable to the effects of fluctuations in relevant foreign exchange rates.

***A downgrade of the credit rating of the Company or our subsidiaries could have a negative effect on us.***

Our long-term bond rating by Moody's Japan K.K. ("Moody's") is Ba1, by Standard & Poor's Financial Services LLC ("S&P") is BB+ and by Japan Credit Rating Agency ("JCR") is A-. In July 2013, Moody's downgraded our long-term bond rating from Baa3 to Ba1 and S&P downgraded our long-term bond rating from BBB to BB+, both citing increased risks relating to the acquisition of Sprint. There can be no assurance that our current ratings will not be downgraded further. Also, our net interest-bearing debt-to-EBITDA ratio, which was 3.8x as of March 31, 2015 and 3.1x as of March 31, 2015 (excluding Sprint), could make us susceptible to future credit downgrades. On an adjusted basis, giving effect to the offering of the Notes and giving effect to certain subsequent events, our net interest-bearing debt-to-EBITDA ratio, as of March 31, 2015, was 3.8x and 3.1x (excluding Sprint). A downgrade of our credit ratings may cause us to lose our ability to access bank lending or the capital markets, renew bank credit facilities and access other sources of financing. Downgrades could also increase our costs of borrowing and affect our ability to make payments on outstanding debt instruments and to comply with other existing obligations. Such events could have a material adverse effect on our business, financial condition and results of operations. Also, even if we hold investments in equity-method associates that experience significant increases in value, there is no assurance that credit rating agencies will take this into account when determining our credit rating.

The credit rating of Sprint and its subsidiaries was downgraded by Moody's in December 2014 from Ba3 to B1 and by S&P in February 2015 from BB- to B+, and there can be no assurance that its credit rating will not be further downgraded. Further downgrades in Sprint's credit rating could increase its costs of borrowing and affect its ability to make payments on outstanding debt instruments and to comply with other existing obligations, and could have a material adverse effect on Sprint's, and therefore our, business, financial condition and results of operations.

***The acquisition of other companies, businesses or technologies, or the internal reorganization of our group structure, could result in operating difficulties, dilution or other harmful consequences.***

In order to set up new businesses, or for the expansion of our existing businesses, we have made and may pursue further acquisitions and investments, including through the establishment of joint ventures and subsidiaries, as well as investments in operating or holding companies (including companies that we effectively control through various contracts) and funds, and we may also in certain instances provide subsequent financial assistance in the form of loans, securities or otherwise to such investees. We also may acquire other assets which we believe are strategic, any of which could be material to our business, financial condition and results of operations. In particular, we have made a number of strategic investments in companies in emerging markets and in businesses we view to be in growth industries, such as internet advertising and e-commerce, which includes online gaming and taxi booking apps for mobile devices. However, these investments may not produce the intended benefits due to a number of factors, some of which are beyond our control, including the lack of a well-developed consumer market for mobile e-commerce in emerging markets. Also, future acquisitions and investments could divert management's time and focus from operating our existing businesses, or we could fail to maintain adequate management resources for the management and supervision of acquired assets. Additionally, if our acquirees or investees fail to maintain adequate internal controls or sustain legal or regulatory compliance, we could suffer reputational harm and otherwise suffer adverse effects to our business, financial condition and results of operations.

Although we conduct due diligence investigations of those companies, businesses or technologies which we seek to acquire, our assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. Our inquiries may fail to uncover all material issues before an acquisition and we may experience unexpected losses arising from such issues after an acquisition. There can be no assurance that our assessments or due diligence of, and assumptions regarding, acquisition targets will prove to be correct, and actual developments may differ significantly from our expectations.

Additionally, integrating an acquired company, business or technology into our organization is an inherently uncertain process and may result in unexpected operating and financial difficulties, expenses and

liabilities. Accordingly, the benefits of an acquisition or investment may take considerable time to materialize or fail to materialize at all, and we cannot be certain that any particular acquisition or investment will produce the benefits we anticipate.

Future acquisitions could also result in the use of significant cash balances (either at acquisition or thereafter, as needed) or the incurrence of debt, contingent liabilities or amortization expenses, write-offs of goodwill or other increased cash and non-cash expenses. We may also book losses in valuation or other charges in the event of a decline in the value of equity interests and other assets acquired through investment activities. In addition, our debt burden may increase if we borrow funds to finance any future acquisition, which could have a negative impact on our cash flows and our ability to finance our overall operations. The acquired company may also be subject to an increased interest burden. There can be no assurance that we will be successful in completing business acquisitions or fully integrating previously acquired companies.

Additionally, in certain cases we may consolidate or de-consolidate these investments from our consolidated financial results and doing so may affect our results negatively. For example, in June 2015, GungHo repurchased from us 188,235,200 shares, or 16.34% of its outstanding shares, resulting in it becoming our equity-method associate, rather than a consolidated subsidiaries. See “Summary—Recent Developments.” As a result, period-to-period comparisons of our results of operations are not necessarily meaningful or indicative of future performance in this regard.

Furthermore, proposed acquisitions may require approval by government authorities, which can block, impose conditions on, or delay the process, which could result in a failure on our part to proceed with announced transactions on a timely basis or at all, thus hampering our opportunities for growth. In the event conditions are imposed and we fail to meet them in a timely manner, the relevant governmental authority may impose fines and, if in connection with a merger transaction, may require restorative measures, such as a mandatory disposition of assets or divestiture of operations.

Any of the above factors could have a material adverse effect on our business, financial condition and results of operations or prevent us from achieving improvements in our financial condition and operating margins that could have otherwise been achieved by us without any particular investment.

***Our financial condition and results of operation may be subject to increased volatility as a result of our strategy of targeting companies in high growth potential fields.***

We have invested substantial amounts in pioneering companies in emerging fields and we expect to do so in the future as we continue to aim to achieve synergistic growth through strategic acquisitions. These investments currently comprise a relatively small portion of our operations but their relative importance may increase in the future. Although we consider the growth potential of these companies to be a component of our strategic plan for sustainable growth, such companies are generally more volatile in their performance and financial results compared to more established firms. Volatility in the performance of these investments will be reflected our consolidated balance sheet and we cannot assure you that our investments will appreciate in value on a consistent basis, or at all.

In addition, we conduct business and invest in multiple fields, including mobile communications, fixed-line communications, online advertising, online gaming and e-commerce. We expect to continue to diversify our business activities in the future, including by entry into such markets as energy transmission and storage. Our experience with successfully operating businesses in these markets is less pronounced than our experience with respect to mobile and fixed-line telecommunications and the internet and there is no assurance that we will be as successful in these markets.

***We may have to recognize charges on our statements of income due to the impairment of goodwill or other intangible assets or investments in strategic associates.***

We carry significant amounts of goodwill and other intangible assets on our balance sheet as a result of our corporate acquisitions and investments. Under IFRS, goodwill is tested for impairment whenever there is any indication for potential impairment, and at least annually, while intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment whenever there is any indication of potential impairment. We also have a number of equity-method associates, for which the impairment test is used. If the value of our investment in equity-method associates declines, due to a decrease in share price or for other reasons, we may recognize an impairment in our investment in such equity-method associates. The recognition of impairment charges for any of the foregoing reasons may adversely affect our business, financial condition and results of operations.

***We depend on the telecommunications lines and facilities of other companies in certain circumstances and could be materially and adversely affected if our access were restricted or terminated or if related utilization or connection fees were increased.***

We make use of certain telecommunications lines and facilities owned by other operators when providing our telecommunications services. For instance, certain of our group companies in Japan are party to interconnection agreements and agreements with respect to optical broadband services with NTT group companies. See “Business—Important Relationships—Nippon Telegraph & Telephone Corp. (“NTT”).” The potential failure of such third-party operators to comply with relevant interconnection agreements or to properly maintain networks or interconnection facilities may create interruptions or quality problems for our telecommunications services. In addition, if relevant agreements with such operators are not extended or are extended on less favorable conditions, for example if utilization or connection rates were to be increased, we could experience a material adverse effect on our business, financial condition and results of operations.

***We depend on the satisfactory performance of our network systems and sufficient spectrum to operate our telecommunications services.***

The quality of our telecommunications services depends on, among other things, our network systems and the spectrum that the government allocates to us. In order to remain competitive and retain and grow our customer bases in each the telecommunications markets in which we operate, we will need to undertake continuous maintenance and upgrades to our fixed-line and mobile networks to ensure adequate capacity. Constraints on network capacity may cause unanticipated system disruptions and slower response times, adversely affecting data transmission. We must accurately predict our future capacity needs based on present and historical amounts of network traffic. If we underestimate the amount of capacity our business requires, or if we are unable to upgrade our network systems quickly enough to accommodate future traffic levels, avoid obsolescence or successfully integrate newly developed or acquired technology with our existing systems, we could experience service problems, adverse consequences to our reputation, a reduction in subscriber base, difficulties in acquiring new subscribers, or the need to make additional unanticipated capital expenditures. We project a lesser level of capital expenditure for fiscal year 2015 compared to the prior two years but we cannot assure you that this projection will be accurate or that we will not make expenditures at much greater levels.

Like all major telecommunications services providers, we are vulnerable to the occurrence of major service disruptions or declines in service quality due to human error, equipment problems or other causes. If such disruptions or declines in quality were to become widespread or if significant time were required to restore services in the event of such a disruption, our credibility and corporate image could deteriorate, which could have an adverse effect on our mobile and fixed-line telecommunications businesses.

We are also heavily dependent on the availability of spectrum in order to provide our mobile communications services. As traffic on our mobile communications network continues to increase due to the spread of smartphones, we will need to secure additional spectrum as well as enhance effective use of our frequency band by using LTE technology. We use frequency bands that are allocated to us by the Ministry of Internal Affairs and Communications of Japan (“MIC”), and, while MIC rarely exercises such authority, it does have the power to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of frequency spectrum, taking into consideration the effect that such actions may have on other spectrum users. See “Regulations—Radio Act of Japan—Allocation of Radio Frequency Spectrum.” If we are unable to secure the required spectrum in the future, service quality may decline, which could make it difficult to acquire or retain subscribers. Additionally, the Japanese government has considered the implementation of a spectrum auction system in the past. If an auction system were officially implemented in Japan or if bidding prices increase in U.S. spectrum auctions, securing spectrum could require considerable expense and could enable new competitors to enter the market.

***Fast-paced innovations in technology and business models, as well as alternative telecommunication technologies may make our services, technology or business models obsolete.***

Our future success depends, in part, on our ability to anticipate and adapt in a timely manner to the fast-paced changes in technology and business models that characterize the industries in which we operate. We expect that new services, technologies and business models will emerge on a continuous basis and that existing services, technologies and business models will also further develop. We make significant capital expenditures in connection with the deployment of new or improved technologies. However, if we fail to adapt to the rapidly changing technological development characterized by the introduction and proliferation of new or improved high-speed wireless data technology, fail to upgrade or adapt our existing mobile and fixed-line telecommunications networks or other businesses in a timely and satisfactory manner, or fail to introduce new

services based upon such technological innovations, our services may become less attractive to consumers. This could limit our ability to acquire new customers and cause us to lose existing customers to competitors, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that the new technologies we anticipate will be developed according to expected schedules, that they will perform according to expectations, that common standards and specifications will be achieved or that they will achieve commercial acceptance. Any failure of new technologies to meet our expectations, or the failure of any technology to achieve commercial acceptance, could place us behind our competitors in terms of technological development. Any such factors may adversely affect our business, results of operations and financial condition.

***Our operations may be significantly affected by natural disasters such as earthquakes, volcanic eruptions or other events.***

We construct and maintain telecommunications networks and information systems necessary for the provision of various services, including telecommunications and internet services. Some regions in which we conduct business operations are susceptible to natural disasters such as earthquakes, volcanic eruptions, typhoons, tsunamis and floods. Such natural disasters or other unexpected disruptions such as fires, power outages or shortages, terrorist attacks, human error, computer viruses, cyber-attacks or system malfunctions could affect the normal operation of telecommunications networks and information systems and hinder our provision of services to consumers, and any resulting decline in the quality of service on a widespread basis or for an extended period of time could result in loss of our reputation or creditworthiness and make it difficult to retain or attract customers. Further, remedying such disruptions could require significant unanticipated capital expenditures. For example, Japan is an earthquake-prone country and has historically experienced numerous large earthquakes that have resulted in extensive infrastructural damage and destruction. Most recently, in the aftermath of the Great East Japan Earthquake, which struck Japan on March 11, 2011, we, as well as other major mobile communications companies, experienced a temporary but widespread decline in the quality of our mobile services due to the sudden influx of text messages and phone calls. We also experienced store closings, widespread damage to our facilities and other effects due to the structural damage caused by the earthquake.

Additionally, the head offices and business offices of various companies within the SoftBank Group are concentrated within the Tokyo metropolitan area. The possibility therefore exists that a major earthquake or other catastrophic natural disaster or attack in the Tokyo metropolitan area could significantly affect our operations or impede the continuity of our business. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

To the extent that it is reasonably available, we carry insurance for losses including fire, theft, flood and explosion, but not for earthquake, with policy specifications and insured limits that we believe are adequate and appropriate for our business.

***We face risks associated with operation and investment in multiple markets, and if we are unable to manage these risks effectively, they could impair our ability to expand our business.***

We conduct business and invest in multiple regions including China, the United States, India and Latin America as well as other regions and countries and may continue expanding our operations outside of Japan. We do not have a history of successful operations in these regions, which in some cases have a different level of economic development or different economic structure than that of our traditional region of operations. Operating and investing in multiple geographic markets exposes us to a number of risks, including:

- difficulties and costs relating to compliance with the different commercial and legal requirements of the markets in which we operate and the potential that such requirements could change to our disadvantage;
- difficulties in staffing and managing international operations;
- government regulations or restrictions on foreign investment, particularly any preventing us from repatriating internationally derived revenue, or foreign tax structures that make repatriation prohibitively expensive, which could affect our ability to effectively reinvest or utilize such revenues in our business; and
- other country risks, including changes in the economic, political or regulatory environment.

Our failure to successfully manage or address any of the above-listed risks could have a material adverse effect on our business, financial condition and results of operations.



***The loss of key senior management personnel, including Mr. Masayoshi Son in particular, could negatively affect our business.***

Our performance is substantially dependent on our senior management and other key personnel. These individuals have acquired specialized knowledge and skills with respect to the companies that form the SoftBank Group and our businesses. This familiarity, in addition to the managerial and financial experience of these individuals as well as their decision-making abilities, makes them especially critical to our success. If one or more members of our key personnel were unable or unwilling to continue in their present positions, our business and operations could be disrupted and our growth potential could be impaired.

In particular, we depend in large part on the knowledge, expertise and services of Mr. Masayoshi Son, our Chairman and CEO, especially for managing our mobile communications business, identifying new business opportunities and creating new business models. Mr. Son's reputation and personal contacts in the industries in which we operate give us access to many opportunities which would not otherwise be available to us. There can be no assurance that the departure of Mr. Son would not have a material adverse effect on our business, financial condition or results of operations.

***We are subject to laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business.***

We are subject to various laws and regulations pertaining to general corporate business activities, as well as laws, regulations and licensing regimes governing certain of our business operations, such as the Telecommunications Business Act (as defined below) and Radio Act (as defined below), which govern our telecommunications business in Japan, and the regimes that govern the spectrum allocated to us by the MIC, which allow us to conduct our mobile communications operations. See "Regulation." Additionally, we have been subject to administrative guidance in the past and any future breaches of relevant regulations could further subject us to administrative sanctions or guidance by government agencies that may hinder our business development or create financial burdens that could negatively affect our business, financial condition and results of operations.

Many of the licenses and permits that we require to provide telecommunications services are subject to various conditions and there is no assurance that we will be able to satisfy such conditions. Additionally, in Japan we are also dependent on radio frequency spectrum allocated to us by the MIC. There can be no assurance that the MIC will grant our application with respect to an allocation of frequency spectrum or that the MIC will not reallocate frequency spectrum in a manner that could be detrimental to us. See "Business—Our Business Segments—Mobile Communications Segment—Spectrum."

In the United States, the FCC, Federal Trade Commission, Consumer Financial Protection Bureau, and other federal, state and local, as well as international, governmental authorities assert jurisdiction over Sprint's business and could adopt regulations or take other actions that would adversely affect Sprint's business prospects or results of operations. For example, the FCC recently revised its transactional "spectrum screen" that it uses to identify prospective wireless transactions that may require additional competitive scrutiny. If a proposed transaction would exceed the spectrum screen threshold, the FCC undertakes a more detailed analysis of relevant market conditions in the impacted geographic areas to determine whether the transaction would reduce competition without offsetting public benefits. The revised screen now includes substantial portions of the 2.5 GHz band previously excluded from the screen and that are licensed or leased to Sprint in numerous markets. As a result, future Sprint spectrum acquisitions may exceed the spectrum screen trigger for additional FCC review. Such additional review could extend the duration of the regulatory review process and there can be no assurance that such transactions will ultimately be completed in whole or in part. The FCC and other U.S. federal agencies have recently engaged in increased regulatory and enforcement activity as well as investigations of the industry generally. Depending upon their interpretation, newly adopted net neutrality regulations may have unforeseen consequences for our business. Additionally, Sprint operates under wireless licenses granted by the FCC, which are subject to periodic renewal and revocation. There is no guarantee that Sprint's licenses will be renewed. Failure to comply with the FCC requirements applicable to a given license could result in revocation of that license and, depending on the nature of the non-compliance, other Sprint licenses. Such regulations, license termination or revocation, enforcement activities, or investigations could make it more difficult and expensive to operate our business, and could increase the costs of our wireless operations.

In providing services in different countries, we are subject to various laws and regulations that govern such jurisdictions as well as various licensing regimes under such laws. The enforcement of existing regulations may greatly restrict our ability to conduct and expand our business. Additionally, revisions to or changes in the interpretation or enforcement of applicable laws and regulations and the introduction of new laws and regulations could prevent us from developing new businesses as anticipated or conducting our current businesses.



The Company, Sprint and Sprint Communications, Inc. have entered into a National Security Agreement with the United States Department of Defense, the United States Department of Homeland Security, and the United States Department of Justice. Under the National Security Agreement, we have agreed to implement certain measures to protect U.S. national security. Implementing these measures could increase costs, and limit control over certain U.S. facilities, contracts, personnel, vendor selection, and operations, which could have a material adverse effect on our business, financial condition and results of operations.

In our main operating region, Japan, the revision or establishment of new government policies, rules or regulations regarding any of the following in the telecommunications sector in Japan could have a significant impact on our business development and results of operations:

- regulations regarding the status of business management and operations of the NTT Group;
- the Category I Designated Telecommunications Facilities System (rules on open access to optic-fiber facilities, rules related to access to next-generation networks (NGN), access charge calculation formulas, etc.) and regulations to optical fiber service wholesaling, related to NTT East and NTT West;
- the scope of universal service and the universal service fund system;
- the Category II Designated Telecommunications Facilities System (dominant carrier regulations for MNOs, and access charge calculation formulas, etc.);
- regulations and rules concerning the mobile communications business model (regulations related to mandatory SIM unlocking, rules on promoting new entry by MVNOs, rules for coping with the sharp increase in network traffic, etc.);
- radio utilization fee structures;
- the spectrum allocation system, including the introduction of an auction system and reallocation of spectrum;
- the entry of new operators into newly allocated frequency bands;
- regulations concerning personal information and customer information;
- regulations and rules for the protection of consumers;
- regulations concerning the method of sale and presentation of advertising for telecommunications services;
- regulations concerning spam e-mails;
- regulations on responses to unlawful and harmful information on the internet and access to such information;
- regulations concerning the improper use of mobile devices; and
- regulations relating to the prevention and reporting of large-scale communications failures.

If new laws and regulations are introduced in a form we do not expect, or if existing laws and regulations are amended or subject to changes in interpretation or application, the products and services that we are able to offer to our customers could be limited. We may not be able to accurately predict, prevent, or effectively react to new laws and regulations, or new amendments to or interpretations and applications of existing laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

***We may suffer from unauthorized use of our intellectual property by third parties and incur costs associated with protecting our intellectual property.***

We regard our proprietary products, brands, domain names, trade names, copyrights, trademarks, trade secrets and similar intellectual property as critical to our business. However, policing the unauthorized use of our intellectual property is difficult and expensive. Although we have taken steps to prevent the misappropriation of our intellectual property, such protective measures may not be adequate to prevent the unauthorized use of our intellectual property. Any misappropriation of intellectual property that is used in our business, whether licensed to us or owned by us, could have a material adverse effect on our business, financial condition and results of operations. Further, the laws and enforcement procedures in some countries do not protect intellectual property rights to the same extent as the laws and enforcement procedures of Japan or the United States. Legal protection of our rights may be ineffective in such countries, and we may be unable to protect our intellectual property

rights in such countries. In the future, we may need to resort to court proceedings to enforce our intellectual property rights, which might result in substantial costs and diversion of management attention and resources away from the operation and growth of our business.

***We may be subject to intellectual property claims.***

We generally operate our business in a way that we believe is reasonably designed to avoid infringing the intellectual property rights of third parties. However, particularly as there are many companies that develop and provide online technologies and broadband products, the features and content of which continue to overlap, there is an increasing possibility that we may be subject to litigation involving claims of patent, copyright or trademark infringement, or other violations of intellectual property rights of third parties. In particular, the patent field covering online and related technology is rapidly evolving and surrounded by a great deal of uncertainty, and our technologies, processes or business models and methods may infringe the intellectual property rights of third parties either now existing or to be issued in the future. Existing or future infringement claims against us, whether valid or not, may be time consuming, distracting to management and expensive to defend.

Intellectual property litigation or claims could force us to:

- cease operating or using products or services that incorporate the intellectual property subject to such claims;
- modify the products or services to avoid infringing upon the intellectual property rights of third parties;
- obtain a license from the holder of the infringed intellectual property, which may not be available on commercially favorable terms, or at all; or
- change our business practices, any of which could result in additional costs.

Additionally, in the event that there is a determination that we have infringed the proprietary rights of any third party, we could incur substantial liability. Any of the above may have a material adverse effect on our business, financial condition and results of operations.

***From time to time, we may become involved in legal proceedings, which could adversely affect our business.***

From time to time, we may become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, disruptive to normal business operations or affect our corporate image. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on our business, financial condition and results of operations.

***We depend on the Yahoo! brand and related trademarks, the continued use of which is important to our business.***

Yahoo Japan licenses the use of the *Yahoo!* brand from the U.S. company Yahoo! Inc. The licensing agreement with Yahoo! Inc. is critical to our business and is used in certain service names such as *Yahoo! JAPAN*, *Yahoo! BB* and *Y!mobile*. We have benefited from the strong brand recognition and existing user base of Yahoo Japan's portal site, *Yahoo! JAPAN*, which is the most frequently visited portal website in Japan. *Yahoo! JAPAN*'s brand name, popular internet website and existing user base have contributed significantly to the expansion of our *Yahoo! BB* subscriber base. If our current relationship with Yahoo Inc. were to deteriorate for any reason, we may not be able to continue using the *Yahoo!* brand, which could significantly damage the brand recognition related to Yahoo Japan's portal site or otherwise have a material adverse effect on our business, financial condition and results of operations.

***We rely on subcontractors and other third-parties for certain of our operations.***

We consign sales activities, acquisition and retention of customers mainly for telecommunications services, and the execution of other related operations in whole or part to subcontractors. We also use subcontractors for network construction and maintenance service. Our business development could therefore be impacted if for some reason these subcontractors are unable to execute their duties in line with our expectations.

We also have a network of subcontractors responsible for the sale of our services and products. Damage to the credibility or image of these subcontractors could also have a negative impact on our credibility or corporate image. This could hinder business development and the acquisition and retention of customers, which could impact our operating results. Furthermore, if these subcontractors should fail to comply with laws and regulations, we could receive a warning or administrative guidance from the regulatory authorities, or be

investigated or sanctioned for non-fulfillment of our supervisory responsibility, and our credibility or corporate image could deteriorate as a result, making it difficult to acquire and retain customers. This could have a material adverse effect on our business, financial condition and results of operations.

Certain of our operations also depend on sales through third-party platforms, such as the Apple App Store and Google Play. A significant portion of our online gaming and e-commerce business is conducted through such platforms and any lack of availability of these platforms to us would negatively affect our ability to generate sales revenue. Similarly, if the companies operating these services were to increase their respective commission rates or modify sales prices because of foreign exchange rate fluctuations or other phenomena, there could be a reduction in the demand for or profitability of our offerings through these channels, which may have a material adverse effect on our business, financial condition and results of operations.

***Our mobile communications business is capital intensive and we may not have sufficient liquidity to fund our capital expenditure programs or our ongoing operations in the future.***

Our cash requirements for capital expenditures are high with capital expenditures reaching ¥1,245 billion (\$10,362 million) and ¥1,355 billion (\$11,274 million) for the fiscal years ended March 31, 2014 and 2015, respectively. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Capital Expenditures.” We cannot assure you that we will have sufficient liquidity to fund our capital expenditures programs or our ongoing operations in the future. Our Mobile Communications segment in particular requires intensive capital expenditures for the purchase of property, equipment and intangibles, which we acquire mainly through sale and lease-back arrangements. For instance, we incurred substantial capital expenditures in our Mobile Communications segment for the construction of multiple 900 MHz base stations during the fiscal years ended March 31, 2012 and 2013. While we have completed the most costly aspects of construction, including the setting up of steel towers for base stations, and we now expect our capital expenditures to decline, we will expect to continue to make expenditures related to these base stations and other projects going forward. In addition, if network usage develops faster than we anticipate, we may require greater capital expenditures than are currently anticipated. If we lack liquidity sufficient to continue to fund our major capital expenditure programs, we may not be able to raise additional financing, on favorable terms, or at all, or to otherwise generate sufficient cash flows to meet our capital requirements, which may have a material adverse effect on our business, financial condition and results of operations. Sprint, on the other hand, is investing heavily in upgrading its network and projects approximately \$5 billion, excluding the impact of leased devices sold through indirect channels, in capital expenditure during fiscal year 2015. There can be no assurance that Sprint will not require additional capital expenditure.

***We purchase and lease various equipment, products and services, from suppliers and our inability to procure such equipment, products and services or defects therein could adversely affect our business.***

We procure telecommunications equipment, network devices, mobile devices and various other hardware, software, support and services from various vendors. We rely upon certain key vendors such as Apple, Sharp and Ericsson to supply the network equipment, mobile handsets, software, content and services that we require in our business.

Although we generally expect vendors to supply products and services in a timely manner, in accordance with the specifications contained in the applicable agreements with such vendors, and to cure any defects should they arise, we may be unable to switch suppliers or equipment in a timely manner should problems occur. We do not have direct operational or financial control over these key vendors, and there can be no assurance that such vendors will continue to provide equipment and services at attractive prices or that we will be able to obtain such equipment and services in the future from those or other providers, on the scale and within the timeframes that we require, if at all.

Our contractual arrangements with these counterparties also expose us to certain risks. We cannot assure you that we will be able to reach commercially reasonable agreements on the procurement of handsets, installation and maintenance of telecommunications equipment or other key aspects of our business or that the terms of such agreements will not deteriorate over time.

Supply interruptions, delivery delays, order volume shortfalls, defects and the cessation of maintenance and inspection services, as well as any other similar problem could impede our provision of services, making it difficult to acquire and retain customers, or causing us to incur additional costs. Suppliers may also cease providing the maintenance and inspection services required for telecommunications equipment to maintain performance.

Any of the above could have a material adverse effect on our business, financial condition and results of operations.

***Our business may be adversely affected by actual or perceived health risks associated with mobile communication devices and the location of base stations and antennas.***

Mobile communication devices have been alleged to have adverse health effects, due to radio frequency emissions. Similarly, the location of base stations and antennas has become a health-related concern as the radio frequency emissions from these structures are continuous. The actual or perceived risk of using mobile communications devices could adversely affect us through a reduction in subscribers, network usage per subscriber or financing available to the mobile communications industry. These adverse effects are similarly possible based on the perception of the locations of our base stations and antennas (i.e., whether surrounding locations are highly populated or not) and the impact our base stations and antennas have on those locations. We cannot provide assurance that there is no relationship between radio frequency emissions and health risks.

***Our online game business is dependent upon a limited number of titles.***

In our online game-related business, the majority of sales are dependent on certain game titles, including Clash of Clans and Puzzles & Dragons. In order to maintain the long-term profitability and operational success of this business, we must continue to develop, acquire, co-develop or licence new online games that are attractive to users before our existing online games reach the end of their commercial lifespans. This requires us to maintain and grow our game development capability to anticipate changing consumer tastes and preferences, adopt new technologies, attract, retain and motivate talented game developers and effectively execute online game development plans. There is no assurance that we can successfully maintain or develop our in-house online game development capability in such manner. If we are unable to maintain the interest of our customers in these new or existing titles, or if a competitor launches a title that is more appealing than these titles, or if the competitiveness of our existing titles is reduced before we are able to develop adequate replacements, it may become difficult to acquire and retain customers, which may have a material adverse effect on our business, financial condition and results of operations.

***Our renewable energy business is vulnerable to reductions in power production due to climatic and other factors.***

We engage in the renewable energy business, which is subject to inherent unpredictability, as it is heavily influenced by weather conditions such as sunlight and wind force. As a result, protracted unfavorable weather conditions could significantly reduce the energy generated by our production facilities. Moreover, output of renewable energy could also be reduced if production facilities are damaged or become inoperable due to natural disasters or other events. We may be adversely affected by any of the above.

## **Risks Relating to the Notes**

***There are no prior markets for the Notes and, if markets develop, they may not be liquid.***

Approval in-principle has been received for the listing of the Notes on the SGX ST. However, there can be no assurance that we will be able to obtain or maintain such listing or that any liquid markets for the Notes will ever develop or be maintained. The Initial Purchasers have advised us that they currently intend to make a market in the Notes following the offering. However, the Initial Purchasers have no obligation to make a market in the Notes and they may stop at any time. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the Notes or the prices at which you will be able to sell your Notes, if at all. Future trading prices of the Notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the Notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the time remaining to the maturity of the Notes and until we are able to redeem the Notes at our option without paying a make-whole premium; the outstanding amount of the Notes; and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining the listing of the Notes on the SGX-ST become unduly burdensome, we may be entitled to, and may decide to, delist the Notes from the SGX-ST and seek an alternate listing for the Notes on another securities exchange.

***The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to the existing and future secured indebtedness of the Company and its subsidiaries. We and our subsidiaries may in the future incur substantial amounts of secured debt.***

The Notes and the Note Guarantees are unsecured obligations ranking effectively junior in right of payment to all existing and future secured indebtedness of the Company and the Note Guarantors, to the extent of the value of the collateral securing such indebtedness. As of March 31, 2015, we did not have secured indebtedness but had ¥198 billion (\$1,651 million) outstanding under securities lending arrangements whereby we loan shares that we own to a major Japanese lender and receive cash as collateral. See “Description of Other Indebtedness—Borrowings—¥198 billion (\$1,651 million) in Securities Lending.”

Additionally, the Indenture will not prohibit (other than in certain limited cases) the Company, the Note Guarantor or the other Company’s subsidiaries from incurring indebtedness that is secured by liens over certain property and assets that do not also secure the Notes and Note Guarantees. Among other things, the Indenture will permit the Company and the Note Guarantor to pledge any shares that they own in the Capital Stock of Alibaba Group Holding Limited or any other Excluded Subsidiary (as defined in the “Description of the Notes”) or person other than a subsidiary in order to secure indebtedness of Non-Guarantor Subsidiaries or third persons that is otherwise non-recourse to the Company and the Note Guarantor. In addition, the Indenture will permit our Non-Guarantor Subsidiaries to incur unlimited amounts of indebtedness that (i) is secured by, among other collateral, any of our or our subsidiaries’ shares in the Capital Stock of Alibaba Group Holding Limited or any other Excluded Subsidiary or person other than a subsidiary and (ii) that is otherwise non-recourse to the Company or the Note Guarantor. See “Description of the Notes.” The Indenture will not regulate our use of the proceeds of such secured indebtedness and will permit us to use such proceeds for, among other things, capital expenditures (including in ring-fenced subsidiaries such as Sprint), investments in affiliates, associates or our Non-Guarantor Subsidiaries (as defined in the “Description of the Notes”), repurchase of ordinary or preferred stock, distributions, dividends or any general corporate purpose. We cannot assure you that the proceeds of such secured indebtedness will be available for repayment of the Notes.

In the event of any bankruptcy, liquidation, reorganization, rehabilitation, dissolution, winding-up or other insolvency proceedings of the Company or any Note Guarantor, the rights of the holders of the Notes to participate in the assets of the Company or of such Note Guarantor will rank behind the claims of secured creditors, including trade creditors, if any.

Repayment of the Notes may be compromised if:

- we enter into bankruptcy, liquidation, reorganization, rehabilitation, dissolution or other winding-up proceedings or other insolvency proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, our assets may be used first to satisfy the claims of secured creditors and the remaining assets may be insufficient to pay amounts due on the Notes.

***The Notes and the Note Guarantees will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries.***

As of March 31, 2015, total interest-bearing debt of Non-Guarantor Subsidiaries was ¥4,767 billion (\$39,670 million or 41.1% of the total interest-bearing debt of the Company, on a consolidated basis). The Non-Guarantor Subsidiaries will include Sprint, Yahoo Japan and Brightstar as of the issue date, among others. The holders of the Notes will not have any direct right to claim against any of our Non-Guarantor Subsidiaries, and may only participate in the assets of such subsidiaries through the distribution of the remaining assets to us as a common equity interest holder of such subsidiaries or the limited repayment to us as a creditor of such subsidiaries (if we have a claim against such subsidiaries) under bankruptcy or other insolvency procedures. As a result, the Notes and the Note Guarantees are structurally subordinated to the preferred securities, outstanding debt and other obligations, including trade payables, of our Non-Guarantor Subsidiaries and the amount of such preferred securities, debt and obligations and may be significant.

The Indenture will not restrict our Non-Guarantor Subsidiaries from issuing additional debt to the extent such further debt is non-recourse to the Company or the Note Guarantor. To the extent the Company or the Note Guarantor provide a guarantee in support of indebtedness or a person other than the Company or the Note Guarantor, the Indenture will limit the principal amount guaranteed to 10% of the Company’s consolidated net tangible assets, subject to certain exceptions. See “Description of the Notes—Certain Covenants—Third Party Guarantees.”



***Our obligations under the Notes will rank pari passu in right of payment with the Company's outstanding unsubordinated corporate bonds (including the 2013 Notes and our senior unsecured yen-denominated bonds) and the Sprint Acquisition Loan and have equal right to all assets of the Company in the event of an insolvency or liquidation.***

In insolvency or liquidation proceedings of the Company, subject to any claims that are preferred by law, secured claims or cases of preference as provided for under Japanese laws of general application, the Notes will rank *pari passu* in right of payment to all unsecured and unsubordinated indebtedness of the Company, including the Company's unsubordinated corporate bonds (including the 2013 Notes and the Company's senior unsecured Yen-denominated Bonds) and the Sprint Acquisition Loan, as well as other senior borrowings. See "Description of Other Indebtedness." Upon any distribution to the creditors of the Company in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding up of the Company, the creditors under the Company's unsubordinated corporate bonds (including the 2013 Notes and the Company's senior unsecured yen-denominated bonds) and the Sprint Acquisition Loan and other senior borrowings will be entitled to be paid equally and ratably with respect to property and assets of the Company. See "—Enforcement of claims on the Notes and the Note Guarantees will be subject to certain limitations arising under Japanese insolvency and corporate laws. Japanese laws may be different from, and not as favorable to you as, the laws in other jurisdictions."

As of March 31, 2015, as adjusted to give effect to the offering of the Notes, the Preferred Securities Redemption and the June Yen-denominated Bonds Issuance as if each had occurred on March 31, 2015, the Company and the Note Guarantor would have had total interest-bearing debt of ¥12,041 billion (\$100,198 million). The Indenture will not restrict the Company or the Note Guarantor from issuing preferred stock or incurring further unsecured indebtedness, which might dilute recoveries of holders of the Notes in any insolvency or liquidation of the Company or the Note Guarantor.

***The Indenture will contain limited restrictive covenants and will not restrict our ability to make investments, incur indebtedness at the Company or the Note Guarantor, pay dividends (except in certain limited circumstances) or enter into affiliate transactions.***

The Indenture will contain limited restrictive covenants and the Indenture will not restrict our ability to:

- make capital expenditures (including in ring-fenced subsidiaries such as Sprint);
- invest in affiliates, associates or Non-Guarantor Subsidiaries (including by servicing indebtedness at such affiliates, associates or Non-Guarantor Subsidiaries), repurchase ordinary or preferred stock, make distributions or issue dividends (except in certain limited circumstances);
- issue preferred securities or incur unsecured indebtedness at the Company or the Note Guarantor;
- pledge the Capital Stock of an Excluded Subsidiary, any person other than a subsidiary or any member of the Alibaba Group owned by the Company or the Note Guarantor to secure non-recourse debt of Non-Guarantor Subsidiaries or third persons; or
- enter into transactions with affiliates.

Our taking such actions under the Indenture could adversely affect our ability to pay amounts due on the Notes.

To the extent the Indenture will contain restrictive covenants, those covenants will be limited in effect and subject to certain exceptions.

- The Indenture will only contain limited restrictions on our ability to guarantee or provide security in respect of indebtedness at Subsidiaries, Affiliates and Associates other than Note Guarantors. See "—The Notes and the Note Guarantees will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries."
- The negative pledge to be provided by the Company and the Note Guarantor under the Indenture does not apply to certain types of indebtedness and is subject to certain material exceptions. See "Description of the Notes—Certain Covenants—Negative Pledge."
- The Indenture will prohibit our using the proceeds from an asset sale to repurchase ordinary or preferred stock, make a distribution or issue dividends only if such repurchases, distributions or dividends exceed \$15 billion in the aggregate since the issue date and our Consolidated Net Leverage Ratio (calculated as set forth in the Indenture and excluding Sprint from the scope of the calculation) exceeds 4.0 to 1.0 at the time of the proposed repurchase, distribution or dividend (after giving *pro forma* effect thereof). See "Description of the Notes—Certain Covenants—Distributions of Proceeds of Asset Sales."

***The ratings of the Notes may change after the issuance of the Notes and those changes may have an adverse effect on the market prices and liquidity of the Notes.***

Credit ratings that the Notes may receive will not address all material risks relating to an investment in the Notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that any such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors of the Notes and adversely affect the prices and liquidity of the Notes. A security rating is not a recommendation to buy, sell or hold the Notes.

***We may not have sufficient funds to repurchase the Notes upon a Change of Control Triggering Event and certain strategic transactions may not constitute a Change of Control Triggering Event.***

The occurrence of a Change of Control Triggering Event (as defined in "Description of the Notes") will require us to offer to repurchase the Notes at a purchase price equal to 100% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest on the Notes up to but excluding the date of repurchase. It is possible that we will not have sufficient funds upon a Change of Control Triggering Event to purchase the Notes tendered pursuant to such an offer and any failure to do so would be a default under the Indenture and could result in cross defaults under our other financing agreements (including the 2013 Notes). See "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control Triggering Event." In addition, some of our financing agreements or other similar agreements to which we may become a party may contain restrictions on our ability to purchase the Notes, regardless of the occurrence of a Change of Control Triggering Event.

We frequently evaluate and may in the future enter into strategic transactions. The change of control provisions contained in the Indenture may not protect you in the event of highly leveraged transactions and other important corporate events, including reorganizations, recapitalizations, delistings, sale of important investments (including our holdings in Alibaba), restructurings or mergers that may adversely affect you, because these transactions may not involve a change in voting power or beneficial interest of the magnitude required to trigger the change of control. Any such transaction could happen at any time and could be material to our business. Such transactions could significantly increase the amount of our indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings.

One of the ways a change of control can occur is upon a sale of all or substantially all of our assets. With respect to the sale of assets referred to in the definition of change of control in the Indenture, the meaning of the phrase "all or substantially all" as used in that definition varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under the relevant law and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of a person and therefore it may be unclear whether a Change of Control Triggering Event has occurred and whether we are required to make a change of control offer, to repurchase the Notes.

***Our operations may be restricted by the terms of the Indenture and our other financing agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs.***

The Indenture will include certain restrictive incurrence-based covenants, including restrictions on the ability of the Company to incur secured indebtedness or guarantee the indebtedness of Non-Guarantor Subsidiaries, as well as restrictions on the ability of the Company and the Note Guarantor to layer additional debt between other indebtedness and the Notes or the Note Guarantee. See "Description of the Notes—Certain Covenants."

We are subject to certain restrictive financial maintenance covenants in our other financing agreements, including with respect to designated net interest-bearing debt and leverage ratios. See "Description of Other Indebtedness" and note 20 to our fiscal year 2014 audited consolidated financial statements included elsewhere in this offering memorandum. In addition, certain of our subsidiaries, including Sprint and Brightstar, are subject to restrictive covenants in their financing arrangements that limit the ability of such subsidiaries to distribute dividends or otherwise make payments to the Company. See "—Our corporate structure may affect your ability to receive payment on the notes."

These covenants and any covenants included in future agreements could limit our ability to plan for or react to market conditions or to meet our capital needs, limit how we conduct our business and execute our business strategy, prevent us from raising additional debt or equity financing to operate during general economic

or business downturns, impair our ability to compete effectively or to take advantage of new business opportunities or generally affect our ability to grow in accordance with our plans. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements (including any such restrictions and covenants in the current and future debt and other agreement of Sprint or its subsidiaries), including the Indenture, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our financing agreements, including the 2013 Senior Notes and the Indenture, contain cross-acceleration or cross-payment-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under our other financing agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

***Our substantial leverage and debt service obligations could limit our flexibility, adversely affect our business and prevent us from fulfilling our obligations under the Notes.***

Our total interest-bearing debt was ¥11,607 billion (\$96,590 million) as of March 31, 2015. As adjusted to give effect to (i) the offering of the Notes, (ii) the Preferred Securities Redemption and (iii) the June Yen-denominated Bonds Issuance as if each had occurred on March 31, 2015, our total interest-bearing debt would have been ¥12,041 billion (\$100,198 million).

The degree to which we are leveraged could have important negative consequences for us and you as holder of the Notes. Our ability to make scheduled payments on the Notes and to meet our other debt service obligations depends on our future operating and financial performance and ability to generate cash, which are affected by our ability to implement our business strategy as well as general economic, financial, competitive and other factors beyond our control. For example, our substantial debt could require us to dedicate a substantial portion of our cash flow from operations to making payments on our debt, thereby limiting the availability of funds for working capital, business opportunities and other general corporate purposes, increase our vulnerability to adverse general economic or industry conditions, make it more difficult for us to satisfy our obligations with respect to the Notes, limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, increase our cost of borrowing, place us at a competitive disadvantage compared to our competitors that may have less indebtedness and limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, including the Notes, obtain additional financing or sell assets.

Additionally, despite our high level of indebtedness and leverage, we may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness. The restrictive covenants in the Indenture, the indenture governing the 2013 Notes and our other financing agreements impose only limited restrictions on our ability to incur further indebtedness and debt incurred in compliance with these restrictions could be substantial.

In addition, certain of our outstanding financing agreements will mature or need to be refinanced prior to the maturity of the Notes. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or seek to restructure or refinance our indebtedness, including the Notes. We cannot assure you that we will be able to generate sufficient cash through any of the foregoing. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

***Our corporate structure may affect your ability to receive payment on the notes.***

The Company is a pure holding company and substantially all of its operating income and cash flow are derived from its subsidiaries. As a result, the Company will rely on its subsidiaries’ operating income and cash flow to make payments due under the Notes.

Although much of our business is conducted through our subsidiaries, none of our subsidiaries other than the Note Guarantor is obligated to make funds available to us for payment on the Notes and the terms of the financing agreements of our subsidiaries may restrict them from paying dividends and otherwise transferring assets to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on these notes when due.

In particular, Sprint has incurred substantial amounts of stand-alone indebtedness that has limited recourse to Sprint itself and certain of its guarantor subsidiaries, is highly leveraged and uses a significant portion of its cash flow to service its own indebtedness and substantial capital expenditure requirements. The financial maintenance and incurrence covenants currently included in the terms of Sprint's indebtedness impose significant restrictions on its ability to pay dividends, distribute cash or return capital to us. Accordingly, only limited reliance can be placed on our Sprint segment's EBITDA, operating income and cash flow as indicators of our ability to service our indebtedness, including the Notes. See "Presentation of Financial Information—Presentation of Financial Information Excluding the Sprint Segment."

***There are circumstances other than repayment or discharge of the Notes under which the Note Guarantees may be released, without your consent or the consent of the Trustee.***

Under various circumstances, Note Guarantees may be released, including automatically in connection with any sale or other disposition of all or substantially all of the assets or capital stock of such Note Guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) the Company or a subsidiary of the Company or at the option of the Company, subject to certain conditions, upon the release of any Guarantee of any indebtedness of the Company or a Note Guarantor which results in such Note Guarantor (other than by SoftBank Corp., unless the Notes have an investment grade rating at the time of release) no longer guaranteeing any indebtedness of the Company or a Note Guarantor (other than pursuant to the Note Guarantees). See "—The Notes and the Note Guarantees will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries."

***Our principal shareholder, Mr. Masayoshi Son, maintains significant influence over us, and his interests may conflict with your interests.***

Mr. Masayoshi Son, our Chairman and CEO, is our single largest shareholder and owned 19.26% of the Company's issued share capital as of March 31, 2015. As a result, Mr. Son has significant influence as to the composition of our board of directors and, in general, may determine the outcome of corporate decisions and other matters submitted to our shareholders for approval. The interests of Mr. Son, in certain circumstances, may conflict with your interests. For example, Mr. Son could vote to declare dividends or cause us to incur indebtedness, in each case as permitted under the Notes, causing capital outflows or increasing debt service obligations, which could hinder our ability to meet our obligations under the Notes.

***Enforcement of claims on the Notes and the Note Guarantees will be subject to certain limitations arising under Japanese insolvency and corporate laws. Japanese laws may be different from, and not as favorable to you as, the laws in other jurisdictions.***

We are incorporated in Japan and, consequently, will be subject to Japanese laws and procedures affecting debtors and creditors, such as bankruptcy, corporate reorganization, civil rehabilitation or special liquidation proceedings. Under the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended), a petition for the commencement of bankruptcy proceedings may be filed with a court by us or any of our directors or creditors if we are generally and continuously unable to pay our debts as they become due because of a lack of ability to pay or if our liabilities exceed our assets. Under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), a petition for the commencement of corporate reorganization proceedings may be filed with a court by us or certain qualified shareholders or creditors if it is likely that any of the grounds for bankruptcy as described above will arise. In addition, we may file a petition for the commencement of corporate reorganization proceedings if it is likely that the payment of a debt which becomes due would cause serious impediments to our continued business operations. Under the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended), a petition for the commencement of civil rehabilitation proceedings may be filed with a court by us or any of our creditors if it is likely that we face any of the grounds for bankruptcy as described above. A petition for civil rehabilitation may be also filed by us if we are unable to make any payments as they become due without causing any material obstruction to the continuation of our business. Under the Companies Act of Japan (Act No. 86 of 2005, as amended), a petition for the commencement of special liquidation proceedings may be filed with a court by any of our creditors, liquidators, audit and supervisory board members or shareholders if, after liquidation proceedings have commenced, circumstances exist which would seriously impede the carrying out of our



liquidation or if there exists any possibility or doubt that our liabilities exceed our assets. The court will be required to order the commencement of bankruptcy proceedings at its initiative if, after a special liquidation has been commenced, the court determines that there exists a fact which constitutes a cause of commencement of the bankruptcy proceedings while: (i) there is no prospect of entering into a settlement agreement; (ii) there is no prospect of performing a settlement agreement; or (iii) the special liquidation conflicts with the general interest of the creditors.

In any of the insolvency proceedings mentioned above, our liabilities under the Notes would, in general, be paid to holders of the Notes and creditors ranking equally with such holders in right of payment on a pro rata basis, only after all of our debts that are entitled to a preferred status under the insolvency laws (such as employment remuneration claims, expenses of insolvency proceedings and taxes) have been paid. Also, the rights of the holders of the Notes will be effectively subordinated to those of secured creditors (*tanpo-kensha*). In insolvency proceedings other than corporate reorganization proceedings, secured creditors will be entitled to foreclose our collateralized assets outside of the insolvency proceedings, although the foreclosure of collateralized assets by the secured creditors may be suspended upon a special order of the court. In corporate reorganization proceedings, secured creditors will be required to participate in such proceedings, and their rights could be impaired or modified in accordance with a reorganization plan. However, claims of general creditors, including holders of the Notes, would be subordinated under the plan to secured claims to the extent of the net value of the security interest at the commencement of the proceedings unless agreed by a majority of secured creditors. In insolvency proceedings other than special liquidation proceedings, the Notes will rank senior in right of payment to our debts that are subordinated by law, as well as our debts that are contractually subordinated to the extent that we and creditors have agreed prior to the commencement of insolvency proceedings that, if insolvency proceedings are commenced against us, the debts shall be subordinated to any subordinated bankruptcy claims (*retsugo-teki hasan saiken*) defined in the Bankruptcy Act of Japan (such as claims for interest and default interest accrued after the commencement of insolvency proceedings and creditors' expenses to participate in insolvency proceedings) in the order of priority for receiving a distribution in the insolvency proceedings.

Under Japanese insolvency laws, no party (including, without limitation, any director of a company) is expressly obligated to file for the commencement of insolvency proceedings in any particular circumstance (except that liquidators are required to file for the commencement of special liquidation proceedings in certain circumstances). However, our directors are subject to general fiduciary duties under the Companies Act of Japan, which may in certain circumstances require them to take appropriate steps, including filing for the commencement of insolvency proceedings when a cause for insolvency arises. If our directors do not take appropriate action in such circumstances, they could be subject to civil and criminal liabilities.

If, based on a petition for the commencement of bankruptcy proceedings, a court orders the commencement of such bankruptcy proceedings, a trustee in bankruptcy (*hasan kanzainin*) will be appointed to administer our operations, realize all assets belonging to the bankruptcy estate and make distributions to creditors. If, based on a petition for the commencement of corporate reorganization proceedings, a court orders the commencement of such reorganization proceedings, a reorganization administrator (*kousei kanzainin*) will be appointed to take over our operations, assess all assets and liabilities, propose a reorganization plan and, if the plan is approved by our creditors and confirmed by the court, transfer management responsibilities to the new management under the plan. If, based on a petition for the commencement of civil rehabilitation proceedings, a court orders the commencement of such rehabilitation proceedings, our directors will remain in position (subject to supervision by a court appointed rehabilitation supervisor (*kantoku i-in*)), to propose a rehabilitation plan and, if approved by our creditors and confirmed by the court, execute the plan. If, based on a petition for the commencement of special liquidation proceedings, a court orders the commencement of such special liquidation proceedings, a liquidator (*seisan-nin*) will, under court supervision, liquidate all remaining assets and liabilities and make distributions to creditors under a settlement agreement approved by our creditors and confirmed by the court.

The offering of the Notes and payments made to the holders of the Notes may be avoided in insolvency proceedings (except for special liquidation proceedings) by the bankruptcy trustee, reorganization administrator or rehabilitation supervisor pursuant to their "right of avoidance" (*hi-nin ken*) as a fraudulent conveyance or voidable preference.

The acts that are subject to this right of avoidance include:

- any act by the debtor taken with the knowledge that such act will prejudice creditors and the beneficiary of such act was aware, at the time of the act, of the fact that such act will prejudice creditors (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations);



- any act that (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations):
  - prejudices creditors;
  - occurs after the debtor has suspended payments or after the filing of a petition; and
  - the beneficiary of such act was aware, at the time of the act, that the debtor has suspended payments or the filing of a petition has been made, and of the fact that such act will prejudice creditors;
- any voluntary act that:
  - relates to the creation of a security interest or the extinguishment of obligations as to the already existing obligations;
  - occurs after the debtor has become unable to pay debts in general and the creditor was aware, at the time of the act, of such debtor's inability or suspension of payments by the debtor;
  - occurs after the filing of a petition and the creditor was aware, at the time of the act, of such filing; or
  - occurs within 30 days prior to the debtor becoming unable to pay debts in general and the creditor was aware, at the time of the act, of the fact that such act will prejudice other creditors; and
- any gratuitous act (or act deemed to be gratuitous) by the debtor after, or within six months prior to, either the suspension of payments by the debtor or the filing of a petition.

For example, the offering of or payment on the Notes may be avoided if: (i) we are deemed to have been aware at the time of the offering that it would be to the detriment of our creditors and you are deemed to have had notice of such fact at that time; or (ii) the payment takes place after we have become unable to pay our debts in general, or a petition for insolvency proceedings has been filed, and you are deemed to have been aware of such fact at that time.

***Many of the covenants contained in the Indenture will be suspended if the Notes are rated investment grade by either of Moody's and Standard & Poor's.***

Many of the covenants in the Indenture will be suspended if the Notes are rated Baa3 or better by Moody's Japan K.K. and BBB- or better by Standard & Poor's Financial Services LLC, a division of the McGraw Hill Companies, Inc., provided at such time no default under the Indenture has occurred and is continuing. These covenants relate to, among other things, our ability to layer certain additional debt between other indebtedness and the Notes, guarantee or provide security in respect of the indebtedness at Subsidiaries, Affiliates and Associates other than Note Guarantors, pay dividends with the proceeds of asset sales. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, that the Notes will maintain such ratings. Suspension of these covenants, however, would allow us to engage in certain transactions that would not be permitted while these covenants were in force, including incurring additional indebtedness structurally or effectively senior to the Notes and paying dividends with the proceeds of asset sales, which may conflict with, or otherwise be adverse to, your interests. See "Description of the Notes—Certain Covenants—Suspension of Certain Covenants."

***The transferability of the Notes may be limited under applicable securities laws.***

The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. The Notes are being offered and sold in offshore transactions outside the United States in reliance on Regulation S only to non-U.S. persons. It is the obligation of holders of the Notes to ensure that their offers and sales of the Notes comply with applicable securities laws and the applicable transfer restrictions. See "Notice to Investors."

***The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

Unless and until definitive Notes are issued in exchange for book-entry interests in the Notes (which will only occur in very limited circumstances), owners of the book-entry interests will not be considered owners or holders of the Notes. The common depository (or its nominee) for the accounts of Euroclear and Clearstream will

be the registered holder of any Notes. After payment to the common depository, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear or Clearstream and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder under the Indenture. See “Book-Entry, Delivery and Form.”

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear or Clearstream. We cannot assure you that the procedures to be implemented through Euroclear or Clearstream will be adequate to ensure the timely exercise of rights under the Notes. See “Book-Entry, Delivery and Form.”

***Holders of the Notes may have difficulty in serving process or enforcing a judgment against us or our directors, executive officers or audit and supervisory board members.***

Both the Company and the Note Guarantor are limited-liability, joint stock corporations incorporated under the laws of Japan. Most of the directors, executive officers and audit and supervisory board members of both the Company and the Note Guarantor reside in Japan. All or substantially all of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for holders of the Notes to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in U.S. courts predicated solely upon the laws of jurisdictions other than Japan. There is also doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

## USE OF PROCEEDS

We expect to receive a total of approximately \$4,365 million (equivalent) in net proceeds from this offering, comprising approximately \$1,966 million from the Dollar Notes and €2,212 million from the Euro Notes, after deducting underwriting discounts and commissions and other offering expenses payable by us. We intend to use the net proceeds from the sale of the Notes to refinance certain indebtedness and for general corporate purposes.

The dollar-equivalent of the net proceeds from the Euro Notes was calculated by translating the euro-denominated net proceeds amount into Japanese yen at the rate of ¥130.32 = €1.00 and translating such yen amount into dollars at the rate of ¥120.17 = \$1.00. Due to difference in currency exchange rates, such amount may differ from the amount of dollars that we would be able to receive by exchanging the net proceeds of the Euro Notes for dollars on or around the Issue Date. As of July 13, 2015, the relevant exchange rates were ¥136.38 = €1.00 and ¥122.50 = \$1.00.

## CAPITALIZATION

The following table sets forth our (i) available cash position and capitalization on an actual historical basis as of March 31, 2015, (ii) available cash position and capitalization on an actual historical basis excluding Sprint as of March 31, 2015, (iii) available cash position and capitalization (on both a consolidated basis and excluding Sprint) as adjusted to give effect to:

- (a) the offering of the Notes;
- (b) the Preferred Securities Redemption; and
- (c) the June Yen-denominated Bonds Issuance

on our total interest-bearing debt, cash and cash equivalents, net interest-bearing debt, as if each had occurred on March 31, 2015.

The financial data presented below has not been adjusted for: (i) GungHo's repurchase of 16.34% of its capital stock from us in exchange for a cash payment to us of ¥80 billion, which closed on June 24, 2015; (ii) our acquisition of additional shares of Supercell from other Supercell investors, on May 29, 2015 and (iii) our investment through a subsidiary in Forward Ventures, LLC, the holding company of the owner and operator of *Coupang*, in which we invested \$1 billion in mid-July 2015. See "Summary—Recent Developments." See "Presentation of Financial Information—As Adjusted Financial Information."

The historical financial information has been derived from the audited consolidated financial statements, which were prepared in accordance with IFRS, included elsewhere in this offering memorandum.

The information below is illustrative only, and our capitalization following the completion of this offering will be adjusted based on the actual proceeds from the offering and other terms of this offering determined at pricing. You should read this table in conjunction with the information provided under "Presentation of Financial Information," "Selected Consolidated Financial and Other Information," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Other Indebtedness" and "Description of the Notes" and with our consolidated financial statements and the notes related thereto included elsewhere in this offering memorandum.

| As of March 31, 2015                                     |               |                |               |                |                         |                |                              |                |
|--|---------------|----------------|---------------|----------------|-------------------------|----------------|------------------------------|----------------|
|  | Actual        |                | As adjusted   |                | Actual excluding Sprint |                | As adjusted excluding Sprint |                |
|  | ¥ in billions | \$ in millions | ¥ in billions | \$ in millions | ¥ in billions           | \$ in millions | ¥ in billions                | \$ in millions |
| <b>Cash position</b>                                     |               |                |               |                |                         |                |                              |                |
| Cash and cash equivalents <sup>(1)</sup> . . .           | 3,259         | 27,117         | 3,692         | 30,725         | 2,777                   | 23,107         | 3,210                        | 26,715         |
| Short-term investment <sup>(2)</sup> . . . . .           | 166           | 1,379          | 166           | 1,379          | 146                     | 1,214          | 146                          | 1,214          |
| <b>Total cash position<sup>(3)</sup> . . . . .</b>       | <b>3,424</b>  | <b>28,497</b>  | <b>3,858</b>  | <b>32,104</b>  | <b>2,923</b>            | <b>24,321</b>  | <b>3,356</b>                 | <b>27,929</b>  |
| <b>Current interest-bearing debt</b>                     |               |                |               |                |                         |                |                              |                |
| Short-term borrowings . . . . .                          | 414           | 3,444          | 414           | 3,444          | 354                     | 2,944          | 354                          | 2,944          |
| Commercial paper . . . . .                               | 32            | 266            | 32            | 266            | 32                      | 266            | 32                           | 266            |
| Current portion of long-term borrowings . . . . .        | 526           | 4,376          | 526           | 4,376          | 494                     | 4,107          | 494                          | 4,107          |
| Current portion of corporate bonds . . . . .             | 184           | 1,527          | 184           | 1,527          | 70                      | 583            | 70                           | 583            |
| Current portion of lease obligations . . . . .           | 411           | 3,424          | 411           | 3,424          | 401                     | 3,338          | 401                          | 3,338          |
| Current portion of preferred securities . . . . .        | 200           | 1,664          | —             | —              | 200                     | 1,664          | —                            | —              |
| Current portion of installment payable . . . . .         | 51            | 422            | 51            | 422            | 51                      | 422            | 51                           | 422            |
| <b>Total current interest-bearing debt . . . . .</b>     | <b>1,817</b>  | <b>15,124</b>  | <b>1,617</b>  | <b>13,459</b>  | <b>1,601</b>            | <b>13,324</b>  | <b>1,401</b>                 | <b>11,660</b>  |
| <b>Non-current interest-bearing debt</b>                 |               |                |               |                |                         |                |                              |                |
| Notes offered hereby <sup>(4)</sup> . . . . .            | —             | —              | 534           | 4,440          | —                       | —              | 534                          | 4,440          |
| Long-term borrowings . . . . .                           | 2,116         | 17,613         | 2,116         | 17,613         | 2,081                   | 17,315         | 2,081                        | 17,315         |
| Corporate bonds . . . . .                                | 6,826         | 56,802         | 6,926         | 57,634         | 3,012                   | 25,067         | 3,112                        | 25,900         |
| Lease obligations . . . . .                              | 745           | 6,199          | 745           | 6,199          | 708                     | 5,888          | 708                          | 5,888          |
| Installment payables . . . . .                           | 103           | 853            | 103           | 853            | 103                     | 853            | 103                          | 853            |
| <b>Total non-current interest-bearing debt . . . . .</b> | <b>9,790</b>  | <b>81,466</b>  | <b>10,423</b> | <b>86,739</b>  | <b>5,903</b>            | <b>49,124</b>  | <b>6,537</b>                 | <b>54,396</b>  |
| <b>Total interest-bearing debt . . . . .</b>             | <b>11,607</b> | <b>96,590</b>  | <b>12,041</b> | <b>100,198</b> | <b>7,504</b>            | <b>62,448</b>  | <b>7,938</b>                 | <b>66,056</b>  |
| <b>Total equity<sup>(5)</sup> . . . . .</b>              | <b>3,853</b>  | <b>32,064</b>  | <b>3,853</b>  | <b>32,064</b>  | <b>NA</b>               | <b>NA</b>      | <b>NA</b>                    | <b>NA</b>      |
| <b>Total capitalization<sup>(6)</sup> . . . . .</b>      | <b>15,460</b> | <b>128,655</b> | <b>15,894</b> | <b>132,262</b> | <b>NA</b>               | <b>NA</b>      | <b>NA</b>                    | <b>NA</b>      |

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- (1) Includes cash, demand deposits and investments with maturities of three-month or less that are readily convertible to cash and subject to insignificant risk of change in value. As of March 31, 2015, ¥502 billion of cash and cash equivalents was attributable to Yahoo Japan on a consolidated basis and ¥482 billion of cash and cash equivalents was attributable to Sprint on a consolidated basis. Other group companies do not have ready access to the cash and cash equivalents of Yahoo Japan, Sprint and certain other subsidiaries. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity.” Cash and cash equivalents, adjusted as described above, reflects the receipt of the gross proceeds of the Offering without giving effect to fees, commissions, expenses or other transaction costs (¥534 billion (\$4,440 million)), less the cash on balance sheet used for the Preferred Securities Redemption on May 22, 2015 (¥200 billion (\$1,664 million)), plus the receipt of gross proceeds from the June Yen-denominated Bond Issuance on June 18, 2015 (¥100 billion (\$832 million)). See “Use of Proceeds.”
- (2) Short-term investments consist of marketable securities and time deposits (maturities of over three-month) and other recorded as current assets.
- (3) Cash position is cash and cash equivalents plus short-term investments.
- (4) Represents the aggregate principle amount of the Dollar Notes translated into Japanese yen at the rate of ¥120.17 = \$1.00 and of the Euro Notes translated into Japanese yen at the rate of ¥130.32 = €1.00. Such translated amounts may differ from the amounts recorded on our future consolidated financial statements, which amounts will be translated using exchange rates prevailing at the end of the relevant period (unless the translated amounts do not approximate the amounts translated by the exchange rates at the dates of the transactions, in which case the exchange rates at the transaction dates will be used). As of July 13, 2015, the relevant exchange rates were ¥122.50 = \$1.00 and ¥136.38 = €1.00.
- (5) Total equity includes common stock, capital surplus, retained earnings, treasury stock and accumulated other comprehensive income.
- (6) Represents total equity plus total interest-bearing debt.



## SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables show selected information of SoftBank Group as of and for the fiscal years ended March 31, 2013 (“fiscal year 2012”), 2014 (“fiscal year 2013”) and 2015 (“fiscal year 2014”). The selected consolidated financial information as of and for the fiscal years ended March 31, 2013, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this offering memorandum that were prepared in accordance with IFRS.

In preparing our consolidated financial statements for fiscal year 2014 we have made certain changes in the accounting principles in accordance with which we report our financial information, with a view to clarify the timing of recognition of liabilities related to the payment of levies. In our consolidated financial statements for fiscal year 2014 we have presented prior period financial information for fiscal year 2013 on the same basis of presentation adopted for fiscal year 2014 and have therefore reclassified certain accounting items from the way we reported the same in the previously issued consolidated financial statements for fiscal year 2013. See “Presentation of Financial Information—Changes in accounting policies.” We have not retrospectively revised and re-issued our financial statements for fiscal year 2012 or fiscal year 2013 to reflect the same changes in accounting policies. For additional information regarding the changes in accounting policies implemented in connection with our consolidated financial statements for fiscal year 2014, see note 4 to our audited consolidated financial statements for the fiscal year ended March 31, 2015 included elsewhere in this offering memorandum.

### *Historical Financial Information*

|  | As of and for the fiscal year ended March 31, |                   |         |           |
|--|---|-------------------|---------|-----------|
|  | 2013  | 2014<br>(revised) | 2015    | 2015      |
|  | (billions of yen and millions of dollars)     |                   |         |           |
| <b>Statement of Income:</b>                                  |   |                   |         |           |
| Net sales <sup>(1)</sup>                                     | ¥ 3,203                                       | ¥ 6,667           | ¥ 8,670 | \$ 72,150 |
| Cost of sales  | (1,611)                                       | (3,961)           | (5,327) | (44,331)  |
| Gross profit   | 1,592   | 2,705             | 3,343   | 27,819    |
| Selling, general and administrative expenses                 | (794)   | (1,827)           | (2,333) | (19,411)  |
| Gain from remeasurement relating to business combination     | 2   | 254               | —       | —         |
| Other operating loss   | —   | (55)              | (28)    | (230)     |
| Operating income <sup>(2)</sup>                              | 799   | 1,077             | 983     | 8,178     |
| Finance cost   | (65)  | (271)             | (367)   | (3,050)   |
| Equity in income (loss) of associates                        | (4)   | 74                | 77      | 638       |
| Dilution gain from changes in equity interest <sup>(3)</sup> | —   | 4                 | 600     | 4,991     |
| Other non-operating income (loss)                            | (15)  | 40                | (16)    | (130)     |
| Income before income taxes                                   | 716   | 924               | 1,277   | 10,627    |
| Income taxes   | (278)   | (346)             | (513)   | (4,272)   |
| Net income   | ¥ 438   | ¥ 578             | ¥ 764   | \$ 6,355  |
| Net income attributable to                                   |   |                   |         |           |
| Owners of the parent   | 372   | 520               | 668     | 5,562     |
| Non-controlling interests                                    | 65  | 58                | 95      | 793       |
| <b>Balance Sheet Data:</b>                                   |   |                   |         |           |
| Total assets   | ¥ 7,218                                       | ¥16,690           | ¥21,034 | \$175,037 |
| Cash and cash equivalents                                    | 1,439   | 1,963             | 3,259   | 27,117    |
| Total liabilities  | 5,288   | 13,860            | 17,181  | 142,972   |
| Total interest-bearing debt <sup>(4)</sup>                   | 3,708   | 9,170             | 11,607  | 96,590    |
| Total equity   | 1,930   | 2,830             | 3,853   | 32,064    |
| Total liabilities and equity                                 | ¥ 7,218                                       | ¥16,690           | ¥21,034 | \$175,037 |
| <b>Cash Flow Data:</b>                                       |   |                   |         |           |
| Net cash provided by operating activities                    | 813   | 860               | 1,155   | 9,613     |
| Net cash used in investing activities                        | (874)   | (2,718)           | (1,667) | (13,874)  |
| Net cash provided by financing activities                    | 471   | 2,359             | 1,720   | 14,312    |

(1) The following shows our net sales by segment:

| For the fiscal year ended March 31,  |   |                   |               |                 |
|--------------------------------------|---|-------------------|---------------|-----------------|
|                                      | 2013                                      | 2014<br>(revised) | 2015          | 2015            |
|                                      | (billions of yen and millions of dollars) |                   |               |                 |
| <b>Net Sales by segment</b>          |   |                   |               |                 |
| Mobile Communications <sup>(a)</sup> | ¥2,346                                    | ¥3,166            | ¥4,190        | \$34,863        |
| Sprint                               | —   | 2,601             | 3,800         | 31,622          |
| Fixed-line Telecommunications        | 531                                       | 548               | 541           | 4,502           |
| Internet                             | 357                                       | 400               | 419           | 3,488           |
| Others                               | 117                                       | 124               | 111           | 925             |
| Reconciliation <sup>(b)</sup>        | (148)                                     | (172)             | (391)         | (3,251)         |
| <b>Total net sales</b>               | <u>¥3,203</u>                             | <u>¥6,667</u>     | <u>¥8,670</u> | <u>\$72,150</u> |

(a) Net sales for the Mobile Communications segment for the periods indicated is affected by the start of consolidation of various subsidiaries. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Business Segments.”

(b) Reconciliation includes an elimination of intersegment transaction and the corporate general expenses unallocated to each reportable segment.

- (2) The following shows our segment income by segment, defined as net sales, *less* cost of sales, *less* general and administrative expenses of that segment in the relevant period:

| For the fiscal year ended March 31,  |   |                   |               |                |
|--------------------------------------|---|-------------------|---------------|----------------|
|                                      | 2013                                      | 2014<br>(revised) | 2015          | 2015           |
|                                      | (billions of yen and millions of dollars) |                   |               |                |
| <b>Segment Income</b>                |   |                   |               |                |
| Mobile Communications <sup>(a)</sup> | ¥517                                      | ¥606              | ¥ 695         | \$5,786        |
| Sprint                               | —   | (6)               | 74            | 615            |
| Fixed-line Telecommunications        | 114                                       | 108               | 100           | 834            |
| Internet                             | 181                                       | 189               | 187           | 1,556          |
| Others                               | 6   | 6                 | (20)          | (170)          |
| Reconciliation <sup>(b)</sup>        | (21)                                      | (24)              | (26)          | (213)          |
| <b>Consolidated segment income</b>   | <u>¥798</u>                               | <u>¥879</u>       | <u>¥1,010</u> | <u>\$8,408</u> |

(a) Segment Income for the Mobile Communications segment for the periods indicated is affected by the start of consolidation of various subsidiaries. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Business Segments.”

(b) Reconciliation includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment.

- (3) For the fiscal year ended March 31, 2013 dilution gain from changes in equity interest was included within other non-operating income (loss). Dilution gain from changes in equity interest in fiscal year 2014 resulted from the issuance of new shares by Alibaba and the conversion of certain convertible preference shares issued by Alibaba into common stock. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Factors Affecting Our Consolidated Results of Operations—Dilution gain from changes in equity interest.”
- (4) Total interest-bearing debt consists of borrowings (short-term and long-term), commercial paper, corporate bonds (current and non-current) lease obligations (current and non-current), current portion of preferred securities and installment payables (current and non-current).

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial data presented for the fiscal years ended March 31, 2013, 2014 and 2015 are derived from our audited consolidated financial statements which, together with their notes, are included elsewhere in this offering memorandum. Prospective investors should read the following discussion of our financial condition and results of operations together with such financial statements and notes to such statements included elsewhere in this offering memorandum. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under “Risk Factors,” “Presentation of Financial Information” and elsewhere in this offering memorandum. Unless the context otherwise requires, references to the “Company” refer to SoftBank Group Corp., and references to “we,” “our,” “us,” “SoftBank” and the “SoftBank Group” refer to the Company, its consolidated subsidiaries and equity-method non-consolidated subsidiaries and associates, as the context requires.

### Overview

We are one of Japan’s leading mobile communications companies. We had approximately 48 million mobile subscribers across our two brands, *SoftBank* and *Y!mobile*, as of March 31, 2015, and approximately 30% subscriber market share, according to TCA. We outperformed our competitors in the lucrative Japanese mobile market over the past decade, nearly doubling our market share since our entry via the acquisition of Vodafone Japan in 2006. We helped transform the Japanese smartphone market when we were the first to offer the *iPhone* in Japan in 2008 and built a brand centered on the mobile internet—data-intensive, highly-connected and reliable. Our unique brand and outperformance have also been supported by high quality 4G/LTE network infrastructure, well developed over a recently-completed cycle of significant capital expenditure, which covers nearly all of the population of Japan, with robust and reliable connectivity. Our flagship *SoftBank* brand focuses on serving the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users (mostly *iPhone*) that agree to two-year contracts.

We combine our stable and profitable domestic mobile operations with select strategic investments in global internet and communications companies, differentiating us from other mobile operators and providing opportunities for mutually-advantageous growth among our group companies. We control Japan’s dominant search engine portal site, Yahoo Japan, which had a market capitalization of ¥2,825 billion (\$23,506 million) as of March 31, 2015, we hold a significant minority stake in one of the world’s largest e-commerce companies, Alibaba, with a market value of our owned shares of ¥7,980 billion (\$66,404 million) as of March 31, 2015, we hold an approximately 80% share in one of the four largest telecommunications operators in the United States, Sprint, which had a market capitalization of ¥2,259 billion (\$18,799 million) as of March 31, 2015, and we have significant shareholdings in other superior internet and gaming companies such as Supercell and GungHo. We merged our core domestic telecommunications businesses (including mobile, broadband and fixed-line telecommunications) into SoftBank Corp. as of April 1, 2015 to simplify our structure and realize cost synergies among our businesses. Our leadership team includes Japan’s leading technology and business innovator, Masayoshi Son, our founder, Chairman and CEO. On June 19, 2015, we added to our senior leadership team by appointing as President and COO Nikesh Arora, former senior vice president and chief business officer at Google and chief marketing officer at T-Mobile Europe.

We generated net sales of ¥4,870 billion (\$40,528 million) (excluding Sprint) for the fiscal year ended March 31, 2015, of which ¥4,190 billion (\$34,863 million) (86%) was contributed by our Mobile Communications segment, which includes certain results of SoftBank Corp. and the results of Supercell, GungHo and Brightstar. We generated EBITDA of ¥1,480 billion (\$12,315 million) (excluding Sprint) for the fiscal year ended March 31, 2015, of which ¥1,150 billion (\$9,567 million) (78%) was contributed by our Mobile Communications segment. We maintain a long-term corporate credit rating of Ba1 from Moody’s Japan K.K. and BB+ from Standard & Poor’s Financial Services LLC. We are listed on the Tokyo Stock Exchange with a market capitalization of ¥8,381 billion (\$69,748 million), as of March 31, 2015.

Our business segments are:

- **Mobile Communications.** In the Mobile Communications segment, SoftBank Corp. and other companies provide mobile communications services and sell mobile devices and accessories, etc., GungHo and Supercell produce and distribute online games for smartphones and other devices. Through Brightstar Corp., we provide services, including mobile device and accessory wholesaling, and mobile device distribution;

- *Sprint.* In the Sprint segment, Sprint operates both a wireless and wireline business, providing mobile communications services, mobile devices, mobile handsets and accessories, and fixed-line telecommunications services in the United States, where it competes as one of the “big four” established nationwide wireless carriers;
- *Fixed-line Telecommunications.* In the Fixed-line Telecommunications segment, SoftBank Telecom Corp. provides telecommunications services such as fixed-line telephone and data communications services to corporate customers, while SoftBank BB Corp. and other companies provide broadband services for individual customers;
- *Internet.* In the Internet segment, Yahoo Japan provides internet-based advertising and other services; and
- *Other.* Various businesses including strategic investment by SB Group US, energy and robotics related businesses, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team and other businesses.

We also invest in promising companies, mainly in the internet field, and continually seek new services and content to provide to our customers.

The following table shows the percentage of our net sales, EBITDA and segment income for the fiscal year ended March 31, 2015 attributable to each of our segments:

| For the fiscal year ended March 31, 2015 |                       |        |                               |          |        |                                |              |
|--|-----------------------|--------|-------------------------------|----------|--------|--------------------------------|--------------|
|  | Mobile Communications | Sprint | Fixed-line Telecommunications | Internet | Other  | Reconciliations <sup>(2)</sup> | Consolidated |
| Net sales . . . . .                      | 48.3%                 | 43.8%  | 6.2%                          | 4.8%     | 1.3%   | (4.5)%                         | 100.0%       |
| EBITDA <sup>(1)</sup> . . . . .          | 53.9%                 | 30.6%  | 7.5%                          | 9.6%     | (0.5)% | (1.1)%                         | 100.0%       |
| Segment income . . . . .                 | 68.8%                 | 7.3%   | 9.9%                          | 18.5%    | (2.0)% | (2.5)%                         | 100.0%       |

(1) EBITDA is defined as net sales, *less* cost of sales, *less* selling, general and administrative expenses, *plus* depreciation and amortization. For a reconciliation of EBITDA to net sales, see “Summary Financial and Operating Information.”

(2) Reconciliation includes an elimination of intersegment transaction and the corporate general expenses unallocated to each reportable segment.

## Presentation of Financial Information

For purposes of our consolidated financial statements as of and for the fiscal year ended March 31, 2015, we had 769 subsidiaries and 120 associates. As of March 31, 2015, our main operating entities, for our Mobile Communications segment, were SoftBank Corp., Ymobile Corporation, Wireless City Planning Inc., Brightstar Corp., SoftBank Telecom Corp., GungHo Online Entertainment Inc. and Supercell Oy; for our Sprint segment, our main operating entity was Sprint Corporation; for our Fixed-line Telecommunications segment, our main operating entities were SoftBank Telecom Corp., SoftBank BB Corp., Ymobile Corporation and Yahoo Japan; and for our Internet segment, our main operating entity was Yahoo Japan. We hold 79.5% of the voting rights in Sprint and 100% of the voting rights in Brightstar. Although we hold shares representing 43.0% of the voting rights of Yahoo Japan, four out of seven directors of Yahoo Japan are also directors of either the Company, including our Chairman and CEO, Mr. Masayoshi Son, or one of the Company’s subsidiaries. We therefore conclude that we effectively control Yahoo Japan, and we consolidate it under the effective control approach in line with our consolidation policy. See “—Critical Accounting Policies.”

For the fiscal year ended March 31, 2015, we reported SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation as consolidated subsidiaries. On April 1, 2015, SoftBank Corp. merged with and assumed the business operations of SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation (the “Intra-Group Consolidation”). We have not prepared and do not plan to prepare consolidated financial information under IFRS showing the standalone financial information of SoftBank Corp. giving effect to the Intra-Group Consolidation. Certain of the merged entities contributed the substantial majority of the results of the Mobile Communications (SoftBank Corp. and Ymobile Corporation) and Fixed-Line Telecommunications (SoftBank Telecom Corp. and SoftBank BB Corp.) segments. However, the results of both the Mobile Communications segment and the Fixed-Line Telecommunications segment include contributions from entities that were not combined into the Note Guarantor and that will not guarantee the Notes. Specifically, the results of the Mobile Communications segment include contributions of Supercell, GungHo, Wireless City Planning and Brightstar and the results of the Fixed-Line Telecommunications segment include limited contributions from Yahoo Japan, which entities will not guarantee the Notes.

We also consolidated GungHo Online Entertainment, Inc. as a subsidiary as of March 31, 2015. In connection with a tender offer completed by GungHo on June 1, 2015, we tendered a portion of the shares of

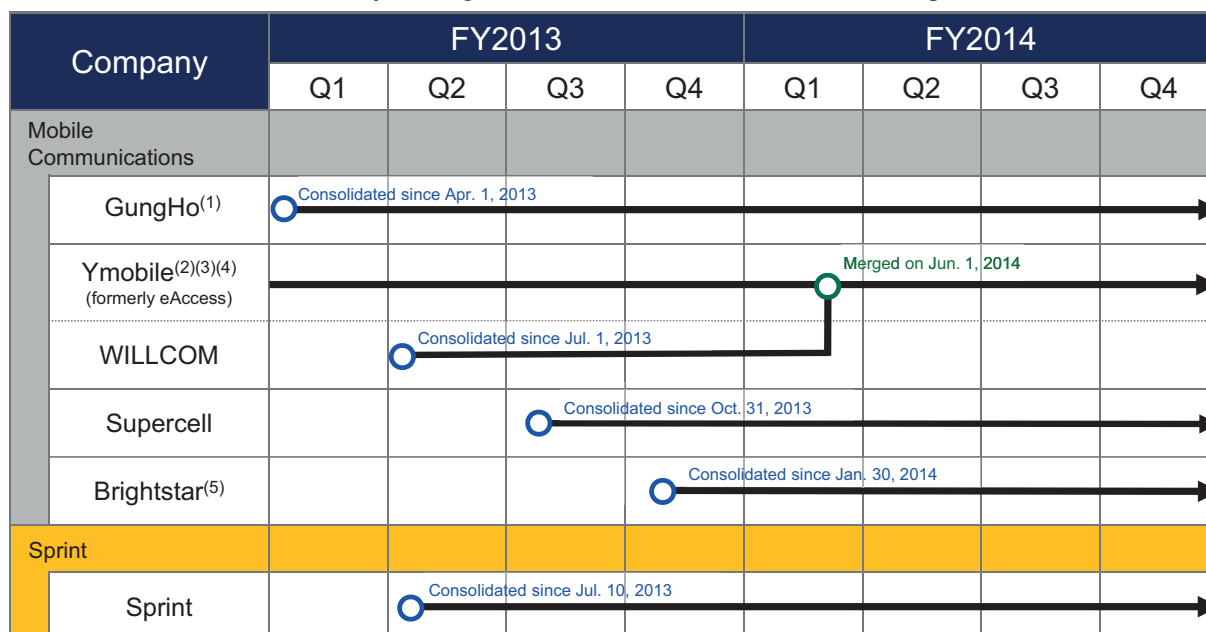
GungHo held by us, representing 16.34% of GungHo's outstanding common shares. As a result GungHo is no longer treated as our subsidiary and is now treated as our equity-method associate. See "Summary—Recent Developments."

Current equity-method associates include Alibaba, one of the largest online and mobile commerce companies in the world by gross merchandise volume, for which we held shares representing 31.9% of the voting rights of Alibaba as of March 31, 2015, with a voting rights agreement effectively limiting our share of voting rights to 30%. See "Business—Strategically Important Companies."

### Factors Affecting Results of Business Segments

In order to set up new businesses or for the expansion of our existing businesses, we have made and continue to pursue acquisitions and investments and also periodically reorganize the internal structure of our corporate group. In certain cases, we may consolidate entities into or de-consolidate entities from our consolidated financial results, and these changes sometimes occur mid-period. As a result, period-to-period comparisons of our results of operations are not necessarily meaningful or indicative of future performance.

The chart below shows major changes to our consolidated subsidiaries since April 1, 2013.



- (1) On June 1, 2015, GungHo completed a tender offer in which we tendered a portion of the shares of GungHo held by us representing 16.34% of GungHo's outstanding common shares. As a result of the completion of this tender offer, and certain concurrent transactions, GungHo is now treated as our equity-method associate. See "Summary—Recent Developments."
- (2) eAccess changed its company name to Ymobile Corporation on July 1, 2014. Preceding this, eAccess merged with WILLCOM on June 1, 2014.
- (3) The ADSL business of Ymobile Corporation is included in the Fixed-line Telecommunications segment.
- (4) Effective on April 1, 2015 SoftBank Corp., SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation merged with SoftBank Corp. being the surviving company.
- (5) The commerce and service business of SoftBank BB Corp. has been included in the Mobile Communications segment. This business was inherited by SoftBank Commerce & Service Corp., which was newly incorporated on April 1, 2014, and SoftBank Commerce & Service Corp. was consolidated by Brightstar on the same date.



### ***Mobile Communications Segment***

Our Mobile Communications segment comprises three separate businesses: our domestic mobile communications, our mobile game and our Brightstar businesses. The relative contribution of each of the key group companies in this segment is described in the table below.

The following table shows net sales, EBITDA and segment income for the segment, as well as a breakdown by business, for the fiscal years ended March 31, 2013, 2014 and 2015:

|   | For the fiscal year ended<br>March 31, |                   |               |
|---|--|-------------------|---------------|
|   | 2013                                   | 2014<br>(revised) | 2015          |
|   | (billions of yen)                      |                   |               |
| Net sales                                     |  |                   |               |
| Domestic mobile communications business ..... | ¥2,271                                 | ¥2,785            | ¥2,923        |
| Mobile game business .....                    | —                                      | 233               | 420           |
| Brightstar business .....                     | 272                                    | 449               | 1,239         |
| Inter-company eliminations .....              | (198)                                  | (300)             | (393)         |
| Total .....                                   | <u>¥2,346</u>                          | <u>¥3,166</u>     | <u>¥4,190</u> |
| EBITDA  |  |                   |               |
| Domestic mobile communications business ..... | ¥ 802                                  | ¥ 885             | ¥ 978         |
| Mobile game business .....                    | —                                      | 114               | 171           |
| Brightstar business .....                     | 6 <sup>(1)</sup>                       | 13                | 17            |
| Inter-company eliminations .....              | (10)                                   | (12)              | (16)          |
| Total .....                                   | <u>¥ 797</u>                           | <u>¥1,001</u>     | <u>¥1,150</u> |
| Segment income                                |  |                   |               |
| Domestic mobile communications business ..... | ¥ 515                                  | ¥ 522             | ¥ 575         |
| Mobile game business .....                    | —                                      | 76                | 120           |
| Brightstar business .....                     | 5                                      | 11                | 7             |
| Inter-company eliminations .....              | (3)                                    | (3)               | (6)           |
| Total .....                                   | <u>¥ 517</u>                           | <u>¥ 606</u>      | <u>¥ 695</u>  |

- (1) Although we consolidated Brightstar from January 30, 2014, our results for the fiscal year ended March 31, 2013 include results for Brightstar because our Brightstar business includes results from our device accessory business as it existed during that fiscal year. That business was inherited by SoftBank Commerce & Service Corp., which was newly incorporated on April 1, 2014 and consolidated by Brightstar on the same date.

Net sales from our domestic mobile communications business, for the fiscal year ended March 31, 2015, were ¥2,923 billion (\$24,327 million), or 69.8% of Mobile Communications segment net sales, and consisted of the net sales of SoftBank Corp., the mobile communications department of Ymobile Corporation, Wireless City Planning and the mobile communications department of SoftBank Telecom Corp. Among these, SoftBank Corp. was the largest, contributing ¥2,382 billion (\$19,825 million), or 56.9% of Mobile Communications segment net sales. Segment income from our domestic mobile communications business, for the fiscal year ended March 31, 2015, was ¥575 billion (\$4,785 million), or 82.7% of Mobile Communications segment income. SoftBank Corp. was the largest contributor of segment income, contributing ¥547 billion (\$4,552 million), or 78.7% of Mobile Communications segment income.

Net sales from our mobile game business, for the fiscal year ended March 31, 2015, were ¥420 billion (\$3,495 million), or 10.0% of Mobile Communications segment net sales, and consisted of the net sales of GungHo and Supercell. Segment income from our mobile game business, for the fiscal year ended March 31, 2015, was ¥120 billion (\$997 million), or 17.2% of Mobile Communications segment income.

Net sales from our Brightstar business (including SoftBank Commerce & Service Corp.), for the fiscal year ended March 31, 2015, were ¥1,239 billion (\$10,314 million), or 29.6% of Mobile Communications segment net sales. Segment income from our Brightstar business, for the fiscal year ended March 31, 2015, was ¥7 billion (\$55 million), or 1.0% of Mobile Communications segment income.

### ***Factors Affecting Net Sales of the Domestic Mobile Communications Business***

The vast majority of our net sales for our domestic mobile communications business, and a majority of the net sales of our Mobile Communications segment, is generated by SoftBank Corp., which generates

its net sales primarily from the provision of mobile communications services and the sale of handsets and accessories and had net sales of ¥2,382 billion (\$19,825 million) for the fiscal year ended March 31, 2015. Net sales provided by the provision of mobile communication services and the sale mobile devices and accessories were ¥1,717 billion (\$14,289 million), or 72.1% of SoftBank Corp. net sales, and ¥665 billion (\$5,536 million), or 27.9% of SoftBank Corp. net sales, respectively. The discussion in this section focusses on the factors affecting net sales of SoftBank Corp. Although we focus on SoftBank Corp. specifically, the mobile communications business of Ymobile Corporation also operates in the same Japanese domestic market and is subject to the same market environment and trends as SoftBank Corp., and accordingly the factors affecting the mobile communications business of Ymobile Corporation are the same as those affecting SoftBank Corp.

We view net sales derived from the provision of mobile communications services as very important, as they are a continuous source of income, compared to handset and accessory sales, which occur much less frequently. We therefore strive to constantly expand net sales from the provision of mobile communications services. Net sales from the provision of mobile communications services is almost entirely determined by the total number of SoftBank Corp.'s subscribers and ARPU. In the past, we endeavored to increase net sales from the provision of mobile communication services by focusing our efforts on increasing SoftBank Corp.'s subscriber base. Recently, however, our strategy has changed to pursuing an increase in the proportion of smartphone subscribers among our total subscribers. The Japanese mobile communications market is expected to grow at a slower pace going forward, given that the domestic mobile communications service subscribers reached approximately 158 million as of March 31, 2015 and the population penetration rate stood at 122.1% as of the end of December 2014. In these market conditions, we believe that expanding the number of smartphone subscribers, which generally have higher ARPU and a greater potential for net sales growth from data services, will lead to greater and more steady profit growth than pursuing overall net addition of mobile subscribers. See "Summary—Strategies—Leverage our leading market position in the attractive Japanese mobile telecommunications market to enhance revenue generation."

### Subscribers

In our domestic mobile communications business we employ two brands, *SoftBank* and *Y!mobile*, both of which are now operated by SoftBank Corp. following the Intra-Group Consolidation. The following shows the *SoftBank* brand's total subscribers, net subscriber additions and monthly average churn rate for the fiscal years ended March 31, 2013, 2014 and 2015:

|   | As of and for the fiscal year ended March 31, |      |      |
|---|---|------|------|
|   | 2013  | 2014 | 2015 |
| Subscribers as of end of period <sup>(1)</sup> (millions) . . . . . | 32.5  | 35.9 | 37.8 |
| Postpaid (millions) . . . . .                                       | 31.7  | 35.2 | 37.1 |
| Prepaid (millions) . . . . .  | 0.8   | 0.7  | 0.6  |
| Net subscriber additions <sup>(1)</sup> (millions) . . . . .        | 3.5   | 3.4  | 1.8  |
| Monthly average churn rate (%) . . . . .                            | 1.09  | 1.27 | 1.33 |

(1) Includes communication module service subscribers, which are classified as postpaid subscribers. Communication module subscribers' net additions for the fiscal year ended March 31, 2015 were 521 thousand and the cumulative number at the end of the fiscal year ended March 31, 2015 totaled 4,355 thousand. See "Presentation of Operating Information."

The number of the *SoftBank* brand's subscribers has continually grown since the acquisition of Vodafone Japan in 2006, due primarily to the success of the *iPhone* and other smartphone offerings. This increase results in increased revenue, though we expect this growth to decelerate in the foreseeable future. Subscriber growth depends on a number of factors, including the overall growth of the market and the level of competition for obtaining new subscribers and retaining existing subscribers. SoftBank Corp.'s ability to obtain new subscribers and retain existing subscribers is affected by factors such as the data connectivity and communication speed of its network, the range and quality of its products, the competitiveness of its price plans and of its content and services, as well as the success of promotional activities aimed at attracting new subscribers and of measures aimed at maintaining existing subscribers by improving customer satisfaction, such as the use of points programs.

The cumulative number of subscribers under the *SoftBank* brand as of March 31, 2015 stood at 37,766 thousand. Net subscriber additions for the fiscal year under the *SoftBank* brand totaled 1,841 thousand. This was primarily the result of solid subscriber growth for smartphones, tablets and communication modules.

While we provide *SoftBank* brand services at pricing levels similar to those of our competitors NTT DOCOMO and KDDI, we provide medium-to-low price range services through our *Y!mobile* brand. The *Y!mobile* brand also helps us compete against low-cost MVNO service providers that have appeared in recent

years. Previously, the Ymobile data card services provided by the former eAccess and PHS services were provided by the former WILLCOM; however, recently we have been striving to increase the number of our smartphone subscribers even within the *Y!mobile* brand.

#### ARPU

The table below shows the *SoftBank* brand's ARPU, as well as ARPU before monthly discounts, for the fiscal years ended March 31, 2013, 2014 and 2015.

|                                       | For the fiscal year ended<br>March 31, |       |       |
|---------------------------------------|--|-------|-------|
|                                       | 2013                                   | 2014  | 2015  |
|                                       | (yen per month)                        |       |       |
| ARPU .....                            | 4,550                                  | 4,450 | 4,230 |
| ARPU (before monthly discounts) ..... | 5,410                                  | 5,290 | 5,040 |

We believe that our ARPU figures are a good measure of our ability to monetize our subscriber base and provide useful information to analyze the trend of monthly average usage of our subscribers over time and the impacts of changes in our billing arrangements. Our definition of ARPU excludes revenues that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees, as well as revenues and subscribers related to communication modules. We believe that by excluding revenues and subscribers related to communication modules, which typically have low monthly fees, from the ARPU calculation, we bring the ARPU definition closer to the definitions used by our competitors and make the changes in *SoftBank* brand's ARPU more visible, increasing the usefulness of ARPU as a tool for comparing the revenue trend of SoftBank Corp. with that of other mobile communication companies. Smartphone subscribers generate more revenue, and therefore generate a higher ARPU, than traditional mobile device subscribers. We have focused our sales and marketing efforts on acquiring and retaining higher value smartphone subscribers, including by offering discounted rates in bundled plans of handset and fixed-line subscriptions and through loyalty programs.

ARPU for the *SoftBank* brand for the fiscal year decreased by ¥220, year-on-year basis to ¥4,230. This decline in ARPU primarily reflected an increase in the number of subscribers with comparatively low-ARPU devices, such as data cards and *mimamori* handsets. This decline in ARPU was partially offset by positive ARPU pressure, mainly as a result of an increase in the number of LTE subscriptions, which have relatively higher data communication charges compared to 3G subscriptions.

One of the main factors that affects SoftBank Corp.'s ARPU is its pricing plans. In addition to a conventional pricing plan that combines a charge based on voice service usage, a flat-rate data charge and a basic usage fee, SoftBank Corp. introduced a new flat-rate pricing plan mainly for smartphones in July 2014, which offers customers unlimited domestic voice calls for a flat rate of ¥2,700 yen per month, along with the choice of a wide variety of tiered data plans. In addition, any unused portion of the monthly data quota can be carried over for use in the following month. See "Business—Our Business Segments—Mobile Communications—Our Products and Services." The fact that this plan charges a flat monthly rate for all domestic calls has caused subscribers with high voice usage to migrate to this plan. For the fiscal year ended March 31, 2015, SoftBank Corp. experienced downward pressure on its ARPU as a result of this migration. However, for the fiscal year ending March 31, 2016, we do not expect the negative effect on ARPU to continue, as subscribers with high voice usage will have mostly finished migrating to the new plan.

NTT DOCOMO introduced new price plans in June 2014 that combined unlimited voice calling with a variety of data packages, which was especially attractive to people who use their phones primarily for voice services. In response to NTT DOCOMO's new pricing plans, we introduced similar pricing plans to avoid losing subscribers to NTT DOCOMO. Our new pricing plans also offer unlimited voice calling at 2,700 yen per month and a range of tiered data packages, for example a data plan that enables subscribers to use five gigabytes of data per month for a flat rate of ¥5,000. We have been successful in encouraging a majority of our new subscribers to choose the flagship ¥5,000 per month, five gigabyte data package. This has allowed us to minimize the impact of the new pricing plans on our earnings. As a result, we believe that the new pricing plans could positively affect ARPU going forward, as the new billing plans allow for subscribers that exceed their data usage limits to purchase additional data usage at a rate of ¥1,000 per gigabyte. We have been promoting data plans that incorporate charges for additional data consumption automatically as a user convenience feature. We further believe that our emphasis on tiered mobile data offerings provides a path for future increases in ARPU together with rising levels of overall data consumption. With this tiered pricing system, users choose a plan that best matches their data usage needs and connection speed is reduced for subscribers who exceed their selected data usage limits, which limits subscribers can easily increase in one gigabyte increments by paying data usage.

Subscribers also have the option of enrolling in automatic upgrades when usage limits are reached. See “Business—Mobile Communications Segment—Our Products and Services.”

Another factor that affects ARPU is SoftBank Corp.’s monthly discount program. This program is a type of sales promotion that provides customers support as they purchase new handsets, by allowing customers who purchase handsets via an installment contract (typically a 24-month contract) to deduct all or part a part of their installment payment from their monthly service fees. This program allows subscribers to purchase handsets practically for free or at a significantly reduced price. This monthly discount program creates negative pressure on *SoftBank* brand’s ARPU.

Because of our smartphone-based strategy, and in line with industry trends, SoftBank Corp.’s data revenues have grown continuously. On the other hand, due to an increase in the sale of low-ARPU devices, such as iPads, tablets and pocket Wi-Fi devices, and because of a decline in the usage of voice services, ARPU has declined, slightly, since the fiscal year ended March 31, 2013.

#### *Churn rate*

The following shows the *SoftBank* brand’s monthly average churn rate for the fiscal years ended March 31, 2013, 2014 and 2015:

|  | As of and for the fiscal<br>year ended March 31, |      |      |
|--|--|------|------|
|  | 2013   | 2014 | 2015 |
| Monthly average churn rate (%) . . . . . | 1.09   | 1.27 | 1.33 |

In order to keep the *SoftBank* brand’s churn rate low, we have increased our efforts to improve subscriber retention by measures such as implementing certain discount plans, offering subscribers a range of price plans to meet their monthly data usage needs, offering discounts to subscribers who subscribe to both broadband internet and mobile communications services and increasing customer satisfaction by enhancing overall customer care and network service levels. It is important to address all aspects of our customers’ satisfaction in order to keep our churn rate low. Our churn rate for the fiscal year ended March 31, 2015 was 1.33% compared to 1.50% for the fiscal year ended March 31, 2007, the end of the fiscal year in which we acquired Vodafone Japan. Since the fiscal year ended March 31, 2013, our churn rate has increased, from 1.09%, mainly due to an increase in the amount of churn for non-voice devices reaching the end of their two-year subscriptions. While the *SoftBank* brand’s churn rate for mobile phones is lower than the *SoftBank* brand’s total churn rate, we are aware that *SoftBank* brand’s churn rate is slightly higher than our competitors, and we are endeavoring to use the methods mentioned above to further lower the *SoftBank* brand’s churn rate.

From March 2015, each of NTT DOCOMO and SoftBank Corp. have offered discount bundled services, which combine mobile services and optical broadband services, by utilizing the optical fiber wholesale services of NTT East and NTT West. A typical subscriber might pay approximately ¥8,000 per month for our mobile service and ¥5,700 per month for our residential optical broadband services. When subscribers choose a data package with five gigabytes of monthly usage, and also subscribe to our optical broadband services, they receive a monthly discount of ¥1,410 on their smartphone bill and, for a period of two years, the smartphone bill of up to ten family members. Before March 2015, only KDDI had offered such a discount bundled service, which provided them with a competitive advantage in the Japanese mobile market. We expect to offer our discount bundled service at practically the same price as KDDI, in order to diminish KDDI’s competitive advantage and to contribute to the improvement of churn rate in the medium term.

As a measure to lower churn rate, from February 2015 we commenced a program through which subscribers who upgrade to certain designated handsets, such as the iPhone 6 and iPhone 6 Plus, and enter into a 24-month installment purchase plan, can reduce their installment payments after 18 months to basically nothing. Subscribers pay ¥300 monthly to participate in the program and pay their installment payments normally. After 18 months, by offering installment discounts approximately equal to the amount of the remaining installment payments, we reduce the subscriber’s remaining installment payments to basically zero. We expect that the expansion of this program will lead to a lower churn rate.

In Japan, many mobile phones subscribers choose to enter into two-year service contracts, as wireless carriers offer discounted rates for these contracts. Under these two-year contracts, subscribers can only cancel their contract, without incurring a cancellation penalty of ¥9,500, if they cancel the contract within the one-month window that is the twenty-fifth month of the contract. Upon the start of the 26th month, the contract is automatically renewed for another two-year period. Although carriers offer plans other than the two-year contract, such plans are rarely used, as the monthly fees for these contracts are higher. This system has, in the past, contributed to lower churn rates in Japan. We believe that Japanese wireless carriers currently plan to extend the renewal period from one month to two months and introduce a system to notify the users of the

maturity of the contract period. Furthermore, in April 2015, the Ministry of Internal Affairs and Communications established a council of advisors to consider the need of such a cancellation penalty and automatic renewal system for two-year contracts and deliberation has continued since May 2015. Depending on the result of these deliberations, by the council of advisors, this system could be revised, which could affect churn rates in Japan. The council of advisors has publicized its intention to release its preliminary findings in July 2015.

#### *Upgrade rate*

SoftBank Corp.'s upgrade rate for fiscal year 2014 was 1.27%, down 0.09% from fiscal year 2013. The slight decline was caused by an increase in the number of non-voice devices, which tend to have lower upgrade rates. Nevertheless, the total number of upgrades increased from the previous fiscal year.

#### *Number of handsets shipped*

In addition to mobile communications service revenues, SoftBank Corp. derives revenues from the sale of handsets and accessories. The following shows the number of handsets shipped during the fiscal years ended March 31, 2013, 2014 and 2015.

|                                      | For the fiscal year ended<br>March 31, |      |      |
|--------------------------------------|--|------|------|
|                                      | 2013                                   | 2014 | 2015 |
|                                      | (millions)                             |      |      |
| Number of handsets shipped . . . . . | 11.6                                   | 12.0 | 11.1 |

SoftBank Corp.'s revenues from the sale of mobile handsets and accessories are dependent upon the number of units shipped, which is affected by anticipated demand in accordance with, for instance, the release of new handsets, particularly the *iPhone*, as well as our marketing and pricing campaigns. The size of SoftBank Corp.'s existing subscriber base also affects the number of shipments for handset model upgrades. Additionally, the mix of handset unit pricing also affects revenues from the sale of mobile handsets and accessories. We collaborate with handset vendors to develop handsets compatible with SoftBank Corp.'s mobile services and sell them to subscribers, mostly through dealers.

SoftBank Corp. experienced a decrease in handset shipments during the fiscal year ended March 31, 2015, primarily due to 2015 being a period of comparatively less aggressive competition for new subscribers, leading to fewer handset sales to subscribers switching from other carriers, compared to handset sales during the fiscal year ended March 31, 2014.

In connection with the sale of new handsets to existing or new subscribers, we pay a commission to handset dealers. In the financial statements included elsewhere in this offering memorandum, we have treated such commissions as a deduction from the sales of handsets.

For a description of our revenue recognition policies relating to the sales of mobile handsets and accessories, see "—Critical Accounting Policies" and note 3 to our audited financial statements included elsewhere in this offering memorandum.

#### ***Factors Affecting Operating Expenses of the Domestic Mobile Communications Business***

Sales commission and promotion expenses, cost of sales of mobile handsets and accessories and depreciation and amortization represent the most significant portion of operating expenses for SoftBank Corp., which accounts for a vast majority of our net sales for our domestic mobile communications business and a majority of our net sales within the Mobile Communications segment.

#### *Sales Commission and Promotion Expenses*

The table below shows the number of SoftBank Corp.'s new subscriptions and handset sales to existing subscribers.

|   | For the fiscal year ended<br>March 31, |       |       |
|---|--|-------|-------|
|   | 2013                                   | 2014  | 2015  |
|   | (thousands)                            |       |       |
| Unit sold — New subscriptions . . . . . | 7,519                                  | 8,629 | 7,711 |
| Unit sold — Handset upgrades . . . . .  | 5,594                                  | 5,546 | 5,644 |

Sales commission and promotion expenses primarily comprise subscriber acquisition and upgrade costs, which are commission payments we make to dealers per new subscription and handset sale, as well as the net costs incurred relating to handset buyback programs. Accordingly we experienced a peak in sales commission



and promotion expenses in the fiscal year ended March 31, 2014 due to increased sales activities associated with intense competition for new subscribers and expanded “cash back” programs. Other sales commission and promotion expenses include payments to dealers such as processing fees of plan changes and handset repairs. Additionally, in line with industry practice, dealers receive an agreed commission amount per handset regardless of the price at which the handset is actually sold to the subscriber. We treat such commissions as a deduction from the sales of handsets.

After the launch of the iPhone 6 and iPhone 6 Plus in September 2014, SoftBank Corp. increased its promotional buyback activities, repurchasing handsets from new customers who transferred from other carriers as well as handsets from our existing customers. SoftBank Corp. recorded the difference between the buyback price and the selling price in the used market as sales commission and promotion expenses. We are able to utilize our relationship with Brightstar to reduce subscriber acquisition costs as it is less costly to offer attractive buyback opportunities to subscribers who transfer from other carrier, than it is to offer them cash back incentives. This is particularly true, since we sell old handsets of these subscribers to Brightstar, which has access to the secondhand market.

#### *Cost of Sales of Mobile Handsets and Accessories*

The cost of sales of mobile handsets and accessories arises mainly from SoftBank Corp.’s procurement of handsets for sale to its new or existing subscribers, which is principally dependent on the number of handsets sold and the purchase price per handset. The average purchase price per handset depends on the mix of high to low end handsets that SoftBank Corp. procures and the prices that it can negotiate with its handset vendors. Handsets which apply the latest technology and features are typically more expensive, especially if procured in small quantities. However, as handset manufacturers incorporate such new technology and features in more of their handsets and mobile communications operators purchase them in greater volumes, even sophisticated handsets can quickly become less expensive.

#### *Depreciation and Amortization*

We expense the acquisition cost of fixed assets such as telecommunications equipment, network facilities and software over its estimated useful life as depreciation and amortization. We usually depreciate telecommunications equipment, using a straight-line method, over a period of ten years.

In order to enhance our market competitiveness, we have significantly increased the number of our base stations and implemented certain other measures, which have resulted in an increase in depreciation and amortization expenses over the period shown. In connection with the upgrade of our networks to rollout the LTE, we conducted a replacement of certain of our existing 3G service facilities.

For the fiscal year ended March 31, 2015, we recognized ¥403 billion (\$3,353 million), in depreciation and amortization, an increase of 11.0%, compared to the fiscal year ended March 31, 2014, primarily due to an increase in depreciation of telecommunication equipment purchased and constructed during the fiscal years ended March 31, 2013 and 2014, as part of our network improvement efforts. While our capital expenditures decreased significantly for the fiscal year ended March 31, 2015, due to the near-completion of our network improvement efforts, depreciation expenses as a result of these efforts continued to increase.

#### *Fees for Utilization of Telecommunications Lines and Facilities*

We incur interconnection fees for connecting to other telecommunications operators’ networks, transmission charges for utilizing leased lines and, to a lesser extent, international roaming charges. Interconnection fees represent access fees paid to other operators mainly for connections between mobile, fixed-line and mobile-to-fixed-line systems. For example, when our subscribers place phone calls to subscribers of other carriers, we pay an interconnection fee to those other carriers. The amount of interconnection fees that we incur is dependent on the amount of traffic throughput between each of these systems generated by our subscribers.

#### *Cost-saving initiative*

SoftBank Corp. merged with SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation, on April 1, 2015. Since the merger, the new company has been engaged in reducing operating costs in various areas of the SoftBank Group, including network operations, information systems and sales and marketing.

#### *Mobile Games Business*

For the fiscal year ended March 31, 2015, net sales attributable to Supercell and GungHo were ¥253 billion (\$2,102 million) and ¥167 billion (\$1,394 million), respectively representing 6.0% and 4.0%,

respectively of net sales of the Mobile Communications segment. We generate the vast majority of net sales through the sale of items that are usable in games produced by Supercell and GungHo. Supercell's most popular titles are *Clash of Clans*, *Hay Day* and *Boom Beach*. GungHo's most popular game is *Puzzle & Dragons*. The games are free to download, but revenues are derived from user in-app purchases of items which are used for in-game activities such as continuing a game, extending gameplay time and unlocking special characters or items. For a description of our revenue recognition policies relating to mobile games business, see "—Critical Accounting Policies" and note 3 to our audited financial statements included elsewhere in this offering memorandum.

Operating expenses attributable to the mobile games business, for the fiscal year ended March 31, 2015, were ¥300 billion (\$2,498 million), of which Supercell and GungHo contributed ¥197 billion (\$1,637 million) and ¥103 billion (\$861 million), respectively. The main sources of operating expense are cost of sales, sales and general administrative expenses and amortization expenses. Cost of sales primarily include fees paid to platforms, such as the Apple Inc.'s AppStore and Google Inc.'s Google Play platform, sales and general administrative expenses primarily include advertising costs and amortization expenses are expenses recognized when amortizing the intangible assets which are Supercell's and GungHo's game titles. We amortize Supercell's game titles, valued at ¥119 billion (\$991 million), over a period of five years, and GungHo's game titles, valued at ¥78 billion (\$647 million), over a period of three years, using the straight-line method. For the fiscal year ended March 31, 2015, we recognized amortization expenses of ¥24 billion (\$197 million) in Supercell's game titles and ¥26 billion (\$216 million) in GungHo's game titles, respectively. Due to GungHo's repurchase of a certain portion of its shares from us, effective on June 1, 2015 GungHo is no longer treated as our consolidated subsidiary. See "Summary—Recent Developments."

### ***Brightstar Business***

For the fiscal year ended March 31, 2015, net sales from Brightstar were ¥1,239 billion (\$10,314 million), representing 29.6% of net sales of the Mobile Communications segment. Brightstar Corp. is one of the world's largest specialized wireless terminal distributors, providing services in over 100 countries with local bases in over 50 countries including mobile device and accessory wholesaling, mobile device distribution and inventory management and mobile device insurance and trade-in programs. Net sales from Brightstar include those attributable to SoftBank Commerce & Service Corp., which was consolidated by Brightstar on April 1, 2014. For a description of our revenue recognition policies relating to Brightstar, see "—Critical Accounting Policies" and note 3 to our audited financial statements included elsewhere in this offering memorandum.

The operating expenses of Brightstar, for the fiscal year ended March 31, 2015, were ¥1,233 billion (\$10,259 million), which primarily consisted of the cost of goods sold.

### ***Sprint Segment***

For the fiscal year ended March 31, 2015, net sales from the Sprint segment were ¥3,800 billion (\$31,622 million), representing 43.8% of consolidated net sales. Sprint operates both a wireless and wireline business, providing fixed-line telecommunications services, mobile communications services, mobile devices, mobile handsets and accessories in the United States, with approximately 57 million cumulative subscribers to its mobile communications services as of March 31, 2015. These services are offered under the Sprint corporate brand, which includes its retail brands of *Sprint*, *Boost Mobile*, *Virgin Mobile USA* and *Assurance Wireless* on networks that utilize 3G CDMA as well as LTE services. Sprint utilizes these networks to offer their wireless subscribers differentiated products and services whether through the use of a single network or a combination of these networks. As of March 31, 2015, we held 79.5% of the voting rights in Sprint, which had a market capitalization of ¥2,259 billion (\$18,779 million).

The following table shows net sales and segment income, as well as other operating loss attributable to our Sprint segment.

|                                | For the fiscal year ended<br>March 31, |                                  |        |
|--------------------------------|--|----------------------------------|--------|
|                                | 2013                                   | 2014 <sup>(1)</sup><br>(revised) | 2015   |
|                                | (billions of yen)                      |                                  |        |
| Net sales . . . . .            | —                                      | ¥2,601                           | ¥3,800 |
| Segment income . . . . .       | —                                      | (6)                              | 74     |
| Other operating loss . . . . . | —                                      | (24)                             | (8)    |

(1) We acquired Sprint on July 10, 2013. Therefore, sales and net income for the fiscal year ended March 31, 2014 only reflect approximately nine months of Sprint's net sales and segment income.

We derive net sales in the Sprint segment primarily from Sprint's wireless business where postpaid wireless service revenue represents the most significant contributors to earnings and is driven not only by the number of subscribers to Sprint's services, but also ARPU and average billings per user ("ABPU") which is the sum of ARPU and monthly-average equipment billings.

### ***Factors Affecting Net Sales of Sprint Segment***

#### ***Subscribers***

The following shows Sprint's total subscribers, net subscriber additions and monthly average churn rate for the fiscal years ended March 31, 2014 and 2015:

|  | As of and for the fiscal<br>year ended March 31, |        |
|--|--|--------|
|  | 2014   | 2015   |
| Cumulative subscribers (thousands) <sup>(1)</sup> . . . . .                | 54,887   | 57,141 |
| Sprint platform (thousands) . . . . .                                      | 53,551   | 56,137 |
| Postpaid (thousands) . . . . .   | 29,918   | 29,706 |
| Prepaid (thousands) . . . . .  | 15,257   | 15,706 |
| Wholesale and affiliate (thousands) . . . . .                              | 8,376  | 10,725 |
| Net subscriber additions (loss) of Sprint platform (thousands) . . . . .   | (316)  | 2,586  |
| Monthly average churn rate of Sprint platform (%) <sup>(2)</sup> . . . . . | 2.11   | 1.84   |

(1) Includes subscribers under the U.S. Cellular and Clearwire platforms.

(2) Sprint's monthly average churn rate is presented on a quarterly basis based on postpaid subscribers on the Sprint platform for the 3-months ended March 31, 2014 and 2015.

Sprint's subscriber growth depends on a number of factors, including the overall growth of the market and the level of competition for obtaining new subscribers and retaining existing subscribers. Sprint's ability to obtain new subscribers and retain existing subscribers is affected by factors such as the data connectivity and communication speed of its network, the range and quality of its products and the competitiveness of its price plans, as well as the success of promotional activities aimed at attracting new subscribers and of measures aimed at maintain existing subscribers by improving customer satisfaction, such as the use of points programs.

Most markets in which Sprint operates have high rates of penetration for wireless services, thereby limiting the growth of subscribers of wireless services. As the U.S. wireless market has matured, it has become increasingly important to retain existing subscribers in addition to attracting new subscribers, particularly in less saturated growth markets such as those with non-traditional data demands. Wireless carriers are addressing the growth in non-traditional data needs by working with OEMs to integrate connected devices such as after-market in-vehicle connectivity and electric vehicle charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment and a variety of other consumer electronics and appliances, which utilize wireless networks to increase consumer and business mobility.

The Sprint platform had 2,586 thousand net subscriber additions for the fiscal year ended March 31, 2015. This represented a net addition of 2,349 thousand subscribers in wholesale and affiliate, driven mainly by growth in the number of communication modules for automobiles, and a net addition of 449 thousand in prepaid, despite a 212 thousand net loss in postpaid, mainly caused by a decrease in the number of mobile phone subscribers. As a result, the cumulative number of Sprint platform subscribers was 56,137 thousand as of March 31, 2015.

We are taking an active role in Sprint's turnaround, and have been working with Sprint's management to develop plans to increase customer retention through initiatives aimed at improving Sprint's brand recognition and increasing Sprint's network speed and connectivity through network optimization. Sprint has recently achieved significant improvements to its network, in part due to its nationwide deployment of voice and data services on spectrum in the 800 MHz band. In 2013, Sprint's network was rated fourth among the major U.S. wireless carriers in terms of overall performance. According to a survey by Roometrics, during the last half of 2014, Sprint's network had moved ahead of T-Mobile's network, putting it in third place in terms of overall performance. As a result of these efforts, and other efforts, net additions turned positive during the second quarter of fiscal year 2014, with net additions of 1.2 million subscribers during the fourth quarter, alone. Sprint had net additions of postpaid subscribers of 211 thousand in the fourth quarter of fiscal year 2014, from a net loss of 231 thousand postpaid subscribers in the fourth quarter of fiscal year 2013. Also, the rate of postpaid phone losses has consistently decreased over the past year. Although Sprint's net customer additions, according to our estimates, trail those of Sprint's competitors, over the past fiscal year Sprint has shown stronger improvement in terms of net additions in postpaid subscribers, especially postpaid phone subscribers, as compared to its main competitors. We expect that further improvements in Sprint's network will lead to a further increase in customer acquisitions and lower churn in the future. See "Business—Our Business Segments—Sprint Segment—

Network.” In addition Sprint has recently implemented new and innovative pricing plans such as its “*Cut Your Bill in Half*” plan which targets high value customers from Verizon and AT&T who migrate all of their lines of service to Sprint. We believe that these plans are a key driver of Sprint’s turnaround as they are expected to continue to contribute to Sprint winning back valuable postpaid mobile phone subscribers.

Some of Sprint’s subscribers experienced network service disruptions, particularly voice service, during its recent network modernization program, which was substantially completed in calendar year 2014. We believe this program, among other factors, contributed to Sprint’s elevated postpaid churn rates during fiscal year 2014. Sprint is now seeing improvements in churn as network modernization program benefits have been realized through improved network quality and the service disruptions associated with this program have decreased significantly. Additionally, Sprint’s network modernization program has allowed it to realize financial benefits through reduced network maintenance and operating costs, capital efficiencies, reduced energy costs, lower roaming expenses and backhaul savings.

Sprint has also begun to increase its retail presence through a store sharing arrangement with RadioShack. This arrangement is designed to provide Sprint with a substantial increase in its direct retail footprint. We believe this increase will lead to greater visibility of the Sprint Brand. See “Business—Our Business Segments—Sprint Segment—Sales and Marketing.”

#### *ABPU/ARPU*

The following table shows ARPU and ABPU for the Sprint platform for the fiscal years ended March 31, 2014 and 2015:

|                                      | For the three months ended<br>March 31, |         |
|--------------------------------------|---|---------|
|                                      | 2014 <sup>(1)</sup>                     | 2015    |
|                                      | (dollars per month)                     |         |
| ARPU                                 |   |         |
| Postpaid .....                       | \$63.52                                 | \$56.94 |
| Prepaid .....                        | 26.45                                   | 27.50   |
| ABPU (postpaid) <sup>(2)</sup> ..... | 64.13                                   | 61.71   |

(1) We acquired Sprint on July 10, 2013.

(2) Sprint began measuring ABPU from the third quarter of the fiscal year ended March 31, 2014.

Sprint and its competitors continue to offer more service plans that combine voice and data offerings, plans that allow users to add additional mobile devices, including tablets, to their plans at attractive rates, plans with a higher number of bundled minutes included in the fixed monthly charge for the plan, plans that offer the ability to share minutes among a group of related subscribers, or combinations of these features. Consumers respond to these plans by migrating to those they deem most attractive. In addition, wireless carriers also try to appeal to subscribers by offering certain devices at prices lower than their acquisition cost. Sprint may offer higher cost devices at greater discounts than our competitors, with the expectation that the loss incurred on the cost of the device will be offset by future service revenue. As a result, Sprint and its competitors recognize point-of-sale losses that are not expected to be recovered until future periods when services are provided. All of these factors may cause downward pressure on Sprint’s ARPU.

In addition to ARPU, Sprint also discloses ABPU, as a key performance indicator.

Sprint platform postpaid ABPU for the three-month period ended March 31, 2015 was \$61.71, for a \$2.42 year-on-year decrease from \$64.13 for the three-month period ended March 31, 2014. This was mainly due to an increased number of subscriptions to lower price plans offered in conjunction with device financing programs such as installment sales and leases, as well as tablet subscriptions, whose monthly service charge is lower than that of mobile phones. On the other hand, equipment billings increased due to the increased adoption of device financing programs.

#### *Postpaid Churn Rate*

Sprint platform postpaid churn rate for the three months ended March 31, 2015 was 1.84%, down 0.27 of a percentage point year-on-year from 2.11% for the three months ended March 31, 2014, primarily attributable to a lower number of voluntary deactivations as network performance improvements provided a better customer experience.

#### *Factors Affecting Operating Expenses of Sprint Segment*

Operating expenses of our Sprint segment include the cost of sales and selling, general and administrative expenses, which were ¥2,617 billion (\$21,778 million) and ¥1,109 billion (\$9,229 million), respectively, for the

fiscal year ended March 31, 2015. Cost of sales consists of the cost of goods sold, net fees, such as wireline and wireless connection costs and roaming fees and depreciation expenses. Also, after recognizing Sprint as our consolidated subsidiary, we began to amortize the intangible asset that is Sprint's customer relationships, valued at ¥700 billion (\$5,827 million), over a period of eight years using the sum-of-the-digits method. For the fiscal year ended March 31, 2015, we recognized an amortization expense of ¥165 billion (\$1,372 million), in relation to Sprint's customer relationships.

Costs to acquire subscribers include the net cost at which Sprint sells its devices, as well as the marketing and sales costs incurred to attract those subscribers. Network costs primarily represent switch and cell site costs, backhaul costs and interconnection costs, which generally consist of per-minute usage fees and roaming fees paid to other carriers. The remaining administrative costs, associated with Sprint's wireless business, include the costs to operate Sprint's customer care organization and provide administrative support. Selling, general and administrative expenses consists primarily of sales and marketing expenses and network expenses, including base station rental fees and commission to dealers. Sprint's customer care organization works to improve our subscribers' experience, with the goal of retaining subscribers of our wireless services and growing their long-term relationships with Sprint. Customer service call centers receive and resolve inquiries from subscribers and proactively address subscriber needs.

#### ***Other operating income (loss) related to Sprint***

We sometimes recognize certain other operating income and loss, relating to Sprint, including severance costs, associated with a reduction in its work force, gains on pension settlement, etc. Severance costs associated with reduction in work force, for the fiscal year ended March 31, 2015, were ¥27 billion (\$226 million). This workforce reduction related to optimizing operations. We recognized a gain on a partial pension settlement of Sprint of ¥19 billion (\$156 million), for the same period. These expenses were recorded as other operating income and loss on our consolidated statements of income and did not affect segment income.

#### ***Effect of the Differing Accounting Standards Used by SoftBank Group Corp. and Sprint***

In its US GAAP income statement for the fiscal year ended March 31, 2015, Sprint recorded \$1.9 billion and \$233 million of impairment losses on the Sprint trade name in its Wireless segment and property, plant and equipment in its Wireline segment, as operating expenses, respectively, due to estimated fair values that were less than the corresponding carrying amounts. Sprint treats its Wireless segment and Wireline segment as separate cash-generating units. Under US GAAP, certain assets, such as the Sprint trade name, are tested for impairment at the individual asset level while other assets or asset groups, such as Wireline's long-lived assets are tested at the higher level cash generating unit. During the fiscal year ended March 31, 2015, Sprint determined that certain assets might be impaired based on several factors including (i) a decrease in its stock price, (ii) its downgraded credit rating, and (iii) the fact that actual results and future expectations of the business, including net postpaid handset subscriber additions, had since the Sprint's acquisition been lower than the forecasts used to allocate the purchase price to the assets acquired and liabilities assumed. Sprint conducted impairment tests, and as a result, the estimated fair values of the Sprint trade name and the Wireline property, plant and equipment were less than the respective carrying amounts and impairment losses were recognized.

In our consolidated financial statements under IFRS, an impairment loss related to Sprint was not recognized due to the following reasons:

- (1) We have treated Sprint as a single cash generating unit since its acquisition in July 2013. Under IFRS, assets in cash-generating units are tested for impairment together as opposed to at the individual asset level or at a lower level asset grouping.
- (2) We determined that the assets of Sprint might be impaired due to the above facts and conducted an impairment test for the fiscal year ended March 31, 2015. As a result of this impairment test, an impairment loss was not recognized in our consolidated financial statements as the estimated fair value of the Sprint cash-generating unit exceeded the carrying amount.

#### ***Fixed-line Telecommunications Segment***

The Fixed-line Telecommunications segment provides, mainly through SoftBank Telecom Corp., telecommunication services such as data communication and fixed-line telephone services for corporate customers. It also provides, mainly through the SoftBank BB Corp., the fixed-line business of Ymobile and the Yahoo ISP business, broadband services for individual customers. SoftBank Telecom Corp. provides our *Otoku Line*, a direct-connection fixed-line voice service, or "landline" service.



The following tables show net sales and segment income, as well as other operating loss attributable to our Fixed-line Telecommunications segment.

|                      | For the fiscal year ended<br>March 31, |                   |      |
|----------------------|--|-------------------|------|
|                      | 2013                                   | 2014<br>(revised) | 2015 |
|                      | (billions of yen)                      |                   |      |
| Net sales            | ¥531                                   | ¥548              | ¥541 |
| Segment income       | 114                                    | 108               | 100  |
| Other operating loss | —                                      | —                 | (21) |

#### ***Factors Affecting Net Sales of Fixed-line Telecommunication Segment***

The following table shows operating data attributable to our Fixed-line Telecommunication segment.

|   | As of and for the fiscal year ended<br>March 31, |       |       |
|---|--|-------|-------|
|   | 2013   | 2014  | 2015  |
|   | (thousands)                                      |       |       |
| <b>Fixed-line Telecommunications Services for Corporate Customers</b> |  |       |       |
| <i>Otoku-line</i> subscribers   | 1,703  | 1,710 | 1,707 |
| <b>Broadband Services for Individual Customers</b>                    |  |       |       |
| Cumulative number of <i>Yahoo! BB ADSL</i> subscribers                | 2,172  | 1,846 | 1,618 |
| Cumulative number of <i>Yahoo! BB Hikari</i> with FLET'S subscribers  | 2,081  | 2,504 | 2,724 |

#### ***Fixed-line Telecommunications Services for Corporate Customers***

We derive net sales relating in our fixed-line telecommunications services for corporate customers business primarily from our fixed-line telephone services (“Otoku Line”), data transmission and dedicated line services, which are used by mostly corporate customers. Japan’s fixed-line telecommunications market has continued to contract from its peak of 63 million lines in 1998. However, there is a stable demand for fixed-line phone services from medium- and large-scale corporate customers. We have managed to limit to a certain extent the general downward trend on ARPU for fixed-line services in the market by focusing on corporate subscribers. Going forward, we expect the makeup of this business to continue to evolve as ADSL subscribers continue to decline and are replaced by subscribers to our *SoftBank Hikari* FTTH services.

#### ***Broadband Services for Individual Customers***

The vast majority of our net sales from the broadband services for individual customers business from subscriber fees related to our *Yahoo! BB* services, which include our *Yahoo! BB ADSL* service and *Yahoo! BB hikari with FLET'S*, a broadband connection service that combines the internet connection service *Yahoo! BB* as an ISP add-on with the *FLET'S Hikari* fiber-optic connection provided by NTT East and NTT West. Since we introduced our *Yahoo! BB hikari with FLET'S* service in 2009, it is becoming a more significant portion of segment net sales as most customers transition from ADSL to FTTH services in line with market trends. However, the ARPU for FTTH services is lower than that for ADSL services, as *Yahoo! BB hikari with FLET'S* is an ISP add-on service provided over NTT’s FTTH network. In order to capture further earnings, we offer other optional services such as IP telephony services and Wi-Fi services. In addition, in March 2015, we began offering fiber-optic connection services, under the SoftBank Hikari brand, through which we resell optical broadband access obtained wholesale from NTT East and NTT West.

#### ***Factors Affecting Operating Expenses of Fixed-line telecommunications business***

Main components of operating expenses in the Fixed-line Telecommunication segment include communication network charges, depreciation and amortization of fixed assets, personnel expenses and maintenance costs related to our networks. Expenses related to our broadband business include subscriber acquisition costs, maintenance costs related to our backbone network and the cost related to the lease of certain network infrastructure and office space from NTT.

#### ***Other operating loss related to SoftBank Telecom Corp.***

For the fiscal year ended March 31, 2015, we recognized a provision for unprofitable contract related to telecommunications services at SoftBank Telecom Corp. of ¥21 billion (\$177 million). This provision was incurred as a result of performance by SoftBank Telecom Corp. of requested services exceeding the scope stipulated in a contract dated February 2013 with Japan Post Information Technology Co., Ltd., in relation to a

project to migrate the communication network connecting approximately 27,000 sites (postal offices, etc.) countrywide to a new network. This loss was recorded as other operating loss on the Company's consolidated statement of income and does not affect segment income. See "Business—Legal Proceedings."

### **Internet Segment**

The table below shows net sales and segment income for our Internet segment.

|                      | For the fiscal year ended<br>March 31, |                   |      |
|----------------------|--|-------------------|------|
|                      | 2013                                   | 2014<br>(revised) | 2015 |
|                      | (billions of yen)                      |                   |      |
| Net sales .....      | ¥357                                   | ¥400              | ¥419 |
| Segment income ..... | 181                                    | 189               | 187  |

Our consolidated subsidiary Yahoo Japan comprises all of the net sales and segment income of the Internet segment. While the segment sales of the Internet segment were ¥419 billion (\$3,488 million), net sales of Yahoo Japan were ¥428 billion (\$3,566 million). The reason that Yahoo Japan's net sales exceed segment net sales is because a portion of Yahoo Japan's net sales, relating to Yahoo Japan's ISP business, is attributable to the Fixed-line Telecommunications segment.

### **Factors Affecting Net Sales of Internet Segment**

*Yahoo! Japan* is currently the dominant search and portal site in Japan with a monthly average of 61 billion page views, for the fiscal year ended March 2015, a 10.7% increase compared to the prior year. Page views by smartphone comprised 44.0% of all page views. The daily unique browser count, for the same period, was 74 million, an increase of 19.2% compared to the prior fiscal year. 54.6% of these unique browsers accessed *Yahoo! Japan* via smartphone.

Internet advertising makes up the majority of Yahoo Japan's sales, with advertising-related sales accounting for ¥250 billion (\$2,079 million), or 58.3% of Yahoo Japan's net sales, for the fiscal year ended March 31, 2015. Advertising-related sales include paid search advertising and display advertising, which accounted for ¥152 billion (\$1,265 million) and ¥98 billion (\$813 million), respectively.

The growth of the overall internet market and the growth of the Japanese internet advertising industry, as well as Yahoo Japan's success in attracting customers to its web pages, as measured by the number of unique users who view Yahoo Japan's web pages each month, has had a direct impact on Yahoo Japan's advertising sales. Yahoo Japan's current strategy is to shift the core focus of its business from PCs to smartphones. For the fiscal year ended March 31, 2015, advertising revenue attributable to smartphones and tablets was ¥83 billion (\$694 million), or 33.4% of all advertising-related sales. While another source of Yahoo Japan's historical net sales is its e-commerce business, in October 2013 Yahoo Japan implemented a new strategy eliminating tenant fees in its e-commerce business, and as a result going forward it is expected that e-commerce related revenues will primarily be sourced from advertising. See "Business—Our Business Segments—Internet Segment—Sales and Marketing." Yahoo Japan's e-commerce business handled transactions worth ¥1,191 billion (\$9,909 million), for the fiscal year ended March 31, 2015. Of this amount, ¥373 billion (\$3,101 million) was attributable to shopping related transactions and ¥818 billion (\$6,808 million) were related to auction related transactions. Also, ¥405 billion (\$3,369 million), or 34.0% of all e-commerce transactions executed using a smartphone.

Yahoo Japan is a publicly listed company and as of March 31, 2015 has a market capitalization of ¥2,825 billion (\$23,506 million).

### **Factors Affecting Operating Expenses of Internet Segment**

For the fiscal year ended March 31, 2015, Yahoo Japan's cost of sales increased by 12.7%, compared to the prior fiscal year, to ¥86 billion (\$712 million) and selling and administrative expenses increased by 7.0%, compared to the prior fiscal year, to ¥146 billion (\$1,213 million). Cost of sales for the businesses in the Internet segment is limited because such businesses are focused on providing information, advertising and other services over the internet and are generally not required to pay substantial fees to third parties for content, supplies or services in providing those services. The largest selling, general and administrative expense of the businesses in the Internet segment is personnel expenses. Yahoo Japan's personnel expenses have been growing in recent fiscal periods, reflecting the growth in the number of employees in the Internet segment along with the growth of this business. For the fiscal year ended March 31, 2015, Yahoo Japan's personnel expenses were ¥49 billion (\$404 million), an increase of 6.4% compared to the prior fiscal year, and which represented 11.3% of Yahoo Japan's net sales. Segment income margin (defined as segment income divided by net sales) for our Internet segment is higher than any of our other segments. Segment income margin was 44.6% for the fiscal year ended March 31, 2015.

## ***Other Businesses***

We recognize revenues through various other businesses, including strategic investment, primarily through SB Group US, renewable energy related businesses, primarily through SB Energy, robotics related businesses, primarily through SoftBank Robotics, businesses related to the Fukuoka SoftBank HAWKS. Due to costs related to setting up SB Group US and costs related to launching our robot business, our other businesses produced a net loss of ¥20 billion (\$170 million), for the fiscal year ended March 31, 2015.

## **Other Factors Affecting Our Consolidated Results of Operations**

### ***Gain from remeasurement relating to business combination***

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. For the fiscal year ended March 31, 2014, we recognized a ¥254 billion (\$2,113 million) gain, following remeasurement at fair value of the respective equity interests of GungHo and WILLCOM that we already held on the dates when we acquired control of them.

### ***Finance Cost***

We incur finance costs mainly due to payments on the loan and bond obligations of Sprint and the Company mostly associated with the financing and refinancing of our past significant acquisitions. We also incur interest expenses in connection with the lease obligations of mainly SoftBank Corp. Our finance costs for the fiscal year ended March 31, 2015 were ¥367 billion (\$3,050 million), including ¥237 billion (\$1,970 million) of interest paid on bonds and outstanding loans by Sprint, and to a lesser extent, interest expenses relating to our outstanding loans and corporate debt and costs related to lease obligations of SoftBank Corp.

### ***Income (loss) on equity-method investments***

Income on equity-method investments was ¥77 billion (\$638 million), for the fiscal year ended March 31, 2015. Out of this, ¥67 billion (\$561 million) was recorded from income on equity-method investment related to Alibaba.

Although Alibaba has shown steady growth, the increase in income of associates was subdued since Alibaba's net income was reduced by a loss of ¥399 billion (\$3,318 million) recognized in conjunction with the increase in the fair value of the convertible preference shares issued by Alibaba from January 1, 2014 to September 18, 2014, the day preceding the date of Alibaba's listing on the New York Stock Exchange.

The convertible preference shares were converted into common stock in conjunction with Alibaba's listing dated September 19, 2014. Consequently, dilution gain from changes in equity interest was recorded for the portion attributable to the Company, on a consolidated basis, out of the loss incurred up until the listing in association with the increase in the fair value of the convertible preference shares.

On June 1, 2015, GungHo completed a tender offer in which we tendered a portion of the shares of GungHo held by us representing 16.34% of GungHo's outstanding common shares. As a result of the completion of this tender offer, GungHo is now treated as our equity-method associate and accordingly, going forward, income and loss of GungHo will be recognized as income (loss) on equity method affiliates. See "Summary—Recent Developments."

### ***Dilution Gain from Changes in Equity Interest***

Any gain or loss arising as a result of a deemed disposal of an associate is recognized as dilution gain or loss, when an entity's ownership interest in an associate reduces as a result of deemed disposal. Dilution gain from changes in equity interest was ¥600 billion (\$4,991 million), for the fiscal year ended March 31, 2015. This was mainly attributable to recording dilution gain from changes in equity interest of ¥600 billion (\$4,990 million) in connection with the listing of Alibaba, primarily as a result of the issuance of new shares by Alibaba and the conversion of the convertible preference shares issued by Alibaba into common stock.

### ***Other non-operating income (loss)***

For the fiscal year ended March 31, 2015, we recognized other non-operating loss of ¥16 billion (\$130 million). The primary components of this were impairment loss on equity-method associates of ¥35 billion (\$293 million), mainly due to recording impairment loss on our investment in Renren Inc. and impairment loss on securities of ¥15 billion (\$126 million), see note 39 to our audited consolidated financial statements for the fiscal year ended March 31, 2015, which are included elsewhere in this offering memorandum

## Income Tax

Our income tax for the fiscal year ended March 31, 2015 mostly relates to the income of SoftBank Corp. and Yahoo Japan, as well as the effect of deferred tax provisions related to Alibaba.

The statutory income tax rate for the fiscal year ended March 31, 2015 was 35.6%. Our actual income tax rate, for the fiscal year ended March 31, 2015, was 40.2%. This variance was mainly due to an increase of valuation allowances related to loss carrying forwards. For the reconciliation of the statutory effective tax rate and actual tax rate, see note 19 to our audited consolidated financial statements for the fiscal year ended March 31, 2015 included elsewhere in this offering memorandum. The statutory tax rate is expected to decrease to 33.3% for the fiscal year ending March 31, 2016 and to 32.4% for the fiscal year ending March 31, 2017, due to the Act on the Partial Revision of the Income Tax Act (Article 9, 2015) and the Local Tax Law (Article 2, 2015), which was promulgated on March 31, 2015.

The significant tax-related items that result in our deferred tax assets are net operating loss carryforwards and tax credit carryforwards, accrued expenses and other liabilities and property, plant and equipment resulting in deferred tax assets. The significant tax-related items that result in our deferred tax liabilities are FCC licenses, customer relationships and trademarks.

## Currency translation

For the purposes of the financial information derived from our consolidated financial statements, our assets and liabilities from our foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) were translated into yen amounts using exchange rates prevailing at the end of the fiscal year, and income, expenses and cash flows were translated into yen amounts by using the average exchange rates for each quarter. When the translated amounts do not approximate the amounts translated by the exchange rates at the dates of the transactions, the exchange rates at the transactions dates were used for the translation.

## Results of Operations

### Comparison of the Fiscal Year Ended March 31, 2015 with the Fiscal Year Ended March 31, 2014

The following table shows selected statement of income data for the fiscal years ended March 31, 2014 and 2015. The comparisons below are with respect to the fiscal year 2014 financial information derived from our audited financial statements and the fiscal year 2013 (revised) financial information presented as comparative information therein. See “Presentation of Financial Information—Changes in accounting policies.”

|  | For the fiscal year ended<br>March 31, |         |
|--|--|---------|
|  | 2014 <sup>(1)</sup><br>(revised)       | 2015    |
|  | (billions of yen)                      |         |
| Net sales  | ¥ 6,667                                | ¥ 8,670 |
| Cost of sales  | (3,961)                                | (5,327) |
| Gross profit   | 2,705                                  | 3,343   |
| Selling, general and administrative expenses             | (1,827)                                | (2,333) |
| Gain from remeasurement relating to business combination | 254                                    | —       |
| Other operating loss                                     | (55)                                   | (28)    |
| Operating income   | 1,077                                  | 983     |
| Finance cost   | (271)                                  | (367)   |
| Equity in income (loss) of associates                    | 74                                     | 77      |
| Dilution gain from changes in equity interest            | 4                                      | 600     |
| Other non-operating income (loss)                        | 40                                     | (16)    |
| Income before income tax                                 | 924                                    | 1,277   |
| Income taxes:  | (346)                                  | (513)   |
| Net income   | ¥ 578                                  | ¥ 764   |

(1) Retrospective adjustments for certain items are made in accordance with the adoption of IFRIC 21 “Levies.”

**Net sales.** Net sales increased by ¥2,004 billion (\$16,673 million), or 30.1%, from ¥6,667 billion (\$55,477 million) for the fiscal year ended March 31, 2014 to ¥8,670 billion (\$72,150 million) for the fiscal year ended March 31, 2015 mainly due to increases in net sales in the Mobile Communications segment and the Sprint

segment. Net sales grew in our Mobile Communications, Sprint and Internet segments by 32.3%, 46.1% and 4.8%, respectively, while net sales shrank in our Fixed-line Telecommunications by 1.3%. This reflected the fact that Brightstar, which was consolidated from January 30, 2014, contributed a full year of net sales for the fiscal year ended March 31, 2015, compared to only two months for the fiscal year ended March 31, 2014. This also reflected the fact that Sprint, which was consolidated from July 10, 2013, contributed a full year of net for the fiscal year ended March 31, 2015, compared to only approximately nine months for the fiscal year ended March 31, 2014.

*Cost of sales.* Cost of sales increased by ¥1,366 billion (\$11,365 million), or 34.5%, from ¥3,961 billion (\$32,966 million) for the fiscal year ended March 31, 2014 to ¥5,327 billion (\$44,331 million) for the fiscal year ended March 31, 2015, which represents 61.4% of net sales. This reflected the fact that Brightstar, which was consolidated from January 30, 2014, contributed a full year of cost of sales for the fiscal year ended March 31, 2015, compared to only two months for the fiscal year ended March 31, 2014. This also reflected the fact that Sprint, which was consolidated from July 10, 2013, contributed a full year of cost of sales for the fiscal year ended March 31, 2015, compared to only approximately nine months for the fiscal year ended March 31, 2014.

*Gross profit.* As a result of the foregoing, gross profit increased by ¥638 billion (\$5,308 million), or 23.6%, from ¥2,705 billion (\$22,511 million) for the fiscal year ended March 31, 2014 to ¥3,343 billion (\$27,819 million) for the fiscal year ended March 31, 2015.

*Selling, general and administrative expenses.* Selling, general and administrative expenses increased by ¥506 billion (\$4,211 million), or 27.7%, from ¥1,827 billion (\$15,200 million) for the fiscal year ended March 31, 2014 to ¥2,333 billion (\$19,411 million) for the fiscal year ended March 31, 2015, which represents 26.9% of net sales. This was mainly due to the fact that Sprint, which was consolidated from July 10, 2013, contributed a full year of selling, general and administrative expenses for the fiscal year ended March 31, 2015, compared to only approximately nine months for the fiscal year ended March 31, 2014.

*Gain from remeasurement relating to business combination.* No gain from remeasurement relating to business combination was recognized for the fiscal year ended March 31, 2015, compared to ¥254 billion (\$2,113 million) for the fiscal year ended March 31, 2014. This is due to the fact that certain revaluations of the fair value of our equity interests in GungHo and WILLCOM were recorded for the fiscal year ended March 31, 2014, which did not reoccur the following year.

*Other operating loss.* Other operating loss decreased by ¥28 billion (\$231 million), or 50.1%, from ¥55 billion (\$461 million) for the fiscal year ended March 31, 2014 to ¥28 billion (\$230 million) for the fiscal year ended March 31, 2015. The improvement was mainly a result of not recording impairment loss for the fiscal year, compared to impairment loss of ¥32 billion (\$267 million) recorded in the previous fiscal year, and recording ¥19 billion (\$156 million) in gain on partial pension settlement at Sprint. These were partially offset by a ¥21 billion (\$177 million) provision for onerous contracts at SoftBank Telecom Corp.

*Operating income.* As a result of the foregoing, our operating income decreased by ¥94 billion (\$785 million), or 8.8%, from ¥1,077 billion (\$8,963 million) for the fiscal year ended March 31, 2014 to ¥983 billion (\$8,178 million) for the fiscal year ended March 31, 2015. Operating income for the fiscal year ended March 31, 2014 includes the one-time gains from remeasurement relating to business combination due to the consolidation of GungHo and WILLCOM of ¥254 billion (\$2,113 million); without this one-time gain in the fiscal year ended March 31, 2014, our operating income for the fiscal year ended March 31, 2015 would have increased year-over-year. Operating margin for the fiscal year ended March 31, 2015 was 11.3% as compared to 16.2% for the fiscal year ended March 31, 2014.

*Finance cost.* Finance cost increased by ¥95 billion (\$791 million), or 35.0%, from ¥271 billion (\$2,259 million) for the fiscal year ended March 31, 2014 to ¥367 billion (\$3,050 million) for the fiscal year ended March 31, 2015. This was mainly due to the impact of recording interest expense of Sprint for the entire fiscal year.

*Equity in income of associates.* Equity in income of associates increased by ¥2 billion (\$18 million), or 3.0%, from ¥74 billion (\$619 million) for the fiscal year ended March 31, 2014 to ¥77 billion (\$638 million) for the fiscal year ended March 31, 2015. Although equity in income in Alibaba grew, the increase in equity in income of associates was offset by a loss of ¥399 billion (\$3,318 million) recognized in conjunction with the increase in the fair value of convertible preference shares issued by Alibaba from January 1, 2014 to September 18, 2014, the day preceding Alibaba's listing on the New York Stock Exchange.

*Dilution gain from changes in equity interest.* Dilution gain from changes in equity interest increased ¥596 billion (\$4,961 million), from ¥4 billion (\$30 million) for the fiscal year ended March 31, 2014 to ¥600 billion (\$4,991 million) for the fiscal year ended March 31, 2015, mainly attributable to recording dilution



gain from changes in equity interest of ¥600 billion (\$4,990 million) in connection with the issuance of new shares by Alibaba and the conversion of convertible preferred shares of Alibaba into common stock.

**Other non-operating income (loss).** Other non-operating loss was ¥16 billion (\$130 million) for the fiscal year ended March 31, 2015, compared to other non-operating income of ¥40 billion (\$337 million) for the fiscal year ended March 31, 2014. The primary components of this loss were (i) an impairment loss on equity-method associates of ¥35 billion (\$293 million) recorded during the fiscal year ended March 31, 2015, due mainly to recording an impairment loss on our investment in Renren Inc., and (ii) a decrease of ¥31 billion (\$259 million) of gain on sales of equity-method associates to ¥2 billion (\$16 million), for the fiscal year ended March 31, 2015, mainly reflecting a one-time gain on sales of PPLive Corporation shares of ¥26 billion (\$217 million) recorded for the fiscal year ended March 31, 2014, which did not recur the following year.

**Income before income taxes.** As a result of the foregoing, income before income taxes increased by ¥353 billion (\$2,937 million), or 38.2%, from ¥924 billion (\$7,690 million) for the fiscal year ended March 31, 2014 to ¥1,277 billion (\$10,627 million) for the fiscal year ended March 31, 2015.

**Income taxes.** Total income taxes increased by ¥168 billion (\$1,394 million), or 48.5%, from ¥346 billion (\$2,878 million) to ¥513 billion (\$4,272 million) due to an increase in income.

**Net income.** As a result of the foregoing, net income increased by ¥185 billion (\$1,543 million), or 32.1%, from ¥578 billion (\$4,812 million) for the fiscal year ended March 31, 2014 to ¥764 billion (\$6,355 million) for the fiscal year ended March 31, 2015.

### **Comparison of the Fiscal Year Ended March 31, 2014 with the Fiscal Year Ended March 31, 2013**

The following table shows selected statement of income data for the fiscal years ended March 31, 2013 and 2014. The comparisons below are with respect to the fiscal year 2013 financial information derived from our audited financial statements and the fiscal year 2012 financial information presented as comparative information therein. The fiscal year 2013 financial information used in the below comparisons does not reflect certain adjustments required by a change in accounting policies that we implemented for fiscal year 2014. See “Presentation of Financial Information—Changes in accounting policies.”

|  | <b>For the fiscal year ended<br/>March 31,</b> |             |
|--|--|-------------|
|  | <b>2013</b>                                    | <b>2014</b> |
|  | <b>(billions of yen)</b>                       |             |
| Net sales  | ¥ 3,203  | ¥ 6,667     |
| Cost of sales  | (1,611)  | (3,953)     |
| Gross profit   | 1,592  | 2,713       |
| Selling, general and administrative expenses                 | (794)  | (1,827)     |
| Gain from remeasurement relating to business combination     | 2  | 254         |
| Other operating loss   | —  | (55)        |
| Operating income   | 799  | 1,085       |
| Finance cost   | (65)   | (271)       |
| Equity in income (loss) of associates                        | (4)  | 74          |
| Dilution gain from changes in equity interest <sup>(1)</sup> | —  | —           |
| Other non-operating income (loss)                            | (15)   | 44          |
| Income before income tax                                     | 716  | 932         |
| Income taxes:  | (278)  | (346)       |
| Net income   | ¥ 438  | ¥ 586       |

(1) For the fiscal year ended March 31, 2013 and 2014 dilution gain from changes in equity interest was included within other non-operating income (loss).

**Net sales.** Net sales increased by ¥3,464 billion (\$28,827 million), or 108.2%, from ¥3,203 billion (\$26,650 million) for the fiscal year ended March 31, 2013 to ¥6,667 billion (\$55,477 million) for the fiscal year ended March 31, 2014. This was mainly due to recording sales of ¥2,601 billion (\$21,645 million) in the newly added Sprint segment from the second quarter. Apart from this, the Mobile Communications segment also recorded a ¥820 billion (\$6,823 million) year-on-year increase in net sales. The increase in the Mobile Communications segment was due to the impact of consolidating GungHo from April 2013, WILLCOM from July 2013, Supercell from October 31, 2013, and Brightstar from January 30, 2014, as well as increases in the number of subscribers and units sold at SoftBank Corp., which led to increases in both service revenue and product sales. In addition, eAccess, which was consolidated from January 2013, contributed a full year of net sales for the fiscal year ended March 31, 2014, compared to only part of a year for the fiscal year ended

March 31, 2013, also contributing to an increase in net sales. Net sales grew in our Mobile Communications, Fixed-line Telecommunications and Internet segments by 35.0%, 3.2% and 12.1%, respectively.

*Cost of sales.* Cost of sales increased by ¥2,342 billion (\$19,492 million), or 145.4%, from ¥1,611 billion (\$13,405 million) for the fiscal year ended March 31, 2013 to ¥3,953 billion (\$32,896 million) for the fiscal year ended March 31, 2014, which represents 59.3% of net sales. This was mainly due to the including cost of sales from the newly added Sprint segment from the second quarter. In addition, the impact of consolidating GungHo, WILLCOM, Supercell, and Brightstar, and the rise in cost of goods in line with an increase in the number of smartphones, especially the *iPhone*, sold at SoftBank Corp. also contributed to an overall increase in cost of sales. Moreover, eAccess, which was consolidated from January 2013, contributed a full year of cost of sales for the fiscal year ended March 31, 2014, compared to only part of a year for the fiscal year ended March 31, 2015, also contributing to an increase in cost of sales.

*Gross profit.* As a result of the foregoing, gross profit increased by ¥1,122 billion (\$9,335 million), or 70.5%, from ¥1,592 billion (\$13,245 million) for the fiscal year ended March 31, 2013 to ¥2,713 billion (\$22,580 million) for the fiscal year ended March 31, 2014.

*Selling, general and administrative expenses.* Selling, general and administrative expenses increased by ¥1,033 billion (\$8,592 million), or 130.0%, from ¥794 billion (\$6,608 million) for the fiscal year ended March 31, 2013 to ¥1,827 billion (\$15,200 million) for the fiscal year ended March 31, 2014, which represents 27.4% of net sales. This was mainly due to the inclusion of selling, general and administrative expenses attributable to the newly added Sprint segment from the second quarter. In addition, the impact of consolidating GungHo, WILLCOM and Supercell caused part of the overall increase. Moreover, eAccess, which was consolidated from January 2013, contributed a full year of selling, general and administrative expense for the fiscal year ended March 31, 2014, compared to only part of a year for the fiscal year ended March 31, 2015, also contributing to an increase in selling, general and administrative expenses.

*Gain from remeasurement relating to business combination.* Gain from remeasurement relating to business combination was ¥254 billion (\$2,113 million) for the fiscal year ended March 31, 2014, compared to ¥2 billion (\$15 million) for the fiscal year ended March 31, 2013. This is due to the fact that certain reevaluations of the fair value of our equity interests in GungHo and WILLCOM, of ¥150 billion (¥1,249 million) and ¥104 billion (\$863 million), respectively, were recorded for the fiscal year ended March 31, 2014, which did not occur during the fiscal year ending March 31, 2013.

*Other operating income and loss.* Other operating income increased by ¥55 billion (\$461 million), from no loss for the fiscal year ended March 31, 2013 to ¥55 billion (\$461 million), for the fiscal year ended March 31, 2014. This was mainly due to an impairment loss of ¥32 billion (\$267 million), as well as severance costs, associated with a reduction in the workforce of Sprint of ¥18 billion (\$152 million).

*Operating income.* As a result of the foregoing, operating income increased by ¥286 billion (\$2,380 million), or 35.8%, from ¥799 billion (\$6,652 million) for the fiscal year ended March 31, 2013 to ¥1,085 billion (\$9,032 million) for the fiscal year ended March 31, 2014.

*Finance cost.* Finance cost increased by ¥206 billion (\$1,716 million), or 315.8%, from ¥65 billion (\$543 million) for the fiscal year ended March 31, 2013 to ¥271 billion (\$2,259 million) for the fiscal year ended March 31, 2014. This was mainly due to the inclusion of finance cost attributable to the newly added Sprint segment from the second quarter, as well as an increase in interest expenses for bonds and borrowings at the Company, including borrowing related to the Sprint acquisition.

*Equity in income (loss) of associates.* Equity in income of associates was ¥74 billion (\$619 million), for the fiscal year ended March 31, 2014, compared to a loss of ¥4 billion (\$30 million) for the fiscal year ended March 31, 2013. This was mainly due to recording equity in income of associates of ¥67 billion (¥556 million) contributed by Alibaba reflecting the growth of the Alibaba business.

*Other non-operating income (loss).* Other non-operating income increased by ¥59 billion (\$491 million), from other non-operating loss of ¥15 billion (\$124 million), for the fiscal year ended March 31, 2013, to other non-operating income of ¥44 billion (\$367 million), for the fiscal year ended March 31, 2014. The primary components of this increase were (i) gains on the sale of associates' increased by ¥32 billion (\$268 million), to ¥33 billion (\$275 million), mainly due to the sale of shares of PPLive Corporation in December 2013 and (ii) interest income increased ¥18 billion (\$149 million) to ¥21 billion (\$175 million). These factors were partially offset by a decrease in derivative gains, of ¥31 billion (\$262 million), resulting in a derivative loss of ¥20 billion (\$163 million), for the fiscal year ended March 31, 2014.

*Income before income tax.* As a result of the foregoing, income before income taxes and minority interests increased by ¥217 billion (\$1,805 million), or 30.3%, from ¥716 billion (\$5,954 million) for the fiscal year ended March 31, 2013 to ¥932 billion (\$7,759 million) for the fiscal year ended March 31, 2014.

*Income taxes.* Total income taxes increased by ¥69 billion (\$570 million), or 24.7%, from ¥278 billion (\$2,311 million) for the fiscal year ended March 31, 2013 to ¥346 billion (\$2,881 million) for the fiscal year ended March 31, 2014 due to an increase in income.

*Net income.* As a result of the foregoing, net income increased by ¥148 billion (\$1,234 million), or 33.9%, from ¥438 billion (\$3,643 million) for the fiscal year ended March 31, 2013 to ¥586 billion (\$4,878 million) for the fiscal year ended March 31, 2014.

## Results of Operations by Business Segment

The following table present net sales (both including and excluding inter-segment sales), and segment income for each business segment for the fiscal years ended March 31, 2013, 2014 and 2015. The comparisons following the table discuss comparisons of net sales, including inter-segment sales, operating expenses and operating income for each period.

|                                      | For the fiscal year ended<br>March 31, |        |                                  |        |
|--------------------------------------|--|--------|----------------------------------|--------|
|                                      | 2013                                   | 2014   | 2014 <sup>(3)</sup><br>(revised) | 2015   |
|                                      | (billions of yen)                      |        |                                  |        |
| <b>Mobile Communications</b>         |  |        |                                  |        |
| Net sales                            |  |        |                                  |        |
| Customers . . . . .                  | ¥2,331                                 | ¥3,143 | ¥3,143                           | ¥4,144 |
| Intersegment . . . . .               | 15                                     | 23     | 23                               | 46     |
| Total . . . . .                      | 2,346                                  | 3,166  | 3,166                            | 4,190  |
| EBITDA . . . . .                     | ¥ 797                                  | ¥1,004 | ¥1,001                           | ¥1,150 |
| Segment income . . . . .             | ¥ 517                                  | ¥ 609  | ¥ 606                            | ¥ 695  |
| <b>Sprint<sup>(1)</sup></b>          |  |        |                                  |        |
| Net sales                            |  |        |                                  |        |
| Customers . . . . .                  | ¥ —                                    | ¥2,601 | ¥2,601                           | ¥3,594 |
| Intersegment . . . . .               | —                                      | 0      | 0                                | 206    |
| Total . . . . .                      | —                                      | 2,601  | 2,601                            | 3,800  |
| EBITDA . . . . .                     | ¥ —                                    | ¥ 417  | ¥ 412                            | ¥ 653  |
| Segment income (loss) . . . . .      | ¥ —                                    | ¥ (1)  | ¥ (6)                            | ¥ 74   |
| <b>Fixed-line Telecommunications</b> |  |        |                                  |        |
| Net sales                            |  |        |                                  |        |
| Customers . . . . .                  | ¥ 438                                  | ¥ 442  | ¥ 442                            | ¥ 436  |
| Intersegment . . . . .               | 93                                     | 106    | 106                              | 105    |
| Total . . . . .                      | 531                                    | 548    | 548                              | 541    |
| EBITDA . . . . .                     | ¥ 168                                  | ¥ 171  | ¥ 170                            | ¥ 160  |
| Segment income . . . . .             | ¥ 114                                  | ¥ 109  | ¥ 108                            | ¥ 100  |
| <b>Internet</b>                      |  |        |                                  |        |
| Net sales                            |  |        |                                  |        |
| Customers . . . . .                  | ¥ 353                                  | ¥ 397  | ¥ 397                            | ¥ 416  |
| Intersegment . . . . .               | 3                                      | 3      | 3                                | 4      |
| Total . . . . .                      | 357                                    | 400    | 400                              | 419    |
| EBITDA . . . . .                     | ¥ 193                                  | ¥ 204  | ¥ 204                            | ¥ 205  |
| Segment income . . . . .             | ¥ 181                                  | ¥ 189  | ¥ 189                            | ¥ 187  |
| <b>Others</b>                        |  |        |                                  |        |
| Net sales                            |  |        |                                  |        |
| Customers . . . . .                  | ¥ 80                                   | ¥ 85   | ¥ 85                             | ¥ 81   |
| Intersegment . . . . .               | 37                                     | 40     | 40                               | 30     |
| Total . . . . .                      | 117                                    | 124    | 124                              | 111    |
| EBITDA . . . . .                     | ¥ 13                                   | ¥ 14   | ¥ 14                             | ¥ (11) |
| Segment income . . . . .             | ¥ 6                                    | ¥ 6    | ¥ 6                              | ¥ (20) |

|                                      | For the fiscal year ended<br>March 31, |               |                                  |               |
|--------------------------------------|--|---------------|----------------------------------|---------------|
|                                      | 2013                                   | 2014          | 2014 <sup>(3)</sup><br>(revised) | 2015          |
|                                      | (billions of yen)                      |               |                                  |               |
| <b>Reconciliations<sup>(2)</sup></b> |  |               |                                  |               |
| Net Sales                            |  |               |                                  |               |
| Customers . . . . .                  | —                                      | —             | —                                | —             |
| Intersegment . . . . .               | ¥ (148)                                | ¥ (172)       | ¥ (172)                          | ¥ (391)       |
| Total . . . . .                      | <u>(148)</u>                           | <u>(172)</u>  | <u>(172)</u>                     | <u>(391)</u>  |
| EBITDA . . . . .                     | ¥ (19)                                 | ¥ (23)        | ¥ (23)                           | ¥ (24)        |
| Segment income . . . . .             | <u>¥ (21)</u>                          | <u>¥ (24)</u> | <u>¥ (24)</u>                    | <u>¥ (26)</u> |
| <b>Consolidated</b>                  |  |               |                                  |               |
| Net Sales                            |  |               |                                  |               |
| Customers . . . . .                  | ¥3,203                                 | ¥6,667        | ¥6,667                           | ¥8,670        |
| Intersegment . . . . .               | —                                      | —             | —                                | —             |
| Total . . . . .                      | <u>3,203</u>                           | <u>6,667</u>  | <u>6,667</u>                     | <u>8,670</u>  |
| EBITDA . . . . .                     | <u>¥1,153</u>                          | <u>¥1,787</u> | <u>¥1,778</u>                    | <u>¥2,133</u> |
| Segment income . . . . .             | <u>¥ 798</u>                           | <u>¥ 887</u>  | <u>¥ 879</u>                     | <u>¥1,010</u> |

(1) Consolidated from July 10, 2013.

(2) “Reconciliations” includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment.

(3) Retrospective adjustments for certain items are made in accordance with the adoption of IFRIC 21 “Levies.” See Note 4 to our audited consolidated financial statements for the fiscal year ended March 31, 2015 included elsewhere in this offering memorandum.

### ***Comparison of the Fiscal Year Ended March 31, 2015 with the Fiscal Year Ended March 31, 2014***

**Mobile Communications.** Segment net sales increased by ¥1,024 billion (\$8,521 million), or 32.3%, from ¥3,166 billion (\$26,342 million) for the fiscal year ended March 31, 2014 to ¥4,190 billion (\$34,863 million) for the fiscal year ended March 31, 2015 mainly due to increases in net sales of Brightstar, Supercell and SoftBank Corp. Net sales of Brightstar (excluding SoftBank Commerce & Services Corp.) amounted to ¥937 billion (\$7,794 million), for a ¥799 billion (\$6,650 million) year-on-year increase. The increase was mainly due to net sales of Brightstar being recorded for the entire fiscal year, while in the previous fiscal year they were recorded only for two months. Net sales of Supercell were ¥253 billion (\$2,102 million), for a ¥198 billion (\$1,645 million) year-on-year increase. The increase in net sales at Supercell was due to net sales of Supercell being recorded for the entire fiscal year, while in the previous fiscal year they were recorded only after its acquisition on October 31, 2013. At SoftBank Corp., net sales increased by ¥31 billion (\$259 million) year on year to ¥2,269 billion (\$18,884 million), mainly on increased service revenue along with growth in the cumulative number of subscribers.

SoftBank Corp.’s ARPU, for the fiscal year ended March 31, 2015, was ¥4,230, a ¥220 decrease compared to that of the same period during the previous fiscal year. This decline in ARPU primarily reflected an increase in low-ARPU devices. Meanwhile, this decline was somewhat offset by growth in the number of LTE subscriptions, which have relatively higher data communication charges compared to 3G subscriptions. Its churn rate, for the fiscal year ended March 31, 2015, was 1.33%, an increase of 0.06% compared to the previous fiscal year. This was primarily due to an increase in the amount of churn for non-voice devices reaching the end of their two-year subscriptions.

The segment’s operating expenses increased from ¥2,560 billion (\$21,300 million) for the fiscal year ended March 31, 2014 to ¥3,494 billion (\$29,077 million) for the fiscal year ended March 31, 2015, largely due to the fact that Brightstar, which was consolidated from January 30, 2014, contributed a full year of operating expenses for the fiscal year ended March 31, 2015, compared to only two months for the fiscal year ended March 31, 2014, as well as increased operating costs at Supercell and SoftBank Corp.

Segment income increased by ¥89 billion (\$744 million), or 14.8%, from ¥606 billion (\$5,042 million) for the fiscal year ended March 31, 2014 to ¥695 billion (\$5,786 million) for the fiscal year ended March 31, 2015.

*Sprint.* Segment net sales increased by ¥1,199 billion (\$9,977 million), or 46.1%, from ¥2,601 billion (\$21,645 million) for the fiscal year ended March 31, 2014 to ¥3,800 billion (\$31,622 million) for the fiscal year ended March 31, 2015, mainly due to the fact that Sprint's results were reflected only from July 11, 2013, for the fiscal year ended March 31, 2014 but for the entire fiscal year ended March 31, 2015.

Segment income was ¥74 billion (\$615 million) for the fiscal year ended March 31, 2015, an increase of ¥80 billion (\$666 million) from a segment loss of ¥6.1 billion (\$51 million) for the fiscal year ended March 31, 2014. The principal cause of this improvement was a decrease in depreciation as a result of some of the legacy assets becoming fully depreciated as of December 31, 2013. Other factors that contributed to the improvement in income included decreases in network and roaming expenses, primarily resulting from the network enhancement and improvement, and a decrease in subsidies due to the increased adoption of installment billing and other programs for mobile devices in a shift away from the conventional subsidized model, where Sprint pays subsidies as a part of the cost of devices for customers.

*Fixed-line Telecommunications.* Segment net sales decreased by ¥7 billion (\$59 million), or 1.3%, from ¥548 billion (\$4,561 million) for the fiscal year ended March 31, 2014 to ¥541 billion (\$4,502 million) for the fiscal year ended March 31, 2015. This was mainly due to a decline in ADSL service revenue at Ymobile and a decrease in net sales at SoftBank Telecom. The revenue decrease at SoftBank Telecom Corp. principally reflected the absence of temporary revenue from interconnection charges recorded in the previous fiscal year.

Segment income decreased by ¥8 billion (\$67 million), or 7.4%, from ¥108 billion (\$901 million) for the fiscal year ended March 31, 2014 to ¥100 billion (\$834 million) for the fiscal year ended March 31, 2015, primarily due to the absence of a one-time recognition of revenue related to the settlement of interconnection charges accrued from prior years in the fiscal year ended March 31, 2014, as well as an increase in outsourcing expenses and telecommunications network charges at SoftBank Telecom Corp. relating to the telecommunications services network for a corporate customer.

*Internet.* Segment net sales increased by ¥19 billion (\$160 million), or 4.8%, from ¥400 billion (\$3,328 million) for the fiscal year ended March 31, 2014 to ¥419 billion (\$3,488 million) for the fiscal year ended March 31, 2015. This increase was mainly due to revenue growth in the advertising business at Yahoo Japan, particularly from display advertising. This was partially offset by a decrease in revenue from Yahoo Japan's e-commerce business, in part as a result of Yahoo Japan's strategy to eliminate monthly store tenant and other fees.

Segment income decreased by ¥2 billion (\$16 million), or 1.0%, from ¥189 billion (\$1,572 million) for the fiscal year ended March 31, 2014 to ¥187 billion (\$1,556 million) for the fiscal year ended March 31, 2015.

*Other.* For our other businesses, net sales decreased by ¥13 billion (\$110 million), or 10.7%, from ¥124 billion (\$1,036 million) for the fiscal year ended March 31, 2014 to ¥111 billion (\$925 million) for the fiscal year ended March 31, 2015. Segment income from our other businesses decreased by ¥26 billion (\$220 million), or 438.0%, from ¥6 billion (\$50 million) for the fiscal year ended March 31, 2014 to loss of ¥20 billion (\$170 million) for the fiscal year ended March 31, 2015.

### ***Comparison of the Fiscal Year Ended March 31, 2014 with the Fiscal Year Ended March 31, 2013***

*Mobile Communications.* Segment net sales increased by ¥820 billion (\$6,823 million), or 35.0%, from ¥2,346 billion (\$19,519 million) for the fiscal year ended March 31, 2013 to ¥3,166 billion (\$26,342 million) for the fiscal year ended March 31, 2014, primarily due to the impact of consolidating GungHo, WILLCOM, Supercell, and Brightstar, and as a result of increases in the number of mobile phone subscribers and units sold at SoftBank Corp., which led to increases in both service revenue and product sales. In addition we recorded net sales of eAccess for the entire fiscal year ended March 31, 2014, while in the previous fiscal year we only recorded net sales after January 2013, which also contributed to the overall increase.

SoftBank brand's ARPU was ¥4,450 for the fiscal year ended March 31, 2014, a ¥100 decrease compared to that of the same period during the previous fiscal year. This decline was partially offset by an increase in data ARPU during the same period by ¥150 to ¥2,930. The decline in ARPU mainly reflects an increase in low-ARPU handsets and a decline in the voice calls using voice devices. Its churn rate for the fiscal year ended March 31, 2014 was 1.27%, which was 0.18% higher than that of the previous year. This was primarily due to an increase in cancellations for non-voice devices reaching the end of their two year subscriptions. In addition, further competition to win customers under mobile number portability and a resulting increase in the number of customers who switched to other operators led to the higher churn rate.

Segment income increased by ¥92 billion (\$764 million), or 17.8%, from ¥517 billion (\$4,303 million) for the fiscal year ended March 31, 2013 to ¥609 billion (\$5,067 million) for the fiscal year ended March 31, 2014.



*Sprint.* The Sprint segment was added from the second quarter of the fiscal year ended March 31, 2014. Segment net sales was ¥2,601 billion (\$21,645 million) for the fiscal year ended March 31, 2014. The segment experienced segment loss of ¥1.2 billion (\$10 million) for the fiscal year ended March 31, 2014, primarily due to the depreciation of certain legacy assets.

*Fixed-line Telecommunications.* Segment net sales increased by ¥17 billion (\$142 million), or 3.2%, from ¥531 billion (\$4,419 million) for the fiscal year ended March 31, 2013 to ¥548 billion (\$4,561 million) for the fiscal year ended March 31, 2014. As eAccess was consolidated from January 2013, the fact that we recorded net sales of eAccess for the entire fiscal year ended March 31, 2014, while in the previous fiscal year we only recorded net sales for part of the year, contributed to the overall increase in segment net sales. This increase was partially offset by a decrease in revenues from the broadband business at SoftBank BB Corp., due to a decline in the number of its ADSL service subscribers of 326 thousand subscribers. Additionally, net sales for the fiscal year ended March 31, 2014, increased due to the a one-time recognition of revenue related to the settlement of interconnection charges accrued from prior years.

Segment income decreased by ¥6 billion (\$47 million), or 4.9%, from ¥114 billion (\$951 million) for the fiscal year ended March 31, 2013 to ¥109 billion (\$904 million) for the fiscal year ended March 31, 2014, due to the decrease in net sales in the broadband business at SoftBank BB Corp.

*Internet.* Segment net sales increased by ¥43 billion (\$360 million), or 12.1%, from ¥357 billion (\$2,968 million) to ¥400 billion (\$3,328 million) due mainly to growth in revenue at Yahoo Japan mainly from display advertising and sponsored search advertising especially through smartphones. This increase was partially offset by the fact that Yahoo Japan eliminated store tenant and other fees from October 2013 as part of a new strategy in its e-commerce business. Operating expenses increased by ¥35 billion (19.9%) year on year to ¥211 billion (\$1,755 million). This was mainly due to an increase in sales promotion expenses at Yahoo Japan for vigorous promotion activities conducted in relation to the e-commerce business, as well as increases in personnel expenses and outsourcing fees.

As a result, segment income increased by ¥8 billion (\$68 million), or 4.6%, from ¥181 billion (\$1,504 million) for the fiscal year ended March 31, 2013 to ¥189 billion (\$1,572 million) for the fiscal year ended March 31, 2014.

*Other.* For our other businesses net sales increased by ¥7 billion (\$61 million), or 6.3%, from ¥117 billion (\$974 million) for the fiscal year ended March 31, 2013 to ¥124 billion (\$1,036 million) for the fiscal year ended March 31, 2014.

## **Cash and Capital Requirements**

### ***Cash Requirements***

Our cash and capital requirements are related to funding our operating cash requirements, our debt repayment and certain other contractual commitments, capital expenditures, investments and dividend payments.

### ***Operating Cash Requirements***

The primary contributors to our operating cash requirements include sales commission fees, cost of sales of mobile handsets and accessories, fees for utilization of telecommunications lines and facilities and human resource expenses and tax payment.

## Debt Repayments and Certain Other Contractual Commitments

### Interest-Bearing Debt

The following table summarizes our interest-bearing debt that will affect our liquidity position through fiscal year 2020. The following table does not include interest payments.

|  | Carrying<br>amount | Maturity schedule of interest-bearing debt <sup>(1)</sup> |                            |  |  |  |  |  |                                  |
|--|--------------------|---|----------------------------|--|--|--|--|--|----------------------------------|
|  |                    | Face amount   |                            |  |  |  |  |  |                                  |
|  |                    | As of<br>March 31,<br>2015                                | As of<br>March 31,<br>2015 | April 1,<br>2015 to<br>March 31,<br>2016 | April 1,<br>2016 to<br>March 31,<br>2017 | April 1,<br>2017 to<br>March 31,<br>2018 | April 1,<br>2018 to<br>March 31,<br>2019 | April 1,<br>2019 to<br>March 31,<br>2020 | April 1,<br>2020<br>and<br>after |
|  |                    | (billions of yen)   |                            |  |  |  |  |  |                                  |
| Borrowings . . . . .                     | ¥ 3,056            | ¥ 3,089   | ¥ 941                      | ¥ 481                                    | ¥ 506                                    | ¥ 444                                    | ¥ 459                                    | ¥ 256                                    |                                  |
| Commercial paper . . . . .               | 32                 | 32  | 32                         | —  | —  | —  | —  | —  |                                  |
| Corporate bonds <sup>(2)</sup> . . . . . | 7,009              | 6,868   | 184                        | 909                                      | 276                                      | 791                                      | 1,064                                    | 3,645                                    |                                  |
| Lease obligations . . . . .              | 1,156              | 1,156   | 411                        | 286                                      | 228                                      | 160                                      | 61                                       | 11                                       |                                  |
| Preferred securities . . . . .           | 200                | 200   | 200                        | —  | —  | —  | —  | —  |                                  |
| Installment payables . . . . .           | 153                | 153   | 51                         | 42                                       | 37                                       | 16                                       | 8  | —  |                                  |
| Total . . . . .                          | ¥11,607            | ¥11,498   | ¥1,819                     | ¥1,717                                   | ¥1,047                                   | ¥1,411                                   | ¥1,592                                   | ¥3,912                                   |                                  |

- (1) This table does not include certain changes in total interest-bearing debt that have occurred subsequent to March 31, 2015. See “Capitalization” for information as adjusted to give effect to certain subsequent events. Future payments may differ from what is shown above.
- (2) The carrying amount of corporate bonds includes amounts with respect to certain debt obligations acquired in connection with the Sprint and Brightstar acquisitions. These debt obligations were recognized by us in connection with such acquisitions at fair values that exceeded their face amounts.

Interest-bearing debt consists of:

- Borrowings totaling ¥3,056 billion (\$25,433 million), principally comprising ¥1,882 billion (\$15,662 million) outstanding on the Sprint Acquisition Loan, ¥500 billion (\$4,158 million) of securitization of receivables, and ¥674 billion (\$5,613 million) in other borrowings.
- Corporate bonds totaling ¥7,009 billion (\$58,329 million).
- Lease obligations totaling ¥1,156 billion (\$9,623 million), which we mainly use in sale and lease-back agreements in order to finance our network equipment purchases.
- ¥200 billion (\$1,664 million) in preferred securities.

### Interest Expense

We incur interest expenses mainly due to payments on our loan and bond obligations. We also incur interest expenses in connection with the lease obligations of SoftBank Corp.

### Capital Expenditures

We incur significant amounts of capital expenditures to expand and maintain our network. The following details our capital expenditures by business segment for the fiscal years ended March 31, 2013, 2014 and 2015.

|  | For the fiscal year ended March 31, |        |        |
|--|-------------------------------------|--------|--------|
|  | 2013                                | 2014   | 2015   |
|  | (billions of yen)                   |        |        |
| Capital expenditures (acceptance basis) <sup>(1)</sup> |                                     |        |        |
| Mobile Communications                                  | ¥650                                | ¥ 679  | ¥ 537  |
| Sprint <sup>(2)</sup>                                  | —                                   | 464    | 700    |
| Fixed-line Telecommunications                          | 66                                  | 60     | 62     |
| Internet   | 23                                  | 26     | 30     |
| Other  | 15                                  | 16     | 26     |
| Consolidated total                                     | ¥753                                | ¥1,245 | ¥1,355 |
| Capital expenditures (cash flow basis) <sup>(3)</sup>  | ¥589                                | ¥1,371 | ¥1,398 |

- (1) We recognize capital expenditures on an acceptance basis following our inspection and acceptance of new assets.
- (2) Consolidated from July 10, 2013.
- (3) We define capital expenditures on a cash flow basis as purchases of property and equipment and intangibles as reflected in our cash flows from investing activities.

Capital expenditures to acquire or upgrade our physical assets, such as equipment, are recognized on an inspection and acceptance basis. This differs from capital expenditure measured on a cash flow basis, which we define as purchases of property and equipment and intangibles as reflected in our cash flows from investing activities. Historically, a majority of our capital expenditures are attributable to our Mobile Communications segment, but for the fiscal year ended March 31, 2015 capital expenditures attributable to our Sprint segment exceeded those attributable to our Mobile Communications segment, with the Sprint segment accounting for 52% of our capital expenditures.

We have invested heavily in our Mobile Communications segment, with a total of ¥1,866 billion (\$15,525 million) in capital expenditure in this segment over the last three fiscal years, the substantial majority of which relates to our domestic mobile communications business. These investments have provided us with state-of-the-art smartphone data connectivity and smartphone communication speed and our future capital expenditures in our domestic networks can in the near-to-mid-term be limited to life-cycle maintenance and discretionary incremental build-out and significantly reduced from prior periods. We have invested in particular in the most capital intensive aspect of our network, including base stations and network backbone for LTE services and a comprehensive network in the 900 MHz spectrum. Prior to the merger with SoftBank Corp., Ymobile expanded its network capacity in the 700 MHz band. We believe that the evolution of new mobile technologies, including next generation LTE technologies, will be implemented without an additional phase of major capital improvement, as we do not foresee the need to make further significant investments in real property or towers for base station expansion.

We currently anticipate that capital expenditures (calculated on an acceptance basis) in our Mobile Communications segment will be approximately ¥372 billion (\$3,098 million) for the fiscal year ending March 31, 2016 (including life-cycle expenditures), in part so that we can maintain excess network capacity despite the expected increase in mobile data usage. On-going expenditures will be responsive to our analysis of user data and traffic requirements.

In our Sprint segment, following our acquisition of Sprint in fiscal year 2013, we continued modernizing our network by consolidating and optimizing spectrum into our base stations and deploying enhanced 3G and 4G LTE technology, commenced rolling out 4G/LTE technology on our 800 MHz spectrum and started modifying our existing backhaul architecture to enable increased capacity to our network at a lower cost by utilizing Ethernet as opposed to time division multiplexing technology. The cost to carry out these initiatives to modernize our network has been significant. We incurred capital expenditures of ¥700 billion (\$5,824 million) in fiscal year 2014, but as the initiatives draw closer to completion we are now focusing on reducing our investments to maximize capital efficiency. We expect capital expenditures of approximately \$5 billion excluding the impact of leased devices sold through indirect channels in our Sprint business in fiscal year 2015 and our aim is for Sprint to stay self-funding.

The estimated capital expenditures set forth above are forward-looking statements based upon the assumptions and beliefs of our management as of the time of the announcements, and are subject to the qualifications described under “Disclosure Regarding Forward-Looking Statements.”

#### ***Dividend Payments.***

Our basic policy is to maintain a sound financial position, while at the same time both investing prudently to ensure sustained growth and returning profits to shareholders. Returns to shareholders include cash dividends paid twice per year, in principle, as an interim dividend and a year-end dividend. Our board of directors resolved to propose a year-end dividend of ¥20.00 per share for the fiscal year ended March 2015. Together with the interim dividend of ¥20.00 per share paid in December 2014, this brings the annual dividend for the fiscal year to ¥40.00 per share, the same as the previous fiscal year. Our total dividend payments with respect to the ¥20.00 per share interim period dividend were ¥48 billion (\$396 million).

## Liquidity and Capital Resources

### Liquidity

The below table reflects the cash position of certain of our key subsidiaries, our consolidated cash position and our consolidated cash position excluding Sprint as of March 31, 2015.

|                                     | As of March 31,                           |          |
|-------------------------------------|---|----------|
|                                     | 2015                                      | 2015     |
|                                     | (billions of yen and millions of dollars) |          |
| <b>Cash Position<sup>(1)</sup></b>  |   |          |
| SoftBank Group Corp. ....           | ¥1,672                                    | \$13,914 |
| SoftBank Corp. <sup>(2)</sup> ..... | 50  | 420      |
| Sprint .....                        | 502                                       | 4,176    |
| Yahoo Japan .....                   | 502                                       | 4,173    |
| Other .....                         | 699                                       | 5,814    |
| Total cash position .....           | ¥3,424                                    | \$28,497 |
| Excluding Sprint .....              | 2,923                                     | 24,321   |

(1) Cash position is cash and cash equivalents plus short-term investments. See “Presentation of Financial Information—Non-IFRS Financial Measures—Cash Position.”

(2) Reflects SoftBank Corp. on a historical basis without giving effect to the Intra-Group Consolidation.

Our operating cash flows, including cash generated from our Mobile Communications, Sprint, Fixed-line Telecommunications and Internet segments, are used for those businesses, and cash is easily transferable between us and most of our consolidated subsidiaries, except for Sprint, Yahoo Japan and certain other subsidiaries. As of March 31, 2015, our consolidated cash and cash equivalents equaled ¥3,259 billion (\$27,117 million), a plurality of which is held at the Company.

We use diversified financing methods for raising funds through bank loans, as well as the issuance of bonds (in the local and international capital markets), taking market conditions and debt ratios into consideration. Some of our other financing methods include:

- We utilize proceeds from sales of investment securities and investments in associated companies as required.
- We finance a portion of our network equipment through sale and lease-back transactions. We account for such financing as lease obligations on our consolidated balance sheet.
- We securitize certain accounts receivable on a non-recourse basis.

Although we consolidate Yahoo Japan’s and Sprint’s financial results with our own, we are a partner with Yahoo! Inc. in the Yahoo Japan joint venture and Yahoo Japan and Sprint are public companies. In addition, Sprint has incurred substantial amounts of indebtedness with financial maintenance or incurrence covenants that impose significant restrictions on its ability to pay dividends, distribute cash or return capital to us. Accordingly, only limited reliance can be placed on our Sprint segment’s EBITDA, operating income and cash flow as indicators of our ability to service our indebtedness, including the Notes. As a result, we are limited in our ability to move cash and capital resources in and out of these companies. Additionally, Brightstar, which we acquired in January 2014, has issued senior notes, of which ¥76 billion (\$636 million) were outstanding (measured at amortized costs pursuant to IFRS) as of March 31, 2015, that restrict its ability to make dividend payments. See “Description of Other Indebtedness—Bonds—¥76 billion (\$636 million) of Indebtedness Outstanding under Senior Notes issued by Brightstar.” As of March 15, 2015, Sprint and its consolidated subsidiaries had approximately ¥3,927 billion (\$32,679 million) outstanding under senior notes, including ¥1,245 billion (\$10,361 million) under senior notes issued by Sprint, and ¥2,682 billion (\$22,318 million) under aggregate principal amount of notes issued by wholly owned subsidiaries including Sprint Communications, Inc., Sprint Capital Corporation and Clearwire Communications LLC. Yahoo Japan does not have any material indebtedness.

As of March 31, 2015, our consolidated liquidity, including cash, cash equivalents, short-term investments and available borrowing capacity under our commitment line was ¥3,101 billion (\$25,806 million) excluding Sprint. We expect our liquidity position, together with cash flows from operations, to be sufficient to cover our expected liquidity needs at least over the next 12 months.

As of March 31, 2015 Sprint’s consolidated liquidity including cash, cash equivalents, short-term investments, and undrawn borrowing capacity under its revolving bank credit facility and service receivables financing agreement, was \$7.5 billion. We expect Sprint’s operations and capital requirements to continue being funded from Sprint’s stand-alone operating cash flows and financing arrangements and we currently do not intend to provide Sprint with additional financial support to meet its capital expenditure plans or other liquidity needs.

### ***Commitment Line***

On August 18, 2014, we renewed a credit facility pursuant to a commitment line agreement from several Japanese and international financial institutions for borrowings up to ¥178.5 billion (\$1,485 million). As of March 31, 2015, we have drawn down no amounts under the facility. We have not pledged any collateral for this loan, and the remainder of the loan remains available for drawing. Historically, we have renewed this annual commitment line year-over-year. See “Description of Other Indebtedness.”

### ***Cash Flows***

The following table shows our consolidated cash flow data for the fiscal years ended March 31, 2013, 2014 and 2015.

|   | For the fiscal years ended March 31,      |         |         |           |
|---|---|---------|---------|-----------|
|   | 2013                                      | 2014    | 2015    | 2015      |
|   | (billions of yen and millions of dollars) |         |         |           |
| <b>Cash and cash equivalents at the beginning of the period</b> . . . . . | ¥1,021                                    | ¥ 1,439 | ¥ 1,963 | \$ 16,339 |
| Net cash flows from operating activities . . . . .                        | 813                                       | 860     | 1,155   | 9,613     |
| Net cash flows from investing activities . . . . .                        | (874)                                     | (2,718) | (1,667) | (13,874)  |
| Net cash flows from financing activities . . . . .                        | 471                                       | 2,359   | 1,720   | 14,312    |
| Effect of exchange rate changes . . . . .                                 | 8   | 23      | 87      | 727       |
| <b>Increase in cash and cash equivalents</b> . . . . .                    | 418                                       | 524     | 1,295   | 10,778    |
| <b>Cash and cash equivalents at the end of the period</b> . . . . .       | ¥1,439                                    | ¥ 1,963 | ¥ 3,259 | \$ 27,117 |

*The following discussion of our cash flows refers to line items which are not presented in the table above but are presented in our complete consolidated statements of cash flows. For a complete presentation of our audited consolidated statements of cash flows for the fiscal years ended March 31, 2013, 2014 and 2015, see Page F-11 and Page F-131.*

### ***Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014***

Our cash flow from operating activities for the fiscal year ended March 31, 2015 was ¥1,155 billion (\$9,613 million) compared to ¥860 billion (\$7,159 million) for the previous fiscal year, representing an increase of ¥295 billion (\$2,454 million). This increase partly resulted from an increase in net income, which totaled ¥764 billion (\$6,355 million) compared to ¥578 billion (\$4,812 million) for the previous period. The key components of cash flow were as follows:

- (i) net income totaling ¥764 billion (\$6,355 million); and
- (ii) addbacks of depreciation and amortization of ¥1,123 billion (\$9,341 million) compared to ¥900 billion (\$7,489 million) due to our increased investments, income taxes of ¥513 billion (\$4,272 million) compared to ¥346 billion (\$2,878 million) due to a higher taxable income and finance costs of ¥367 billion (\$3,050 million) compared to ¥271 billion (\$2,259 million).

These positive cash flows were partly offset by certain factors that reduced cash flows from operating activities, including a dilution gain of ¥600 billion (\$4,991 million) from changes in equity interest, ¥408 billion (\$3,392 million) of interest paid and ¥406 billion (\$3,376 million) of income taxes paid.

Our cash flow from investing activities for the fiscal year ended March 31, 2015 was a cash outflow of ¥1,667 billion (\$13,874 million) compared to a cash outflow of ¥2,718 billion (\$22,620 million) for the previous fiscal year, representing an increase of ¥1,051 billion (\$8,745 million), due primarily to reduction in the amount of decrease from acquisition of control over subsidiaries from ¥1,664 billion (\$13,843 million) for the fiscal year ended March 31, 2014 to ¥48 billion (\$398 million) for the fiscal year ended March 31, 2015. The key components of cash flows were as follows:

- (i) outlays for purchase of property, plant and equipment and intangible assets amounted to ¥1,398 billion (\$11,632 million);
- (ii) payments for acquisition of investments amounted to ¥288 billion (\$2,395 million). This was mainly attributable to investments in Jasper Infotech Private Limited, the operator of the online marketplace snapdeal.com in India and Travice Inc. (currently Xiaoju Kuaizhi Inc.), the provider of a mobile taxi booking application in China; and
- (iii) payments for the acquisition of, and proceeds from the sale/redemption of, marketable securities for short-term trading amounted to ¥282 billion (\$2,344 million) and ¥281 billion (\$2,336 million), respectively. This was mainly attributable to acquisition and sale of marketable securities for short-term trading, primarily by Sprint and Brightstar.



Our cashflows from financing activities for the fiscal year ended March 31, 2015 was ¥1,720 billion (\$14,312 million) compared to ¥2,359 billion (\$19,634 million) for the previous fiscal year, representing a decrease of ¥639 billion (\$5,321 million). This decrease was primarily due to a reduction in proceeds from long-term interest-bearing debt from ¥4,698 billion (\$39,097 million) for the fiscal year ended March 31, 2014 to ¥2,716 billion (\$22,597 million) for the fiscal year ended March 31, 2015. The primary components of cash flows were as follows:

- (i) proceeds from long-term interest-bearing debt that amounted to ¥2,716 billion (\$22,597 million), which included (i) proceeds from the issuance of corporate bonds of ¥1,764 billion (\$14,676 million), mainly consisting of the Company's issuance of unsecured corporate bonds and Sprint's issuance of corporate bonds, (ii) proceeds from the sale and leaseback of newly acquired equipment of ¥508 billion (\$4,228 million) and (iii) proceeds from long-term borrowings of ¥444 billion (\$3,692 million), mainly due to borrowings made through securitization of installment sales receivables at SoftBank Corp.; and
- (ii) a net ¥109 billion (\$903 million) increase in short-term interest-bearing debt.

These positive cash flows, were partially offset by the repayment of ¥985 billion (\$8,195 million) of long-term interest-bearing debt, of which the primary components were (i) the repayment of long-term borrowings of ¥460 billion (\$3,827 million), primarily as a result of SoftBank Corp. repaying borrowings made through securitization of installment sales receivables and repayment of borrowings by the Company, (ii) the repayment of lease obligations of ¥306 billion (\$2,548 million) and (iii) the redemption of corporate bonds of ¥170 billion (\$1,416 million), primarily as a result of Ymobile Corporation's payment of ¥77 billion (\$638 million) to a trustee for redemption of foreign currency denominated straight corporate bonds before maturity (redemption date: April 1, 2015), as well as the Company's redemption of its unsecured straight corporate bonds totaling ¥75 billion (\$623 million). Positive cash flows were also partially offset by payment for the purchase of subsidiaries' equity from non-controlling interest holders of ¥53 billion (\$440 million), primarily as a result of additional purchase of shares of Brightstar Global Group Inc., the parent company owning 100% of Brightstar.

***Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013***

Our cash flow from operating activities for the fiscal year ended March 31, 2014 was ¥860 billion (\$7,159 million) compared to ¥813 billion (\$6,766 million) for the previous fiscal year, representing an increase of ¥47 billion (\$393 million). Sprint's net cash provided by operating activities (for the period from July 11, 2013 to March 31, 2014) totaled ¥25 billion (\$208 million). The primary components of cash flows were as follows:

- (i) net income totaling ¥586 billion (\$4,878 million); and
- (ii) addbacks of depreciation and amortization of ¥900 billion (\$7,489 million), income taxes of ¥346 billion (\$2,881 million) and finance costs of ¥271 billion (\$2,259 million).

These positive cash flows were partly offset by certain factors that reduced cash flows from operating activities, including (i) the backing out of income from remeasurements relating to business combinations of ¥254 billion (\$2,113 million), (ii) the backing out of equity in income of associates of ¥74 billion (\$619 million), primarily attributable to the recording of equity in the income of Alibaba in the amount of ¥67 billion (\$556 million) and (iii) the backing out of other non-operating income of ¥44 billion (\$367 million). Positive cash flows were also partially offset by interest paid, in the amount of ¥307 billion (\$2,552 million), due to the impact of adding the interest expense of Sprint, as well as an increase in interest expenses for bonds and borrowings at the Company and income taxes paid in the amount of ¥315 billion (\$2,624 million).

Our cash outflow from investing activities for the fiscal year ended March 31, 2014 was ¥2,718 billion (\$22,620 million) compared to ¥874 billion (\$7,274 million) for the previous fiscal year, representing an increase of ¥1,844 billion (\$15,345 million), primarily due to increases in purchases of property, plant and equipment and a decrease in cash from the acquisition of control over subsidiaries. The primary components of cash flows were as follows:

- (i) outlays for the acquisition of control over subsidiaries of ¥1,664 billion (\$13,843 million) were recorded. This was primarily attributable to the consolidation of Sprint, GungHo, Supercell and Brightstar;
- (ii) outlays for the purchase of property, plant and equipment and intangible assets amounted to ¥1,371 billion (\$11,412 million). Out of this, Sprint's outlays for purchase of property, plant and equipment and intangible assets (for the period from July 11, 2013 to March 31, 2014) amounted to ¥564 billion (\$4,692 million); and

- (iii) proceeds from the settlement of foreign currency forward contracts for acquisition of control of subsidiaries of ¥310 billion (\$2,581 million) were recorded, due to the settlement of the foreign currency forward contract of \$18.5 billion concluded in relation to the acquisition of Sprint.

Our cashflow from financing activities for the fiscal year ended March 31, 2014 was ¥2,359 billion (\$19,634 million) compared to ¥471 billion (\$3,923 million) for the previous fiscal year, representing an increase of ¥1,888 billion (\$15,710 million), primarily due to an increase of proceeds from long-term interest-bearing debt of ¥3,374 billion (\$28,074 million). The primary components of cash flows were proceeds from long-term interest-bearing debt amounted to ¥4,698 billion (\$39,097 million), which included (i) proceeds from long-term borrowings of ¥2,588 billion (\$21,534 million), mainly from borrowings of ¥1,980 billion (\$16,477 million) executed by the Company in September 2013 in conjunction with the refinancing of the Sprint acquisition bridge loan and other existing borrowings and debts; (ii) proceeds from the issuance of corporate bonds of ¥1,665 billion (\$13,857 million), including a total of \$9.0 billion straight corporate bonds issued by Sprint and ¥450 billion (\$3,745 million) of unsecured straight corporate bonds and ¥324 billion (\$2,699 million) of foreign currency denominated straight corporate bonds issued by the Company; and (iii) proceeds from the sale and leaseback of newly acquired equipment of ¥445 billion (\$3,706 million).

These positive cash flows were partially offset by (i) the repayment of long-term interest-bearing debt of ¥1,972 billion (\$16,407 million), including the repayment of long-term borrowings of ¥1,133 billion (\$9,431 million), mainly due to our repaying part of existing borrowings in September 2013, at the time we refinanced the Sprint acquisition bridge loan and other existing borrowings and debts and the redemption of corporate bonds of ¥534 billion (\$4,440 million), mainly due to Clearwire's early redemption of \$3 billion of its corporate bonds and the Company's redemption of its unsecured straight bonds totaling ¥205 billion (\$1,706 million), (ii) a decrease in short-term interest-bearing debt, net resulting in an outlay of ¥202 billion (\$1,679 million) and (iii) payment from purchase of subsidiaries' equity from non-controlling interests was ¥83 billion (\$693 million), mainly including our additional purchase of approximately 2% of Sprint shares from August 1 to September 16, 2013, after its consolidation on July 10, 2013, which resulted in an outlay of \$500 million, as well as an outlay of ¥30 billion (\$250 million) for Yahoo Japan's repurchase of its own shares.

## **Market Risk**

As we operate in a wide range of markets, we face a variety of financial risks (currency risk, price risk, interest rate risk, credit risk, and liquidity risk) in its operations. We manage our risks based on established policies to prevent and reduce these financial risks.

Derivative transactions entered into by us are conducted and controlled based on our internal rules and procedures for derivative transactions and are limited to the extent of actual demands. For more information, see note 26 to our audited consolidated financial statements for the fiscal year ended March 31, 2015 included elsewhere in this offering memorandum.

## **Retirement and Pension Plans**

We and our consolidated subsidiaries primarily utilize defined contribution pension plans. The total liability for employees' retirement benefits as of March 31, 2015 was ¥128 billion (\$1,068 million). See note 25 to our consolidated financial statements included elsewhere in this offering memorandum.

## **Deferred Taxes**

We, including our domestic subsidiaries, are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 38.0%, 38.0% and 35.6% for the years ended March 31, 2013, 2014 and 2015, respectively. As of March 31, 2015, we had deferred tax assets of ¥235 billion (\$1,960 million) and deferred tax liabilities of ¥2,053 billion (\$17,081 million). Foreign subsidiaries, such as Sprint, are subject to income taxes at their respective locations.

As of March 31, 2015, we have tax loss carryforwards and tax credit carryforwards of ¥1,164 billion (\$9,687 million), which are available. Consolidated taxation in Japan was only applied prior to April 1, 2015 for BB Mobile Corp. and its wholly owned subsidiaries, including SoftBank Corp.

## **Critical Accounting Policies**

Through the fiscal year ended March 31, 2015, we prepare our financial statements in conformity with IFRS. The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We

continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the such policies to be critical to an understanding of our historical financial statements, including those included in this offering memorandum, as their application places the most significant demands on our management's judgment. For a description of the critical accounting policies that we have applied in preparation of our consolidated financial statements, see note 3 to our audited consolidated financial statements for the fiscal year ended March 31, 2015 included elsewhere in this offering memorandum.

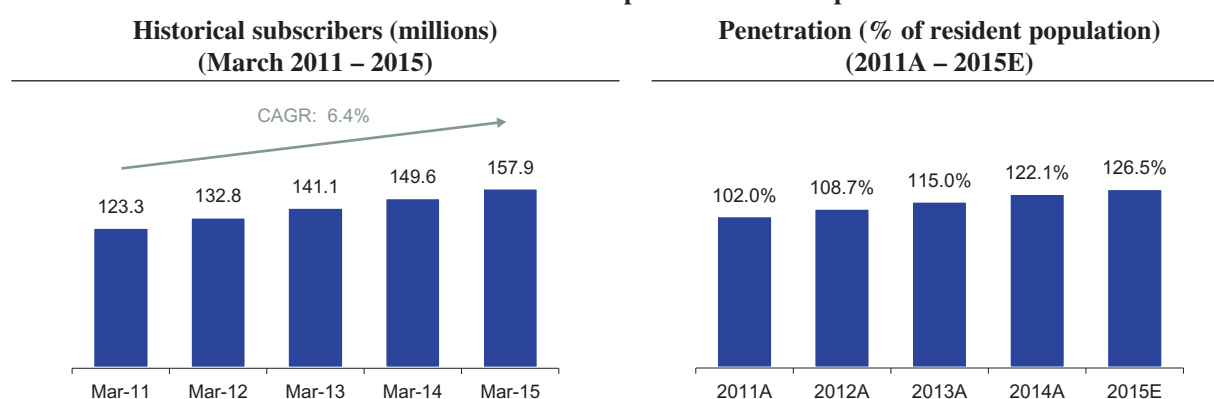
## MARKET AND INDUSTRY

*Certain of the projections and other information set out in this section have been derived from external sources. Industry publications, surveys and forecasts generally state that the information contained therein were obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. The projections and forward looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Risk Factors” and “Forward Looking Statements.” For further discussion on the industry and market terms and the sources cited herein, see “Presentation of Operating Information.”*

### Japanese Mobile Market

Japan’s mobile telecommunication market is the world’s third largest by revenue and was estimated to be worth approximately \$68 billion in 2014 according to IDC (Source: IDC, Dec. 2014 “Worldwide Telecom 2014-2018 Forecast: FY13 and 1H14 Update” (#252690)). Over the last few years, the market has grown due to strong subscriptions growth. Between 2010 and 2015 the number of mobile phones subscriptions (including Mobile Virtual Network Operators “MVNOs”) has grown at a compounded annual growth rate in excess of 6% to reach 157.9 million in March 2015 as a result of increasing mobile penetration rates, continued migration of fixed-line users to wireless solutions and growing demand for data services. According to BMI, the mobile penetration rate in Japan has been increasing over past several years to reach an estimated 122.1% at the end of 2014, but remains below other developed mobile telecommunication markets such as Italy (145.4%), Germany (139.8%) or the UK (123.5%). The number of mobile subscriptions is greater than the resident population due to certain customers owning more than one SIM card for multiple devices (e.g. mobile phones, smartphones, tablets and mobile broadband modems), non-resident customers and customers that are legal entities.

#### Evolution of the mobile/PHS subscriptions and mobile penetration rates



Source: Telecommunications Carriers Association (“TCA”) and Business Monitor International (“BMI”)

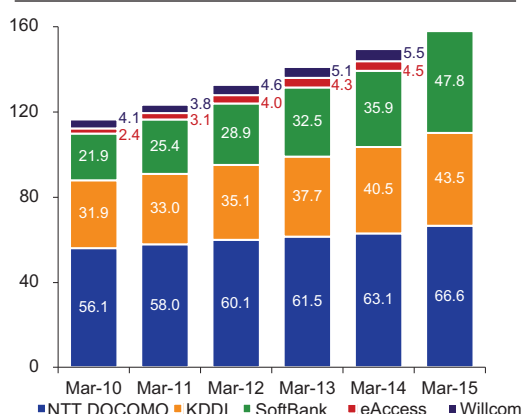
As mobile penetration reaches levels currently experienced in other developed countries and as the Japanese population starts to age and slightly decline, the number of new mobile subscriptions is expected to grow at a slower rate than in recent years. Nevertheless, continued fixed to mobile substitution, shift from feature phone to smartphone with higher ARPU due to greater data usage, increasing multiple device users with tablets and Wi-Fi routers, and introduction of new technologies supporting high data products and services including machine-to-machine (“M2M”) communications, are expected to provide additional subscriber growth going forward. M2M communications using mobile connections are being increasingly deployed around the world to collect data from sensors and other devices for innovative new businesses, such as monitoring the operational status of exported machinery and vehicles and managing cross-border supply chains. According to GSMA, Japan was the third largest M2M market globally by the end of 2014 after the U.S. and China based on number of subscriptions, with all of the largest operators already offering M2M solutions. According to GSMA, M2M communications are expected to show strong growth in the near future.

The Japanese mobile market is one of the most attractive and technologically advanced in the world due to a number of unique characteristics which together have historically promoted strong mobile subscriber growth and healthy competition as outlined in more detail below.

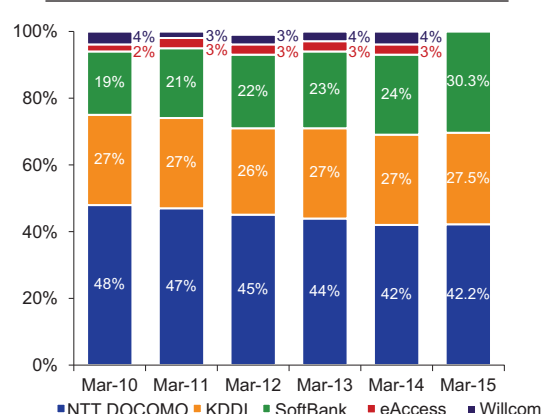
## Established tri-player market

The mobile market is now primarily served by three firmly established mobile network operators (“MNOs”)—NTT DOCOMO, the mobile arm of NTT, our Group and KDDI—with market shares of 42.2%, 30.3% and 27.5%, respectively, as of March 31, 2015. Each of these three companies has its own spectrum allocations and the infrastructure necessary to operate an independent mobile network. The three MNOs provide nationwide coverage, and therefore do not incur costs in relation to internetwork termination fees. The current structure of the mobile market in Japan is the result of a long process of privatization and consolidation, with state controlled NTT progressively losing market share in favor of other carriers, including ourselves and KDDI. Given the current spectrum allocation and well-developed networks of the three established MNOs, other players are not expected to enter the market, aside from MVNOs, without owned network and infrastructure.

**Subscriber development by mobile operator  
(millions)**



**Historical development of market shares  
(% of total)**



Note: On April 1, 2015, SoftBank Corp. merged with the successor company of eAccess, Ymobile Corporation, which had previously merged with WILLCOM. For convenience, subscriber numbers for SoftBank, eAccess and WILLCOM are presented on a combined basis as of March 2015. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting Results of Business Segments.”

Source: TCA

## Recent competitive dynamics

Since our acquisition of Vodafone Japan in 2006 we have been consistently increasing our market share due to our attractive price plans as well as our focused branding and marketing strategies. We were the first to introduce the *iPhone* to Japan in 2008 and were the only MNO to offer the *iPhone* until October 2011, when KDDI commenced the marketing of *iPhone* products. Following the introduction of the *iPhone* by KDDI, competition intensified, driven by the shift from feature phone to smartphone. Nevertheless, primarily due to our first mover advantage and focused marketing strategy, we have consistently continued to add subscribers and increase our market share between 2012 and 2014, outpacing our competitors. In September 2013, NTT DOCOMO reached an agreement with Apple and started to sell the *iPhone* as well, narrowing the gap in handset value proposition between ourselves and KDDI. During the last quarter of the calendar year 2013, in part due to parity in access to the *iPhone*, the three MNOs engaged in a cycle of cash-back competition for new subscribers which largely ended during the summer 2014 following the introduction by the three operators of revised pricing plans based on unlimited voice and tiered data. Since then, with each operator offering similar pricing plans, that combine unlimited voice calling with a variety of data packages, similar handset access and sufficiently robust networks, competition has significantly stabilized and we believe it has set itself for more resilient subscriber bases and more focus on customer retention and operational efficiency.

## Mobile Virtual Network Operators (“MVNOs”)

In addition to the three MNOs, there are branded wholesale resellers that deliver their services independently over the network of MNOs under contractual agreements referred to as MVNOs. MVNOs contract directly with customers, but rely on existing MNO networks to provide their services. The MVNOs market has grown in Japan since 2010 along with increasing smartphone penetration and has been growing since then mainly driven by the decrease of line rental fees and the regulatory push for removing “SIM-lock” restrictions on handsets which allow consumers to put any SIM card into their handset for all handsets sold after May 1, 2015. According to the MIC, the independent MVNOs market, excluding MVNO services supplied by mobile network operators, was estimated to account for approximately 5.8% of the total mobile market in terms of subscriptions

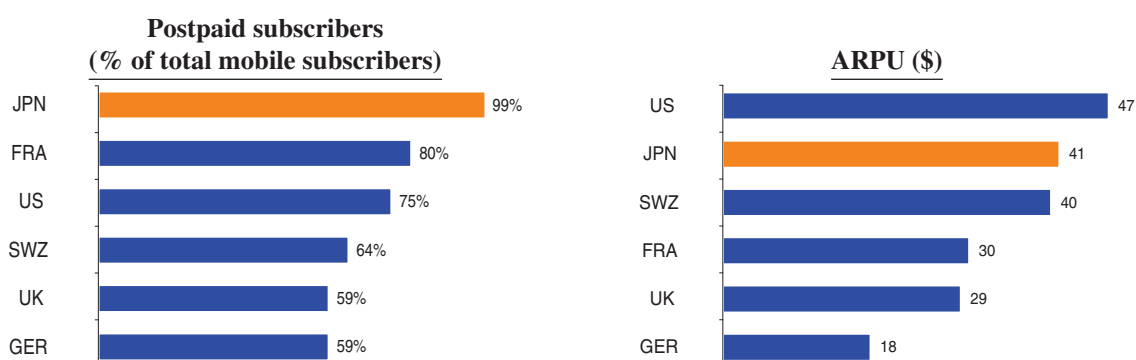


as of March 31, 2015. Compared to MNOs, MVNOs are more niche-market oriented and tend to focus their product offering towards certain segments, which are not targeted by MNOs, such as specific service needs, with focus on low price, and they can benefit from a strong, independent brand and/or their ability to bundle with their other services. Key market participants include independent MVNOs such as Internet Initiative Japan and Japan Communications as well as affiliates of various service segments including Internet Service Providers (ISPs) such as OCN (provided by NTT Communications), nifty (subsidiary of Fujitsu), BIGLOBE and So-net (subsidiary of Sony), e-Commerce platforms such as Rakuten and retailers such as AEON and Bic Camera.

While the market is growing and getting competitive with the new entrants' participation, given the different target markets, MVNOs are generally not considered a significant threat for more established players such as ourselves, but instead have a complementary role in addressing user requirements not completely addressed thus far.

### ***High proportion of postpaid subscriptions with high ARPU and low churn rate***

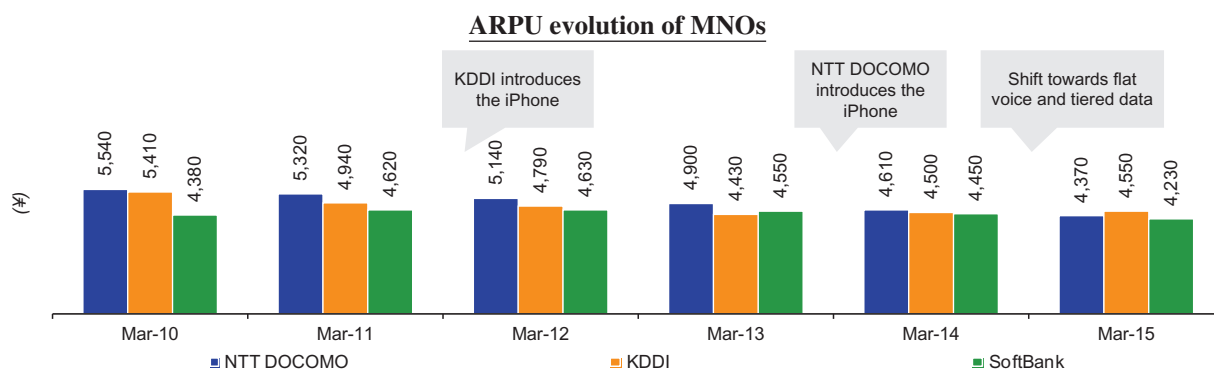
The Japanese mobile market is characterized by a high proportion of postpaid subscriptions, which are typically associated with higher ARPU and lower churn rates relative to prepaid subscriptions. According to BMI, as of December 31, 2014 postpaid subscriptions represented more than 99% of total subscriptions. This share of postpaid customers compares favorably to other attractive mobile telecommunication markets such as Switzerland, where only 64% of the total subscription base was postpaid as of December 31, 2014.



Source: BMI (December 2014), Company information

### ***Future-oriented pricing dynamics***

The Japanese mobile communications market has seen ARPU decline in recent years, a trend that has been observed in other developed markets. The ARPU decline is primarily due to diminishing revenue contribution from voice services, which is only partly offset by the growth in data services. Voice services have been commoditized through price competition as well as the rising threat of IP telecommunications such as Over-The-Top (“OTT”) and voice over IP (“VoIP”) services such as LINE. ARPU declines have been offset by the uptake of smartphones and mobile Wi-Fi routers/tablets, that drive increased consumption of mobile data. Increased adoption of tablet computers and greater use of online, video and multimedia services and content are driving data ARPU, but historically the effects were partly mitigated by mobile operators offering flat-rate data plans rather than the current model of tiered-data pricing.



Source: Based on respective companies' publicly available information


NTT DOCOMO: including Smart ARPU. Due to the definition change in the fiscal year ended March 31, 2015, ARPU amounts for the fiscal year ended March 31, 2013 and 2014 were retroactively revised.

KDDI: Total ARPU for Personal Services segment from the fiscal year ended March 31, 2012. Due to the definition change in the fiscal year ended March 31, 2015, ARPU amounts for the fiscal year ended March 31, 2014 was retroactively revised.

In recent years, operators have been focusing heavily on smartphones and data plans. NTT DOCOMO, KDDI, and SoftBank Corp. have all lined up a range of mobile devices, comprising smartphones and tablet computers, to attract customers with heightened competition to gain the subscribers. In line with the trend in other developed markets, smartphone handset sales in Japan have experienced strong growth in recent years. In terms of shipment units, smartphones were estimated to account for more than 70% of total shipment units in the twelve months ended March 31, 2015, with the remainder of shipments being feature phones. As of March 31, 2015, the number of cumulative smartphone subscribers was estimated at approximately 69 million, an increase of approximately 12 million from 57 million as of March 31, 2014, with smartphone subscribers accounting for approximately 54% of total Japanese mobile subscribers as of March 31, 2015.

Following a period of heightened competition post NTT DOCOMO's introduction of the *iPhone*, the industry took a constructive strategic shift during the summer 2014 when the three MNOs moved away from metered voice and flat rate data to a flat rate voice and tiered data pricing structure. As a result, ARPU decline has stabilized over the recent quarters, and continued strong demand of data usage driven by smartphone penetration is expected to improve overall pricing going forward.

#### **Tariff structure and plans compared (Summer 2014)**

| ¥ month                          |            |  SoftBank | NTT DOCOMO  | KDDI  |
|----------------------------------|------------|--|---|---|
| Voice (unlimited)                | Smartphone | 2,700  | 2,700   | 2,700   |
| Basic internet service fee       |            | 300  | 300   | 300   |
|                                  | 2GB        | 3,500  | 3,500   | 3,500   |
| Data                             | 5GB        | 5,000  | 5,000   | 5,000   |
|                                  | 10GB       | 8,000  | 9,500   | 8,000   |
| Additional charge                |            | Additional data can be purchased at ¥1,000 for each 1GB                                    | Additional data can be purchased at ¥1,000 for each 1GB | Additional data can be purchased at ¥550 for each 0.5GB and ¥1,000 for each 1GB |
| Bundling packages <sup>(a)</sup> | 5GB        | ▲1,410   | ▲800  | ▲1,410  |

(a) Bundling with broadband service (FTTH)

Source: Each company's publicly available data.

#### **Attractive regulatory environment**

The telecommunication sector is administered centrally by the MIC which is responsible for all aspects of telecommunications regulation including licensing, frequencies, planning and policy and pricing. See "Regulation."

Differently from other established mobile markets, in Japan, mobile spectrum is not auctioned off. Instead, the MIC allocates bandwidth after considering applications from interested parties. In this process, the MIC considers a range of factors, including which proposed use of spectrum best serves public needs and whether the parties have the necessary means to accomplish their proposals. Because the MIC might revoke allocations under certain circumstances, we are obligated to develop our spectrum in accordance with the proposals we made when applying for use of the spectrum. Spectrum users are required to pay radio utilization fees to the MIC. See "Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum."

In March 2012, we received the MIC approval on our 900 MHz band specific base station plan and were allocated 900 MHz spectrum, which we market as "Platinum Band", to enable more efficient and wider coverage compared to other SoftBank bands. In June 2012, MIC approved allocation of 700 MHz to three telecom operators (NTT DOCOMO, KDDI and eAccess, now Ymobile).

In August 2013, the MIC approved additional spectrum in the 2.5 GHz band to UQ Communications an associate of KDDI.

In December 2014, NTT DOCOMO, SoftBank and KDDI were each allocated 40 MHz each, in the 3.5 GHz band. We plan to begin providing services that utilize this spectrum in 2016.

| Current spectrum allocation |  | 700MHz                              | 800MHz               | 900MHz               | 1.5GHz               | 1.7GHz                              | 1.9GHz  | 2.1GHz               | 2.5GHz | 3.5GHz |
|-----------------------------|--|-------------------------------------|----------------------|----------------------|----------------------|-------------------------------------|---------|----------------------|--------|--------|
| NTT DOCOMO                  |  | 2 x 10MHz<br>(20MHz)                | 2 x 15MHz<br>(30MHz) |                      | 2 x 15MHz<br>(30MHz) | 2 x 20MHz<br>(40MHz) <sup>(b)</sup> |         | 2 x 20MHz<br>(40MHz) |        | 40MHz  |
|                             |  |                                     |                      |                      |                      |                                     |         |                      |        |        |
| KDDI                        |  | 2 x 10MHz<br>(20MHz) <sup>(a)</sup> | 2 x 15MHz<br>(30MHz) |                      | 2 x 10MHz<br>(20MHz) |                                     |         | 2 x 20MHz<br>(40MHz) | 50MHz  | 40MHz  |
|                             |  |                                     |                      |                      |                      |                                     |         |                      |        |        |
| SoftBank                    |  | 2 x 10MHz<br>(20MHz) <sup>(a)</sup> |                      | 2 x 15MHz<br>(30MHz) | 2 x 10MHz<br>(20MHz) | 2 x 15MHz<br>(30MHz)                | 31.2MHz | 2 x 20MHz<br>(40MHz) | 30MHz  | 40MHz  |
|                             |  |                                     |                      |                      |                      |                                     |         |                      |        |        |

(a) Services will be sequentially launched as the current users of this spectrum are transferred to other spectrum.

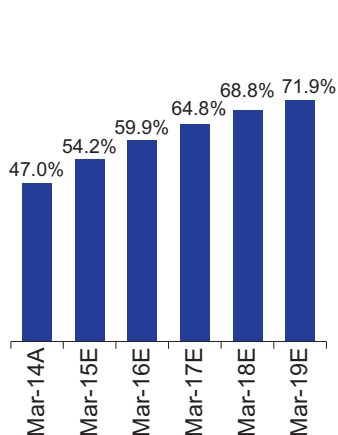
(b) Available only in Tokyo, Nagoya, Osaka

Source: MIC, Company information

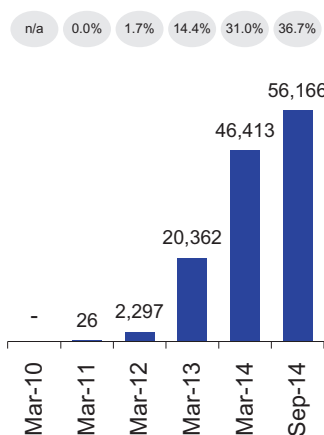
### Data driven receptive user base

The Japanese mobile communications market is characterized by a very receptive mobile phones user base which has historically helped to promote growth through the early adoption of technologically advanced products and services (such as sophisticated handsets and advanced mobile data services). For instance, Japan was one of the first countries to launch a 3G mobile telecommunication network, based on Wideband Code Division Multiple Access (“W-CDMA”) technology. To enhance the 3G mobile technologies, mobile operators introduced high-speed packet access (“HSPA”) technologies such as high-speed downlink packet access (“HSDPA”), high-speed uplink packet access (“HSUPA”), HSPA+ and dual-cell HSDPA (“DC-HSDPA”). In more recent years, advanced network technologies such as Long Term Evolution (“LTE”) have been successfully introduced and rolled out across the country offering data speeds reaching 225 Mbps which incentivize users to adopt smartphones as opposed to more traditional feature phones and subscribe to more expensive data packages. Between March 2014 and March 2015 Japanese smartphone subscribers as a percentage of total smartphone and feature phone subscribers increased from 47% to more than 54%. This trend is expected to continue.

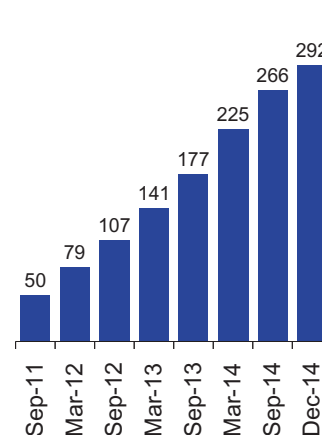
**Smartphone subscribers and penetration<sup>(a)</sup> (% total)**



**LTE subscribers and penetration<sup>(b)</sup> (thousand and % total)**



**Data usage (petabytes)**



Source: MM Research Institute (December 2014), MIC, BMI and TCA data

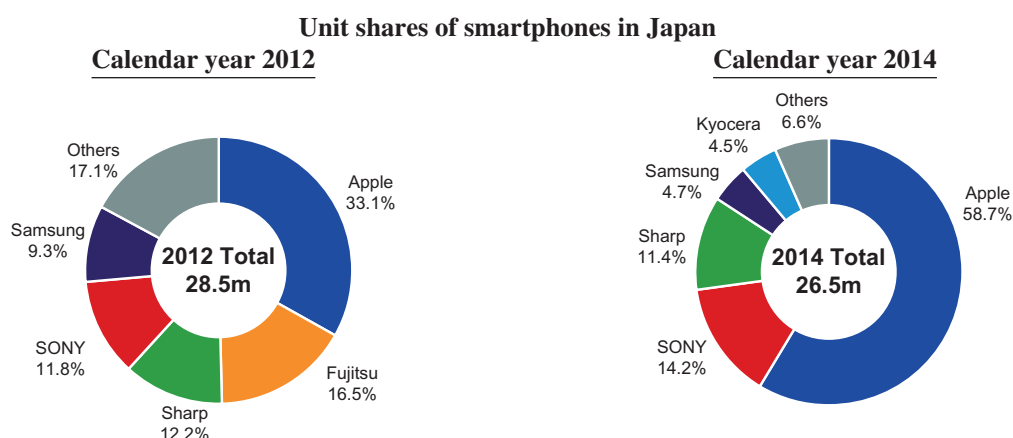
(a) Defined as total smartphone subscribers as a percent of smartphone and feature phone subscribers

(b) Defined as LTE subscribers as a percent of total mobile subscribers

According to BMI, as of December 2014, approximately 93% of Japanese mobile subscribers had handsets with 3G or LTE capabilities. The growth momentum in 3G is showing signs of saturation following the launch of LTE services by all major players, LTE coverage reaching more than 90% of the Japanese mobile subscribers, and LTE users as a percentage of mobile subscribers significantly increasing as a result.

### ***Market segmentation by handset type***

The Japanese handset market has traditionally been served by domestic manufacturers, including Sharp, Fujitsu and Panasonic. Since the introduction of the *iPhone* in 2008 the structure of the manufacturing market has started to bifurcate with LTE chip smartphones and primarily Apple's *iPhone* progressively dominating the "premium" product offering of the three MNOs especially on high data content packages and, Sony's Xperia and related series becoming the next largest contributor at approximately one-quarter of Apple's share. Since 2008, when we first introduced the *iPhone* in Japan, we have significantly grown our market share. We expect a large share of LTE based smartphones to lead to higher data usage among subscribers as LTE devices enable users to more easily run multiple data-driven applications simultaneously, use streaming services for music and videos and exchange data such as high resolution pictures.



Source: IDC Japan, March 2015

### **Japanese Fixed-line Market**

The Japanese fixed-line market is serviced by three large players, NTT East and NTT West, KDDI and ourselves which, combined, represent approximately 82% of the total fixed broadband market in terms of subscribers according to MIC. The remainder of the market is serviced by a number of smaller operators, including: So-net and K-Opticom.

NTT East and NTT West were formed by the splitting of the monopoly operator NTT into two regional carriers and along with a distance and international arm, named NTT Communications. NTT East and NTT West are required by law to serve only short distance communications and are obliged to maintain telephony services all over the country. To do this they utilize both DSL and, increasingly, FTTH technology.

KDDI was formed by the 1999 merger of KDD (a mainly international telecommunications operator), DDI group (long distance and mobile) and IDO (mobile). KDDI has offered fiber services on its own infrastructure since 2002 and also owns a stake in cable operator Jupiter Communications Co., Ltd. ("J:COM") which merged with JCN in 2014 (Sumitomo Corporation owns the remainder of J:COM). KDDI has been able to offer discounted bundled mobile and fiber services for since January 2012, a strategy it utilized to gain subscribers across both its fixed-line and mobile offerings.

SoftBank entered the fixed-line market with comprehensive broadband services launched in 2001, initially via DSL infrastructure.

In early 2015, NTT announced it would offer fiber wholesale via NTT East and NTT West which allowed both SoftBank Corp. and NTT DOCOMO to bundle mobile and fiber services in the same fashion as KDDI. This homogenization of product offering is likely to result in a more stable fixed-line market. For NTT, the wholesale offer is in part an attempt to maintain the utilization of its fiber infrastructure following recent broadband subscriber slow down, reflected by the diffusion of mobile broadband.

## Fixed telephony

According to the Ministry of Internal Affairs and Communications, Japan's fixed-line telecommunications subscribers totaled 56.2 million as of December 2014 including IP and cable television ("CATV") based telephones. Similar to other developed markets, the fixed-line telephone market in Japan has been in downward trend in recent years driven by the decline of traditional fixed telephone line subscriptions only partially offset by growth of IP and CATV telephone subscriptions. The key trend impacting the fixed-line telephone market in recent years has been the continued fixed to mobile substitution. The availability of cheaper IP solutions such as VoIP services have also promoted the reduction of fixed-line adds.

|   | Number of fixed-line telephones in Japan |               |               |               |               |                   |
|---|--|---------------|---------------|---------------|---------------|-------------------|
|   | As of March 31                           |               |               |               |               | As of December 31 |
|   | 2010                                     | 2011          | 2012          | 2013          | 2014          | 2014              |
|   | (Thousands)                              |               |               |               |               |                   |
| NTT East & NTT West subscriber telephones . . . . . | 37,930                                   | 34,524        | 31,345        | 28,470        | 26,100        | 24,580            |
| IP-based fixed-line telephones . . . . .            | 4,478                                    | 4,184         | 3,861         | 3,570         | 3,310         | 3,160             |
| 0ABJ-IP telephones . . . . .                        | 14,534                                   | 17,901        | 20,958        | 24,070        | 26,500        | 27,910            |
| CATV telephones . . . . .                           | 931                                      | 860           | 747           | 700           | 630           | 570               |
| <b>Total fixed-line telephones . . . . .</b>        | <b>57,873</b>                            | <b>57,469</b> | <b>56,911</b> | <b>56,810</b> | <b>56,540</b> | <b>56,230</b>     |

Source: MIC

Industry analysts expect the fixed-line telephone market to continue to decline with the pace of such decline mitigated by business customers' still relying on traditional phone lines, the popularity of facsimile services in the Japanese economy and retail users' reluctance to cancel the service despite limited use.

NTT East and NTT West are the largest providers of traditional fixed-line services, with combined 24.6 million subscribers at the end of December 2014, a decrease of approximately 5.8% from March 2014.

## Fixed-line broadband

While the fixed-line telephone market is experiencing decline, Japan's broadband market is both established and rapidly growing, with approximately 36.3 million subscribers and 1.3% year-on-year growth as of December 31, 2014. Since the commercial roll-out of ADSL in 1999, various other technologies have been introduced and growth in the market is now primarily driven by FTTH adoption. This trend is expected to continue in the near future.

|                                   | Number of fixed-line broadband subscribers |               |               |               |               |                   |
|-----------------------------------|--|---------------|---------------|---------------|---------------|-------------------|
|                                   | As of March 31                             |               |               |               |               | As of December 31 |
|                                   | 2010                                       | 2011          | 2012          | 2013          | 2014          | 2014              |
|                                   | (Thousands)                                |               |               |               |               |                   |
| FTTH . . . . .                    | 17,802                                     | 20,218        | 22,303        | 23,858        | 25,320        | 26,380            |
| DSL . . . . .                     | 9,735                                      | 8,201         | 6,705         | 5,425         | 4,470         | 3,922             |
| CATV . . . . .                    | 5,314                                      | 5,674         | 5,909         | 6,013         | 6,023         | 5,952             |
| FWA . . . . .                     | 12   | 10            | 10            | 9             | 8             | 7                 |
| <b>Total fixed-line . . . . .</b> | <b>32,863</b>                              | <b>34,103</b> | <b>34,927</b> | <b>35,305</b> | <b>35,821</b> | <b>36,262</b>     |

Source: MIC

The appeal of FTTH over DSL is well documented and operator-led upgrades contribute to the shift to FTTH (DSL to FTTH conversion). FTTH enables faster downloading of content as well as two way bandwidth applications. FTTH utilizes fiber-optic technology, in which an optical fiber runs from the local operator's central office to the subscriber's premises. We offer ISP service combined with NTT's FTTH optical fiber services through our *Yahoo! BB Hikari* with FLET's brand. As of March 2015, we had approximately 2.7 million customers. We offer FTTH as part of mobile and FTTH bundles, made possible by NTT offering wholesale access to its fiber to third party operators including NTT DOCOMO and us. KDDI has independent fiber capacity.

DSL technology enables existing copper telephone lines to act as access paths for data communications without the need to install new wires or connections. We offer ADSL services through our *Yahoo! BB ADSL* brand. As of March 2015, we had approximately 1.6 million ADSL customers. Cable internet services are offered by CATV operators such as J:COM utilizing existing cable used for the transmission of CATV services.



### ***Japanese Internet Services market***

One of our Internet segment's most important sources of sales is internet advertising. The internet advertising market in Japan emerged almost simultaneously with the establishment of Yahoo Japan in 1996. According to a report by Dentsu Inc., the internet advertising market in Japan expanded 12.1% in the calendar year 2014 to ¥1,052 billion (\$8,753 million), accounting for 17.1% of the total ¥6,152 billion (\$51,194 million) advertising market. The internet advertising market is comprised of ¥824.5 billion (\$6,861 million) internet advertising placements and ¥227.4 billion (\$1,892 million) advertising production in the calendar year 2014.

A survey by the Ministry of Economy, Trade and Industry of Japan ("METI") estimated that domestic business-to-consumer e-commerce transactions accounted for 4.4% or ¥12,797 billion (\$106,491 million), of the total consumption by Japanese households in calendar year 2014, a 14.6% increase from ¥11,166 billion (\$92,918 million) in calendar year in 2013.

### ***US mobile market overview***

The U.S. mobile market is the world's largest by revenue and was estimated to be worth approximately \$222 billion in 2014, according to IDC (Source: IDC, Dec. 2014 "Worldwide Telecom 2014-2018 Forecast: FY13 and 1H14 Update" (#252690)). According to the same survey, the market is expected to continue to grow in the near future as revenue growth from mobile data services outweighs the negative revenue growth trend from mobile voice services. Mobile penetration, as a percentage of population, has been growing as well reaching an estimated 106.3% at the end of 2014, according to BMI. However, penetration still remains relatively low compared to most developed markets.

The U.S. market is characterized by high ARPU of \$47 and relatively high postpaid subscriptions as a percentage of total subscriptions at 75% as of December 31, 2014, according to BMI. In line with other developed markets, blended ARPU has been declining in recent years and is projected to continue to do so, in the face of several factors, namely increasing price competition for new subscriptions, as evidenced by device discounts and promotions. Other reasons include subscribers tightening their budgets as well as enticing prepaid offers. Despite the declining trend, ARPU from data is increasing with the development of mobile content. The U.S. market has a very high rate of LTE subscribers as a percentage of total subscribers. At the end of 2013, it was reported by the CTIA that 52.1% of all devices were smartphones, according to the United States Telecommunications Report Q2 2015, published by BMI.

In comparison to the Japanese market, the U.S. mobile market consists of four MNOs along with a large number of smaller regional operators. Two large operators Verizon Wireless and AT&T who, as of September 2014, respectively had 31.2% and 25.4% market share based on subscribers, followed by two smaller operators, our U.S. controlled operations of Sprint with 12.8%, and T-Mobile with 12.3%. Recent trends indicate that consolidation will continue as smaller operators are acquired by the big four operators. Another important element is the acquisition of more spectrum, which is regulated through the FCC on an auction-basis. AWS-3 spectrum was auctioned in 2014 and 2015 while new 600 MHz band will likely be auctioned in 2016 or later.

## BUSINESS

The following is qualified in its entirety by, and is subject to, the more detailed information and financial statements contained elsewhere in this offering memorandum. Certain capitalized terms used but not defined in this section are used herein as defined elsewhere in this offering memorandum. Prospective investors should carefully consider the information set forth under the caption “Presentation of Financial and Other Information,” “Risk Factors” and all other information in this offering memorandum, prior to making an investment in the Notes.

### Overview

We are one of Japan’s leading mobile communications companies. We had approximately 48 million mobile subscribers across our two brands, *SoftBank* and *Y!mobile*, as of March 31, 2015, and approximately 30% subscriber market share, according to TCA. We outperformed our competitors in the lucrative Japanese mobile market over the past decade, nearly doubling our market share since our entry via the acquisition of Vodafone Japan in 2006. We helped transform the Japanese smartphone market when we were the first to offer the *iPhone* in Japan in 2008 and built a brand centered on the mobile internet—data-intensive, highly-connected and reliable. Our unique brand and outperformance have also been supported by high quality 4G/LTE network infrastructure, well developed over a recently-completed cycle of significant capital expenditure, which covers nearly all of the population of Japan, with robust and reliable connectivity. Our flagship *SoftBank* brand focuses on serving the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users (mostly *iPhone*) that agree to two-year contracts.

We combine our stable and profitable domestic mobile operations with select strategic investments in global internet and communications companies, differentiating us from other mobile operators and providing opportunities for mutually-advantageous growth among our group companies. We control Japan’s dominant search engine portal site, Yahoo Japan, which had a market capitalization of ¥2,825 billion (\$23,506 million) as of March 31, 2015, we hold a significant minority stake in one of the world’s largest e-commerce companies, Alibaba, with a market value of our owned shares of ¥7,980 billion (\$66,404 million) as of March 31, 2015, we hold an approximately 80% share in one of the four largest telecommunications operators in the United States, Sprint, which had a market capitalization of ¥2,259 billion (\$18,799 million) as of March 31, 2015, and we have significant shareholdings in other superior internet and gaming companies such as Supercell and GungHo. We merged our core domestic telecommunications businesses (including mobile, broadband and fixed-line telecommunications) into SoftBank Corp. as of April 1, 2015 to simplify our structure and realize cost synergies among our businesses. Our leadership team includes Japan’s leading technology and business innovator, Masayoshi Son, our founder, Chairman and CEO. On June 19, 2015, we added to our senior leadership team by appointing as President and COO Nikesh Arora, former senior vice president and chief business officer at Google and chief marketing officer at T-Mobile Europe.

We generated net sales of ¥4,870 billion (\$40,528 million) (excluding Sprint) for the fiscal year ended March 31, 2015, of which ¥4,190 billion (\$34,863 million) (86%) was contributed by our Mobile Communications segment, which includes certain results of SoftBank Corp. and the results of Supercell, GungHo and Brightstar. We generated EBITDA of ¥1,480 billion (\$12,315 million) (excluding Sprint) for the fiscal year ended March 31, 2015, of which ¥1,150 billion (\$9,567 million) (78%) was contributed by our Mobile Communications segment. We maintain a long-term corporate credit rating of Ba1 from Moody’s Japan K.K. and BB+ from Standard & Poor’s Financial Services LLC. We are listed on the Tokyo Stock Exchange with a market capitalization of ¥8,381 billion (\$69,748 million), as of March 31, 2015.

### Strengths

***Well-established position as a leading mobile communications company in Japan, one of the largest and most attractive mobile communications markets in the world***

We are one of Japan’s leading mobile communications companies in terms of mobile subscribers. As of March 31, 2015, we had approximately 48 million subscribers, which amounted to approximately 30% of subscribers in the Japanese market according to TCA, placing us second in Japan. Japan is one of the most technologically advanced and attractive mobile communications markets in the world and is the third-largest globally, following United States and China, with user spending estimated to be worth approximately \$68 billion in 2014, according to IDC (Source: IDC, Dec. 2014 “Worldwide Telecom 2014-2018 Forecast: FY13 and 1H14

Update” (#252690)). We and the other major network operators in Japan provide nationwide coverage, and therefore we do not incur costs in relation to internetwork termination fees. The Japanese mobile market is supported by several attractive characteristics:

***Japan is one of the wealthiest and most technologically advanced countries in the world, supporting stable and high levels of mobile spending***

Japan is the third largest economy in the world by GDP and one of the world’s most stable societies. According to the World Bank, in 2013 Japan had a GDP per capita of approximately \$39,000, which was greater than the average per capita GDP of the EU for the same year of approximately \$35,000. Japanese consumer preference for high-quality services has driven and reinforced a strong trend towards intensive data usage on mobile devices. Japanese mobile networks enable high connection speed and data consumption through 4G/LTE. We believe that the higher levels of Japan’s GDP per capita and consumer preference for high-quality services have historically promoted comparatively higher levels of consumer spending on mobile services and we expect this trend to continue.

***Japan has a well-established and stable competitive environment, which benefits from a transparent regulatory environment***

The Japanese mobile market is occupied by three main and well-established players (NTT DOCOMO, our Group and KDDI, each of which holds a substantial market share) and is characterized by rational competition and transparent regulation. In Japan, mobile spectrum is not auctioned off to operators but is allotted by the regulator. These factors, combined with the capital-intensive nature of the telecommunications industry and licensing requirements and administrative restrictions for obtaining permits to build mobile sites in Japan, have historically resulted in a lack of new market entrants and we believe that there is little risk of a fourth mobile network operator (“MNO”) entering the market.

***Stable customer base backed by large postpaid subscribers***

More than 99% of mobile telecommunication service subscribers in Japan are postpaid subscribers who accept two-year contract commitments and display relatively low levels of churn. We have invested heavily in a nationwide LTE network and this network is well developed to support high-quality services (i.e. communication downlink speed and connectivity), one of the key factors behind the decision to switch carriers. SoftBank Corp.’s churn rate is still relatively high compared to NTT DOCOMO and KDDI, which we consider to be partially a short-term consequence of the construction efforts required to improve our network and service quality. With our network improvements largely complete, we believe we have further room to improve our churn rate.

***Growth opportunities from potential to increase penetration and increasing data usage***

Japan has mobile penetration rate at 122.1%, which is lower than other advanced industrial economies such as Italy (145.4%), Germany (139.8%) or the United Kingdom (123.5%), each as of December 31, 2014 according to BMI. Smartphone penetration in particular was estimated at approximately 54.2% of the total mobile handset market as of December, 31 2014 and is rapidly increasing, as smartphones are expected to represent over 64% of total handsets sold by the end of March 2017, according to MM Research. In addition, mobile data traffic has shown significant growth, driven in part by smartphone uptake, and we expect this trend to continue. Due to increasing smartphone penetration and high quality networks in Japan, the Japanese mobile market’s appetite for wireless bandwidth, supporting high speed, data-intensive applications and internet traffic, is increasing. These characteristics translate into high average revenue per user per month (“ARPU”) and create a positive outlook of sustainably high levels of revenue for Japanese mobile carriers, especially as the pace of technological innovation continues to promote customers’ demand for greater speeds and better connectivity across multiple devices.

Our solid standing as leading network operator in Japan, along with our strong track record of using advanced and innovative service offerings to outperform our peers, puts us in a unique position to take advantage of the attractive dynamics of Japan’s mobile telecommunications market as we continue our focus on growing profitability. Since April 2006, when we acquired Vodafone Japan, we have demonstrated our success in competing with large, established incumbents and over the same period we have almost doubled our mobile communications market share from approximately 16% to approximately 30% as of March 31, 2015. We believe that our substantial growth has been due to powerful marketing and branding strategies, innovative products and continuous network enhancement and that these factors will facilitate our efforts to monetize our strong subscriber base. Because we have significant experience investing in and operating internet companies, we were able to anticipate the mobile internet revolution and were the first company to offer the *iPhone* in Japan in 2008, which transformed the Japanese smartphone market. To this day, we continue to promote innovative smartphone-centric strategies and are well positioned to maintain strong cash flow from our existing operations.

### ***Well-invested, high-quality network, providing clear, high speed and stable communication services***

We believe that the quality of our mobile network is a key factor in acquiring and retaining mobile subscribers and have focused on maintaining and improving the quality and speed of our mobile network, especially with respect to our LTE network, and increasing network capacity to respond to the rapid rise in traffic attributable to increased penetration of smartphones and resultant increased data usage.

We have invested heavily in our domestic network, with over ¥1,866 billion (\$15,525 million) invested in our Mobile Communications segment over the last three fiscal years. We have caught up and overtaken our competitors in terms of connectivity and have carefully managed the explosive growth in data traffic that has accompanied the rapid popularization of smartphones. We achieved this, among other means, by using big data to make efficient, large-scale capital investments and massively increasing the number of base stations using the “platinum band” (the band of spectrum between 700 MHz and 900 MHz, which is optimal for mobile communications services). We were allocated our first access to the platinum band in 2012 and then expanded our available spectrum through our acquisitions of WILLCOM and eAccess (now merged with SoftBank Corp.). To further enhance our network connectivity, we have expanded the number of base stations for LTE services, which can make the most efficient use of spectrum and allow for rollout of more advanced technology using software rather than capital-intensive infrastructure.

Our investments have provided us with Japan’s foremost network in terms of smartphone data connectivity and smartphone communication speed. According to Agoop Corp., our industry data aggregator subsidiary, our smartphone data connectivity as of May 3, 2015 was 98.9%, compared to 98.1% and 97.4% for our primary competitors NTT DOCOMO and KDDI, respectively. According to the same source, our nationwide smartphone communication downlink speed was 22 Mbps, compared to 18 Mbps and 16 Mbps for NTT DOCOMO and KDDI, respectively. We pride ourselves on the technical reliability of our network and the high credibility that it gives us with our customers: we have not experienced any “serious incidents,” requiring a report to the MIC, since June 2011 with respect to SoftBank Corp.’s network, and since April 2013 with respect to Ymobile Corporation’s network. We believe that our high-quality network has bolstered our customer retention and led to reduced churn, and will strengthen our competitive position relative to the other MNOs.

Our well-invested infrastructure allows us to operate a technologically advanced network, supported by a comprehensive and all-but-completed footprint of steel towers for base stations, at controlled cost. We currently anticipate that capital expenditures in our Mobile Communications segment will run at a rate of approximately ¥372 billion (\$3,098 million) going for the fiscal year ending March 31, 2016 (including life-cycle expenditures), in part with a view to maintaining the cushion of excess network capacity we currently enjoy despite the expected increase in mobile data usage.

### ***Strong cash flow generation and prudent financial management***

Our strong market position as a leading mobile carrier and as a diversified telecommunications operator in Japan, coupled with the our synergistic ties with leading internet businesses and other strategic assets, has provided us with stable and strong recurring cash flows. In addition, steady growth of our mobile subscriber base coupled with agile control of operating costs, has allowed us to maintain consistent EBITDA growth, both for our consolidated group and key mobile operating company, SoftBank Corp., and to maintain a steady EBITDA margin for domestic mobile communications business, despite declines in ARPU in the past three fiscal years due to competition and declining voice ARPU. For the fiscal years ended March 31, 2014 and 2015, our Mobile Communications segment generated EBITDA of ¥1,001 billion (\$8,328 million) and ¥1,150 billion (\$9,567 million), respectively and made capital expenditures of ¥679 billion (\$5,650 million) and ¥537 billion (\$4,467 million), respectively.

We believe that our high level of prior investment in our network has stabilized our capital requirements over the medium term and will allow us to absorb the expected growth in mobile data usage with reduced incremental capital expenditures. Because of these previous investments, we can now limit capital expenditures to incremental upgrades required by new customer subscriptions and increased usage. Going forward, we estimate reduced capital expenditures in our Mobile Communications segment of ¥372 billion (\$3,098 million) for the fiscal year ending March 31, 2016 (including life-cycle expenditure). We believe that steady and sustainable growth of our domestic telecommunications businesses, coupled with operating efficiencies and reduced levels of capital investment, will bolster our free cash flow from domestic operations, allowing us to dedicate additional resources to strategic high-value areas and to gradually reduce our leverage and repay outstanding debt. We have a proven track record of deleveraging and improving our credit profile over time. For example, we lowered our net interest-bearing debt by ¥0.7 trillion (\$7.8 billion) in the six years following the acquisition of Vodafone Japan in fiscal year 2006. In fiscal year 2013 our net interest-bearing debt increased as a result of the Sprint acquisition and our consolidation of Sprint’s debt. However, in fiscal year 2014 we have



resumed our deleveraging path and net interest-bearing debt-to-EBITDA ratio of our Group (excluding Sprint) was 3.1x as of March 31, 2015. We intend to continue deliberately managing our net leverage with an aim to improving our credit profile in the medium term.

We have a prudent and conservative approach to financial management as reflected by the large liquidity position available to us. As of March 31, 2015, we held a cash position of ¥3,424 billion (\$28,497 million), including ¥1,003 billion (\$8,349 million) which was collectively held by Sprint and Yahoo Japan and to which we do not have ready access. In addition, we have a commitment line with maximum drawings of ¥178.5 billion (\$1,485 million), of which all remained undrawn as of March 31, 2015. We have access to multiple sources of funding, including through the regular issuance of debt securities in the Japanese domestic market. For example, in the fiscal year ended March 31, 2015, ¥700 billion (\$5,825 million) of yen-denominated senior unguaranteed domestic bonds and ¥850 billion (\$7,073 million) of yen-denominated unguaranteed subordinated domestic bonds, with average coupons of 1.3% and 2.5%, respectively. We expect our strong liquidity position to provide ample capacity to cover our expected liquidity needs at least over the next 12 months.

***Broad range of internet and other strategic assets providing a unique foundation to build rich insight into the future of information communications***

We leverage our strategic investments in, and partnerships with, internet companies worldwide to gain a competitive advantage in our Japanese telecommunications markets and to expand into additional markets. Our continued growth in our domestic market has been based on using the internet as our business foundation and unleashing synergies with other Group companies or partners to enhance our content and service offerings and make them even easier to use. Our internet-related businesses allow us to participate in, and gather information on, market trends as they develop around the world. That insight, combined with our spirit of innovation and venture, allows us to differentiate ourselves from our competitors and avoid becoming a commodity provider by creating a unique service that revolves around tailored entertainment and greater customer convenience.

***Yahoo Japan***

Yahoo Japan, which we control, is the most popular internet portal site in Japan. As of March 31, 2015, we owned 43.0% of the voting rights in Yahoo Japan, representing a market value of ¥2,825 billion (\$23,506 million). It is also a key partner for our Mobile Communications segment and develops products that incorporate Yahoo Japan's services into our mobile network, offering our users advanced and convenient mobile internet services under the *Y!mobile* brand name. For example, in October 2015 we launched a partnership with Yahoo Japan whereby *SoftBank* smartphone users will be able to conveniently purchase products without registration on Yahoo Japan's e-commerce platform, with the amount charged to their smartphone bill.

***Supercell and GungHo***

Supercell is a leading mobile gaming company based in Finland, in which we owned 77.8% of the voting as of May 29, 2015. Its most popular mobile games include *Clash of Clans*, *Hay Day* and *Boom Beach*. *Clash of Clans* has consistently led all games for iOS and Android devices in net sales since its release according to research by App Annie. These hit titles have enabled Supercell to achieve rapid growth since its debut title in 2012. We also owned 28.4% of the voting rights as of June 1, 2015 in GungHo. GungHo is a leading Japanese online gaming company with a focus on mobile games, with hit games such as *Puzzle & Dragons*, one of Japan's top mobile games.

***Alibaba***

As of March 31, 2015, we held 31.9% of the voting rights in Alibaba, but a voting rights agreement effectively limits our share of voting rights to 30%, representing a market value of ¥7,980 billion (\$66,404 million), as of March 31, 2015. We believe Alibaba is one of the largest online and mobile commerce companies in the world in terms of gross merchandise volume. Since investing in the newly founded Alibaba in 2000, we have continued to build a close relationship with it by establishing business alliances and joint ventures. In addition, Alibaba's executive chairman Mr. Yun Ma serves as a director of the Company and Mr. Masayoshi Son (our Chairman and Chief Executive Officer) serves as a director of Alibaba, with both directors using their knowledge and wealth of experience to contribute to the growth of each company. We have built a mutually advantageous relationship with Alibaba, as seen in our joint investment with Alibaba in Travice Inc. (currently Xiaoju Kuaizhi Inc.), a provider of one of China's most popular taxi booking mobile applications. Furthermore, in May 2015, Alibaba announced a partnership with Yahoo Japan whereby the two companies would work together to bring Japanese goods more efficiently to the Chinese consumer market.



In addition, our Group includes strategic assets that help us to improve our competitive position and achieve significant operational cost savings potential. We own 79.5% of the voting rights in and control Sprint, a major provider of fixed-line telecommunications services, mobile communications services, mobile devices, mobile handsets and accessories in the United States, which we consolidate as the Sprint segment. Sprint generates synergies with our Mobile Communications segment by allowing us to combine SoftBank and Sprint's purchases of network equipment and use the increased scale to achieve better global procurement terms. We also own 100% of Brightstar, one of the world's largest specialized wireless terminal distributors in terms of net sales, providing services in over 100 countries with local bases in over 50 countries, including mobile device and accessory wholesaling, mobile device distribution and inventory management and mobile device insurance and trade-in programs. Our acquisition of Brightstar made us one of the largest purchasers of mobile hardware in the world and further empowered us to negotiate with manufacturers from a position of strength. We have integrated Brightstar's global distribution network as a key component of our strategy to offer handset trade-in initiatives.

***World-class management team led by Japan's most successful entrepreneur, with a track record of growing businesses and risk control through disciplined portfolio management***

With our strong senior management team and a group of transformational internet entrepreneurs, we believe our leadership team has the experience and vision to continue our success.

Our founder, Chairman and CEO Masayoshi Son is Japan's foremost information technology and business innovator. Under his leadership, we have grown from a new-born distributor of packaged software in 1981 to what we believe is Japan's most innovative mobile-internet company, with a market capitalization of ¥8,381 billion (\$69,740 million) as of March 31, 2015. Mr. Son's entrepreneurial vision for SoftBank has placed us at the forefront of the information revolution. Anticipating the future of the mobile internet, under Mr. Son's leadership we founded the dominant portal site in Japan in 1996 through our joint venture Yahoo Japan, introduced the *iPhone* in Japan in 2008 and have become one of the leading mobile communications providers in Japan.

Our management team has proven our ability to build successful businesses, even in trying circumstances. We purchased a controlling interest in Sprint in 2013 and Sprint has begun to improve its performance since then. For example, Sprint had a net loss of 467 thousand customers in the fourth quarter of fiscal year 2013; Sprint had a net gain of 1,212 thousand customers in the fourth quarter of fiscal year 2014. In 2013, Sprint's network was rated the lowest among the major U.S. mobile firms. In network quality surveys conducted in late 2014, Sprint's network ranked third, above T-Mobile's network, in both cases according to Rootmetrics. Before Sprint, we acquired Vodafone's Japanese operations in 2006 and through prudent investment transformed a below-average network into our market leading 4G/LTE offering. Before that, we acquired Japan Telecom Co., Ltd. (a fixed-line business) and built that into our profitable fixed-line segment.

Our management team also has a proven ability to execute successful investment partnerships with transformational, high growth potential businesses. We first invested in Alibaba in 2000. Our stake in Alibaba had a market value of ¥7,980 billion (\$66,404 million), as of March 31, 2015. Other disruptive subsidiaries and strategic associates include gaming companies Supercell and GungHo, mobile taxi applications GrabTaxi and e-commerce site SnapDeal.

Our management team is ready for the challenges of adapting to the ever-changing technological landscape. At the SoftBank Group level, while our founder Masayoshi Son will remain in his role as Chairman and CEO for the foreseeable future, Nikesh Arora became our President and COO on June 19, 2015. Prior to joining SoftBank, Mr. Arora served as senior vice president and chief business officer at Google and as chief marketing officer at T-Mobile Europe.

**Strategies**

In order to realize our vision of "SoftBank 2.0"—a global enterprise with a business model facilitating sustained growth—we seek to leverage our strong position in our domestic market to maximize profitability in our Japanese businesses while leading the information revolution worldwide by promoting targeted collaborations with strategic partners and our own internet companies. We seek to build from our successful development in Japan to become a global company with a strong presence in the United States, where we will continue the Sprint turnaround, China, India and other markets where we can profitably and sustainably build a synergistic corporate group.

***Leverage our leading market position in the attractive Japanese mobile telecommunications market to enhance revenue generation***

We have succeeded in achieving a robust market share and an established brand recognition as well as building effective marketing capabilities and a superior network infrastructure in the Japanese mobile telecommunications market and this gives us the opportunity to improve free cash flow in the near term.

### ***Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers***

Smartphone subscribers generate more revenue and lower churn rates relative to subscribers to other devices. We have focused our sales and marketing efforts on acquiring and retaining higher value smartphone subscribers, including by offering discounted rates in bundled plans of handset and fixed-line subscriptions and through loyalty programs. In addition, we are endeavoring to reduce churn through the introduction of attractive bundled products including FTTH using NTT's fiber network, which we believe will substantially mitigate an advantage of one of our competitors that historically led certain subscribers to migrate carriers.

### ***Offer higher-value, data-intensive pricing plans***

We intend to prioritize the marketing of data-intensive monthly plans such as the "Smartphone Flat-Rate" plan, which features a fixed price for unlimited voice usage and variable prices for different levels of data usage. We promote Smartphone Flat-Rate through concrete sales targets linked to plans that allow data usage of 5GB or more. Usage prices are generally consistent and undifferentiated among mobile operators across the Japanese market.

### ***Intensify dual-brand strategy***

We intend to further grow the number of our smartphone subscribers by appealing to Japanese customers with our two main brands, *SoftBank* and *Y!mobile*. We believe that we have a competitive advantage by appealing to existing and future customers through our dual brand approach. With our dual-brand strategy we will continue targeting clearly defined market segments with relevant dedicated products and service offerings in order to optimize our market reach and achieve further growth. In particular, our *SoftBank* brand is targeted at the mass market, which comprises the highest value customers. At the same time, we will continue to capture first-time, younger or more cost-conscious customers through our distinct *Y!mobile* brand, which expands our subscriber base and creates up-selling potential for the mass market segment once customers become older or more settled and increase the usage of their devices.

### ***Continue to pursue operating efficiencies and extract synergies from our investments***

As we seek to improve margins, we intend to find ways of reducing our operating costs. One example of this is the meaningful opportunities for cost saving we have identified in network operations, information systems, sales and marketing and personnel as part of the April 1, 2015 merger of our domestic telecommunications companies into SoftBank Corp.. We also aim to realize synergies by leveraging our global scale in the combined procurement of telecommunication equipment and our partnership with Yahoo Japan whereby from October 2015 *SoftBank* smartphone users will be able to conveniently purchase products without registration on Yahoo Japan's e-commerce platform, with the amount charged to their smartphone bill. We also aim to leverage Brightstar's global distribution network to create synergies with our domestic mobile communications business.

### ***Reduce capital expenditures and accelerate free cash flow generation***

We have invested heavily in our domestic networks over the last three fiscal years, with ¥1,866 billion (\$15,525 million) in investment in our Mobile Communications segment peaking at ¥679 billion (\$5,650 million) in fiscal year 2013. However, we have nearly finished building our steel towers for base stations throughout Japan, the most costly aspect of our network revamp program, and we expect our capital expenditure to decline going forward. In particular, we expect capital investment of ¥372 billion (\$3,098 million) in the next fiscal year in our Mobile Communications segment (including life-cycle expenditure), which, paired with stable EBITDA levels, will amplify our generation of free cash flow.

### ***Pursue our vision for SoftBank 2.0 to realize sustainable growth through strategic investments and divestments***

One of the main principles underlying SoftBank 2.0 is to realize sustainable growth through strategic investments and divestments enabling synergies with our existing businesses. We intend to work with new and existing strategic partners and associates that are led by disruptive internet entrepreneurs and that have the potential for monetization. We have executed this strategy successfully with, for example, our joint venture with Yahoo! Inc., Yahoo Japan (43.0% held by us and effectively controlled by us), and with our investment in Alibaba (31.9% held by us). We intend to use a systematic approach to undertake new strategic partnerships and investments. To this end, our newly appointed President and COO Mr. Arora has already taken a leading role in

assessing and diligencing potential investments. Mr. Arora has already led numerous investments together with Masayoshi Son in internet companies since he joined SoftBank, including our investments in GrabTaxi and SnapDeal.

We also expect to optimize our portfolio of assets to ensure that each contributes substantial value to the SoftBank Group. In assessing each part of our Group, we will systematically determine whether a full or partial exit from existing investments would support our vision for the future of SoftBank. We will undertake this process by leveraging our broad experience and extensive information telecommunications technology know-how.

***Continue the turnaround of Sprint and realize profitable growth through a unique and differentiated value proposition***

We believe that Sprint has the capacity to improve its earning power. Sprint competes in the United States, one of the world's largest mobile communications markets with continuing population growth. Sprint possesses a broad spectrum of 2.5 GHz and had 56.1 million subscribers on its Sprint platform as of March 31, 2015.

Our vision for Sprint is based on improving Sprint's brand by enhancing the customer experience. We have already achieved significant success in this regard, as demonstrated by our improved network rating in the second half of 2014 from Rootmetrics and a 20% reduction in calls to request customer service from the fourth quarter of fiscal year 2013 to the fourth quarter of fiscal year 2014. Further demonstrating this success, our net promoter score has also improved dramatically from March 2014 to March 2015. We hope to continue this success by further enhancing Sprint's network connectivity and speed, going beyond Sprint's current population coverage of approximately 280 million people with our LTE network area. We are also embracing voice calling over Wi-Fi as an additional tool to improve coverage and bolster customer acquisition and retention. Sprint will further bolster its brand and dramatically expand its retail presence by opening stores within 1,435 existing RadioShack locations.

Our vision for Sprint is also based on maximizing profitability in the long term. Profitability at Sprint can be improved by concentrating on high-revenue products such as postpaid handsets and decreasing customer retention costs and churn rates. Demonstrating our success so far in these areas, Sprint's churn rate among postpaid subscribers for the fourth quarter of fiscal year 2014 was down 46 basis points from the preceding quarter. In addition, Sprint had net additions of postpaid subscribers of 211 thousand in the fourth quarter of fiscal year 2014, up from a net loss of 231 thousand postpaid subscribers in the fourth quarter of fiscal year 2013. Although Sprint's net customer additions, according to our estimates, trail those of Sprint's competitors, over the past fiscal year Sprint has shown stronger improvement in terms of net additions in postpaid subscribers compared to its main competitors, particularly with respect to postpaid phone subscribers.

While we will play an active role in Sprint's turnaround, we expect that Sprint will continue to act as an independent subsidiary with stand-alone funding capacity for its operations and capital requirements and we do not anticipate providing our Sprint segment with additional financial support to meet its capital expenditure plans or other liquidity needs. Instead, we expect to aid Sprint's turnaround by working closely with Sprint management to share SoftBank's proven operational, technological and financial expertise, including the appointment of former SoftBank Corp. Chief Technology Officer Junichi Miyakawa as Technical Chief Operating Officer of Sprint in November 2014, with the goal of improving Sprint's network by introducing 2.5GHz TD-LTE network expertise and know-how developed in Japan. In August 2014, Marcello Claure, the founder and entrepreneur behind Brightstar, joined Sprint as CEO. Under Mr. Claure, Brightstar became one of the world's largest specialized wireless terminal distributors in terms of net sales, providing services in over 100 countries with local bases in over 50 countries after its founding in 1997. Mr. Claure has been instrumental in crafting a dynamic turnaround strategy that has helped to revitalize the Sprint business.

**History**

We were founded on September 3, 1981 by Masayoshi Son to distribute software, with a focus on innovation, and with a corporate philosophy of bringing happiness to everyone through an information revolution. Masayoshi Son named us "SoftBank", reflecting his vision of us as a "bank of software"—a key source of infrastructure for the information society. This philosophy has been the backbone of our steady growth, and we now engage in a broad array of communications, technology and internet-related businesses, both domestically and globally.

We believe SoftBank Group is the leading internet and communications company in Japan. We entered the internet business in 1996 when we formed Yahoo Japan through a joint venture with Yahoo! Inc. We entered the communications services business in 2001 when we began our *Yahoo! BB ADSL* service and in 2004 we acquired a fixed-line telecommunications operator, Japan Telecom Co., Ltd. We entered the mobile

communications business in 2006 with our landmark acquisition of mobile communications operator Vodafone Japan. Since then, we have introduced innovative and top-of-market products such as the *iPhone*, which we were the first Japanese company to distribute in Japan. Despite a period during which our mobile connectivity rate lagged behind other mobile communication companies in Japan, mainly due to a lack of spectrum in the band between 700 MHz and 900 MHz, known as the “platinum band,” we have subsequently built our network into one of Japan’s largest and most reliable mobile networks for coverage and connectivity.

In 2010, in celebrating the thirtieth anniversary of our founding, we announced “SoftBank’s Next 30-Year Vision,” re-confirming our aim to contribute to people’s happiness through an information revolution, and to become “the corporate group needed most by people around the world.” We have expanded globally and in 2013, we completed another landmark acquisition by becoming the majority owner of Sprint, a wireless communications company in the United States. We also expanded our presence in the online and mobile app game businesses through strategic investment in GungHo and Supercell, producers of leading online and mobile games. In 2014, we acquired Brightstar, one of the world’s largest specialized wireless terminal distributors in terms of net sales. Since 2014, we have accelerated strategic and synergistic investments in innovative and disruptive companies, in particular in the Asian regions and internet technologies where we anticipate future growth. Having invested approximately ¥10.5 billion (\$87 million) in Alibaba since 2000, we now hold shares of Alibaba with a value of ¥7,980 billion (\$66,404 million), as of March 31, 2015, subsequent to Alibaba’s listing of shares on the New York Stock Exchange.

### ***Industry***

Japan’s mobile telecommunication market is the world’s third largest by consumer spending and was estimated to be worth approximately \$68 billion in 2014 according to the Worldwide Telecom Services Database produced by IDC Worldwide Telecommunications Research (July 2014). The Japanese mobile market is one of the most attractive and technologically advanced in the world due to a number of unique characteristics which together have historically promoted strong mobile subscriber growth and healthy competition. For more information about the industries in which we operate, see “Market and Industry.”

### **Organization of our Group and Strategically Important Companies**

The SoftBank Group comprises a pure holding company, SoftBank Group Corp., and, as of March 31, 2015, 769 subsidiaries and 120 associates. Subsequent changes to our organizational structure since March 31, 2015 include SoftBank Corp. merging with and assuming the business operations of SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation on April 1, 2015. See “Summary—Recent Developments.”

We operate in the following business segments: Mobile Communications, Sprint, Fixed-line Telecommunications and Internet. In the Mobile Communications segment, through SoftBank Corp. and other companies, we provide mobile communications services and sell mobile devices and accessories, and through GungHo and Supercell produce and distribute online games for smartphones and other devices. Through Brightstar Corp., we engage in mobile device and accessory wholesaling, mobile device distribution and inventory management and mobile device insurance and trade-in programs. In the Sprint segment, Sprint operates both a wireless and wireline business, providing mobile communications services, mobile devices, mobile handsets and accessories, and fixed-line telecommunications services in the United States. In the Fixed-line Telecommunications segment, we provide telecommunications services such as fixed-line telephone and data communications services to corporate customers, as well as broadband services for individual customers. In the Internet segment, we provide internet-based advertising and other services, through Yahoo Japan. We also engage in various other businesses including strategic investment by SB Group US, energy and robotics related businesses, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team and other businesses.

The following is a list of strategically important subsidiaries and associates as of March 31, 2015:

### ***Subsidiaries***

***SoftBank Corp.*** SoftBank Corp. has been our core operating subsidiary since we acquired Vodafone Japan in April 2006. It was our 100% owned subsidiary as of March 31, 2015, and is currently the main operating company in our Mobile Communications and Fixed-line Telecommunications segments. On April 1, 2015, SoftBank Corp. merged with and assumed the business operations of SoftBank BB Corp., SoftBank Telecom Corp. and Ymobile Corporation. As a result, SoftBank Corp. provides a comprehensive range of telecommunications services, in addition to mobile communications services.

***Sprint.*** Sprint operates both a wireless and wireline business, providing fixed-line telecommunications services, mobile telecommunications services, mobile devices, mobile handsets and accessories services in the



United States, with approximately 57 million cumulative subscribers to its mobile communications services, as of March 31, 2015. These services are offered under the Sprint corporate brand, which includes its retail brands of *Sprint*, *Boost Mobile*, *Virgin Mobile USA* and *Assurance Wireless* on networks that utilize third generation (“3G”) code division multiple access (“CDMA”) as well as fourth generation (“4G”) services utilizing Long Term Evolution (“LTE”). Sprint utilizes these and other networks to offer their wireless and wireline subscribers differentiated products and services whether through the use of a single network or a combination of these networks. We are taking an active role in Sprint’s turnaround, and have been working with Sprint’s management to develop plans to improve its network speed and connectivity, through network optimization and increased brand recognition. For example, Sprint has begun to increase its retail presence through sharing retail space within RadioShack locations. RadioShack is a leading national consumer electronics and cell phone retailer in the United States that is undergoing restructuring under Chapter 11 of the United States Bankruptcy Code. We also aim to improve Sprint’s profitability by concentrating on high-revenue products such as postpaid handsets and decreasing churn rates. Sprint has been our consolidated subsidiary since we acquired a controlling interest in it in July 2013. As of March 31, 2015, we held 79.5% of the voting rights in Sprint, which had a market capitalization of ¥2,259 billion (\$18,799 million). Sprint is listed on the New York Stock Exchange. For more information on Sprint, see Sprint’s periodic filings with the U.S. Securities and Exchange Commission. Sprint’s periodic filings do not constitute part of the offering memorandum. For the fiscal year ended March 31, 2015, net sales from the Sprint segment were ¥3,800 billion (\$31,622 million), representing 43.8% of our consolidated net sales.

**Yahoo Japan.** Yahoo Japan is the main operating company for our Internet segment. Although we hold less than 50% of the voting rights of Yahoo Japan, we include it in our consolidated group because we effectively control its operations. We formed Yahoo Japan as a joint venture with Yahoo! Inc. in January 1996. As of March 31, 2015, we held 43.0% of the voting rights of Yahoo Japan. Yahoo Japan is a consolidated subsidiary and is listed on the Tokyo Stock Exchange with a market capitalization of ¥2,825 billion (\$23,506 million) as of March 31, 2015.

**SB Group US.** SB Group US, formerly SoftBank Internet and media, is responsible for overseeing our strategic internet, telecommunications, media and global investment activities. SB Group US is our wholly owned subsidiary.

**Brightstar.** Brightstar Corp. is one of the world’s largest specialized wireless terminal distributors, in terms of net sales, providing services in over 100 countries with local bases in over 50 countries, including mobile device and accessory wholesaling, mobile device distribution and inventory management and mobile device insurance and trade-in programs. With the consolidation of Brightstar Corp., we have become one of the world’s largest procurers of mobile devices, by volume. Brightstar Corp. has been our consolidated subsidiary since our acquisition of approximately 57% of the voting rights of the holding entity thereof in January 2014, and as of March 31, 2015 Brightstar Corp. was our wholly owned subsidiary.

**Supercell.** Supercell Oy (“Supercell”) operates a mobile game business and has been our consolidated subsidiary from October 2013. Its most popular mobile games include *Clash of Clans*, *Boom Beach* and *Hay Day*. *Clash of Clans* has consistently been one of the top grossing games for iOS and Android devices since its release. We and GungHo acquired, through a jointly established special purpose company, shares representing approximately 51% (on a fully-diluted basis) of voting rights of Supercell in October 2013, at which time it became our consolidated subsidiary. We later acquired GungHo’s entire interest in the special purpose company. We acquired an additional 22.7% of the voting rights of Supercell by purchasing shares held by third-party investors. Through this transaction, the percentage of voting rights represented by Supercell shares, held by us, reached 77.8%, as of May 29, 2015. We expect Supercell to continue to operate independently.

### **Key Associates**

**GungHo.** The online gaming business of GungHo Online Entertainment, Inc. (“GungHo”) was founded in August 2002. GungHo is an online gaming company with a focus on mobile and PC games, with hit games such as *Puzzle & Dragons*, one of Japan’s top mobile games. GungHo has been our consolidated subsidiary since April 1, 2013. GungHo is listed on JASDAQ and, as of March 31, 2015, had a market capitalization of ¥541 billion (\$4,506 million).

**Alibaba.** Alibaba is one of the largest online and mobile commerce groups in the world in terms of gross merchandise volume and largest e-commerce company by transaction volume in China. The largest company in the Alibaba group by revenue is Taobao Marketplace, a large Chinese online shopping destination. The Alibaba group also includes, among others, Alibaba.com, a leading platform for global wholesale trade serving millions of buyers and suppliers around the world, Tmall.com, a large third-party platform for brands and retailers in China, and AliExpress, a global retail marketplace enabling consumers from around the world to buy



directly from wholesalers and manufacturers. In September 2014, Alibaba conducted an initial public offering of its shares and listed on the NYSE. As of March 31, 2015, we held shares representing 31.9% of the voting rights of Alibaba, but a voting rights agreement effectively limits our share of voting rights to 30%.

See “Summary—Organizational Structure” for a chart depicting our material group companies.

## **Our Business Segments**

### ***Mobile Communications Segment***

#### ***Domestic Mobile Communications Business***

We offer a range of mobile voice and data services on a variety of devices over our nationwide mobile communications network in Japan. Total mobile subscribers attributable to our Mobile Communications segment, which we count as the total number of subscribers under the *SoftBank* brand and *Y!mobile* brand (including PHS), was approximately 47.8 million subscribers, representing a subscriber market share of approximately 30% (including PHS) as of March 31, 2015. See “Key Performance Indicators—Mobile Communications.”

We entered the mobile communications business in April 2006 when we acquired Vodafone Japan (the predecessor to SoftBank Corp.). By recognizing the imminent arrival of the mobile internet era and executing smartphone-based strategy and network enhancement initiatives, we have become the fastest growing provider of mobile communications services by subscribers in Japan. One important milestone in this process was being the first carrier to offer the *iPhone* in Japan in 2008. Since then, in an effort to ensure steady profit growth in mobile communications, we have been pursuing our key strategic initiatives aimed at expanding our smartphone subscribers and increasing telecommunications service revenue. Our cumulative subscribers for this segment have grown each quarter since the first quarter of the fiscal year ended March 31, 2007.

For the fiscal years ended March 31, 2013, 2014 and 2015, the segment generated net sales of ¥2,346 billion (\$19,519 million), ¥3,166 billion (\$26,342 million) and ¥4,190 billion (\$34,863 million), respectively. For the fiscal years ended March 31, 2013, 2014 and 2015, the segment generated EBITDA in the amount of ¥797 billion (\$6,635 million), ¥1,001 billion (\$8,328 million) and ¥1,150 billion (\$9,567 million), respectively.

Through our Mobile Communications segment, we offer a range of 3G and LTE mobile services on a variety of devices over our nationwide mobile communications network. Although we have seen a general decline in voice ARPU—mirroring the general trend in the industry—due to an increase in sales of devices without voice features and a decline in the usage of the voice call function of voice devices, this has been partly offset by an increase in data ARPU driven by the growth of smartphone subscribers. For the fiscal years ended March 31, 2013, 2014 and 2015, *SoftBank* brand mobile services generated ARPU in the amount of ¥4,550, ¥4,450 and ¥4,230, respectively.

#### ***Our Products and Services***

The primary business within our Mobile Communications segment is the provision of mobile voice and data services, and sales of handsets. Revenues from voice and data services for SoftBank Corp., the primary operating subsidiary in our Mobile Communications segment, accounted for the majority of net sales for the segment. We offer subscribers mobile data services on most of our handsets as well as mobile voice services. These include plans for light, ordinary and heavy data and voice service usage.

Our mobile communications services are offered on our 3G and LTE networks on the FDD-LTE and TD-LTE standards. Our LTE service is available throughout most populated areas of Japan. Our Voice over LTE (“VoLTE”) service transmits voice data over our LTE network, allowing for clear, higher quality voice calls.

We currently offer mobile communications services on a contract, or postpaid, basis and as a prepaid service. Our typical postpaid subscriber contracts are for periods of 24 months, with auto renewal for an additional term if not cancelled. As of March 31, 2015, approximately 98% of our customers were subscribers to our postpaid service.

The following chart shows our most recently introduced pricing plans (the “Smartphone Flat-rate”) for mobile phones and tablets, in which a majority of our new subscribers enroll. This new pricing plan allows users to choose a plan that best matches their data usage needs. To accommodate users with multiple devices, such as a smartphones and tablets, and to facilitate entire families subscribing to *SoftBank* brand services, we allow data sharing for certain devices with ten gigabyte (“10GB”) plans or more and between family members. Connection speed is reduced for subscribers who exceed their selected data usage limits, but these limits can be easily increased by one gigabyte increments by paying ¥1,000 for each additional gigabyte, allowing normal connection speeds to resume. Subscribers have the option of making this increase automatic when they reach their selected usage limit. This system was introduced to allow our subscribers to seamlessly use data services, such as mobile applications and internet browsing, by connecting to high-speed networks on their advanced mobile devices, particularly given the increase in content rich internet services, such as streaming internet videos. To further improve the experience of our subscribers, we also allow subscribers to rollover unused data to the following billing month.

**Smartphone Flat-rate Plan for voice calls and data usage:**

| Unlimited voice calls<br>Basic Plan (2 year contract)                            |   | Tiered Data  |              |   |
|--|---|--|--------------|---|
| iPhone and other smartphones<br>Unlimited Voice Call Plan<br><b>¥2,700/month</b> | + | Data Flat-rate Pack - Regular  | 5GB          | ¥5,000/month  |
|  |   | Data Flat-rate Pack - Large (10GB)   | 10GB         | ¥9,500/month<br><small>*Currently ¥8,000/month when a campaign applied.</small> |
|  |   | Data Flat-rate Pack - Large (15GB)   | 15GB         | ¥12,500/month   |
|  |   | Data Flat-rate Pack - Large (20GB)   | 20GB         | ¥16,000/month   |
|  |   | Data Flat-rate Pack - Large (30GB)   | 30GB         | ¥22,500/month   |
|  |   | Data Flat-rate Pack - Small  | 2GB          | ¥3,500/month  |
|  |   | Data Flat-rate Pack - (Simple Smartphone)<br><small>*Data pack exclusive for Simple Smartphone</small> | 200MB        | ¥2,000/month  |
| Tablet<br>Basic Plan for Tablet<br><b>¥1,700/month</b>                           |   |  |              |   |
|  |   | +  |              |   |
| 3G Mobile<br>Unlimited Voice Call Plan<br><b>¥2,200/month</b>                    |   | Flat-rate Data Pack (3G Mobile)  | ¥3,500/month |   |

*Contents and Services*

In addition to voice and data services, we offer a range of mobile content, including subscription-based contents such as music and video streaming as well as magazine and comic services. While we have seen modest growth in subscriptions to this content, we believe that the use of this content as well as content released by other developers is driving a general increase in data usage. Starting in October of 2015, through a cooperative arrangement with Yahoo Japan, our subscribers will be able to more seamlessly use Yahoo Japan’s online shopping services. We also have a service that is aimed at increasing subscriber satisfaction by distributing various coupons and discounts to our subscribers.

*Discounts and Special Plans*

Additionally, we offer various discounts and special plans, including the *Smartphone & Internet Bundle Discount*, a discount for families and the *U25 Bonus*. Our discounts and special plans include the following:

- *Smartphone & Internet Bundle Discount.* From March 2015, we have offered a discount bundled service, which combines mobile services and optical broadband services, by utilizing optical fiber wholesale services of NTT East and NTT West. A typical subscriber might pay approximately ¥8,000 per month for our mobile service and ¥5,700 per month for our residential optical broadband services. When subscribers choose a data package for five gigabytes of monthly usage, and also subscribe to our optical broadband services, they receive a monthly discount of ¥1,410 to their

smartphone bill and, for a period of two years at most, the smartphone bill of up to ten family members. After two years, the discount is reduced to ¥934 and applies only to the smartphone bill of the subscriber.

- *Smartphone Flat-rate Family Discount.* This discount is available for families with more than two subscription lines and more than 5GB of Data Flat-rate Packs each.
- *U25 Bonus.* This bonus, either monthly discount or extra data usage, is available for subscribers under the age of 25.
- *America Flat-rate Option.* This service allows iPhone 6 and iPhone 6 Plus users, as well as certain other users, with a data package for five gigabytes or more of monthly usage in *Smartphone Flat-rate* to use their iPhones in the U.S. mainland and Hawaii with the same rates for voice calls, SMS and data as Japan using Sprint's network.

#### *Handsets and Accessories*

We offer a wide selection of handsets, with a particular focus on smartphones, which generally have a higher ARPU than feature phone offerings. In addition to the iPhone 6 and iPhone 6 Plus, we offer a range of Android smartphones including Sony Mobile's Xperia™ Z4, Sharp's AQUOS Xx (on sale in late June) and AQUOS CRYSTAL 2 (on sale in middle July), and Samsung's Galaxy S6 edge. We also offer a number of feature phones, including Panasonic Mobile Communication's COLOR LIFE 5 WATERPROOF and ZTE's *Kantan Keitai 8* and tablets such as Apple's iPad Air 2 and Microsoft's Surface 3 (4G LTE), which we began offering in June 2015. We also offer accessories to these products.

We source our handsets from a number of well-known suppliers, including Apple, Sharp, Sony, Kyocera, Panasonic, Samsung and ZTE, as *SoftBank* brand handsets. These products are sold both through direct and indirect channels. Our *Y!mobile* brand sources its handsets from suppliers including LG Electronics, Kyocera and Motorola Mobility, as *Y!mobile* brand handsets. We are continuously striving to improve the quality and breadth of our handset offerings to take advantage of new developments and new mobile handset features. The *iPhone* is our best-selling handset.

The majority of the subscribers in the Japanese mobile market are postpaid subscribers. We offer a monthly discount program which is a type of sales promotion that provides customers support as they purchase new handsets, by allowing customers who purchase handsets by installment contract (typically a 24-month contract) to deduct all or a part of their installment payment from their monthly service fees. This program allows subscribers to purchase handsets practically for free or a significantly reduced price. In addition, we offer to a certain extent cash back, a points program and a trade-in program, in order to gain subscribers from our competitors and retain our existing subscribers. The amount of these offering depends on the applied price plan and our current marketing strategy. They are standard in the Japanese mobile market, and believe that they are effective for subscriber acquisition and retention. Also, by increasing the number of subscribers with advanced smartphones that can access our LTE network, we can facilitate our subscribers' use of various mobile content, including mobile applications and internet services, which we believe will lead to an increase in mobile data usage. In effect, we expect this strategy to lead to both improved customer satisfaction as well as increased future data consumption. We believe this strategy is important, as we expect that data usage from smartphones will be one of the drivers of our ARPU, going forward. See “—Strategies—Leverage our leading market position in the attractive Japanese mobile telecommunications market to enhance revenue generation—Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers.”

We also offer the *Mimamori* series of phones, which have limited functions to ensure the safety of child users. The phones have an emergency cord that can be pulled, setting off an alarm on the phone and automatically sending an email with the phone's location to pre-selected telephone numbers. Additionally, the phone is designed such that calls can only be made to and received from certain pre-set numbers. The user can also send location information to specified numbers with the touch of a button.

#### *Mobile Data Communications and Modules*

SoftBank Corp. offers a range of mobile data communications products that can be used to connect computers and other mobile devices to our wireless data networks, including our line of portable *SoftBank Wi-Fi Routers*. Additionally, we offer certain products with built-in communication modules, including digital photo frames, smart body composition scale, *Mimamori* home security devices and cameras, satellite phones and car navigation devices with telecommunications functionality.

### *Accessories*

SoftBank Commerce & Service Corp. offers accessories for *iPhone*, *iPad* and other smartphones under the *SoftBank SELECTION* brand.

### *Sales and Marketing*

Our current marketing strategy is focused on the strength of our *SoftBank* brand and our innovative products. We have found that marketing communications, such as television commercials, website banners, or media and promotions, in addition to the base line power of a company, which we believe includes the quality of our sales personnel and brand recognition, are the biggest contributors to subscriber additions.

### *Branding*

As a part of our branding strategy, we own the Fukuoka SoftBank HAWKS, a Japanese professional baseball team, which won the 2014 Japan Series championships. Moreover, we are attempting to develop an image of being cutting-edge through promotional activities that use “Pepper” the humanoid robot developed by our subsidiaries SoftBank Robotics and ALDEBARAN Robotics. Furthermore, our series of commercials featuring the *Shirato family* continues to have enduring popularity, even almost ten years after these commercials were first introduced.

### *Point Program*

The *T Point* program is one of Japan’s largest collective points programs in which users can earn T Points, through spending at affiliated stores, nationwide, and internet vendors, and to use these points with these same associates. We offer a program through which users can earn *T Points* by incurring *SoftBank* mobile phone charges. SoftBank Corp. and Yahoo Japan have a minority investment in Tpoint Japan Co., Ltd., the operator of the T Point program.

### *Prepaid Cards*

From March 2015, we began offering the SoftBank Card, which is a refillable pre-paid card, with no registration or annual fee, that allows users to accumulate *T Points* when shopping and can be used wherever Visa is accepted. The SoftBank Card is easily refilled by transferring money to a designated bank account and can be used at the approximately 38 million vendors that accept Visa, which include department stores, convenience stores, drugstores, restaurants, clothing stores and internet shops, both in Japan and abroad. For each ¥200 charged to a SoftBank Card, the user accumulates one T Point, which can be used, for example, to offset the user’s mobile phone bill or to re-fill the SoftBank Card, at a rate of ¥1 per T Point used.

### *Bundling with Fixed-line services*

As discussed above, subscribers that subscribe to our fixed-line broadband services, mainly our *SoftBank Hikari* service, can receive discounts on their mobile phone services, which we believe will contribute to lower churn rates. In particular, the discounts from bundling fixed-line services are particularly beneficial for families, as discounts apply to other family members, and we expect this to particularly protect against churn. See “—Our Products and Services—Discounts and Special Plans.”

### *Trade-in Campaign*

We allow our customers to trade in their mobile devices and offer these customers a range of monthly fee discounts, based on the type of device traded in. Devices which are traded in are resold by Brightstar.

### *Customer Service*

We realize that customer service, including the service that we provide, both when signing up a customer and when addressing the needs of existing customers is important to retaining subscribers and maintaining the reputation and recognition of our brand name. We provide extensive customer service at the point of sale through our nationwide network of shops, the employees of which we train in customer support and to whom we provide further assistance through our shop support centers. Post-sale support is handled through our toll-free support lines, which include general support services as well as technical support dedicated to the *iPhone*, email center and Twitter support. Customers also participate in surveys after receiving assistance from our support staff which enables us to monitor performance and motivate our personnel to continue to provide excellent service. Our customer service efforts are also supported by fully integrated information systems. For example, customers can use their mobile telephones or personal computers to access our website, where they can change their services, pricing plans and email addresses 24 hours a day.

## Consumer Marketing Channels

We have established an extensive nationwide distribution and after-sales service and support network comprised primarily of dealers, which, as of March 31, 2015, included dealers in approximately 2,500 *SoftBank*-branded shops that exclusively offer our products and services. Additionally, we market through an extensive network of mass electronics retailers and mobile retail shops, as well as mobile specialty shops, which sell multiple brands of mobile phones. We have longstanding relationships with mass electronics retailers and we believe that we can leverage these relationships to promote our mobile communications services.

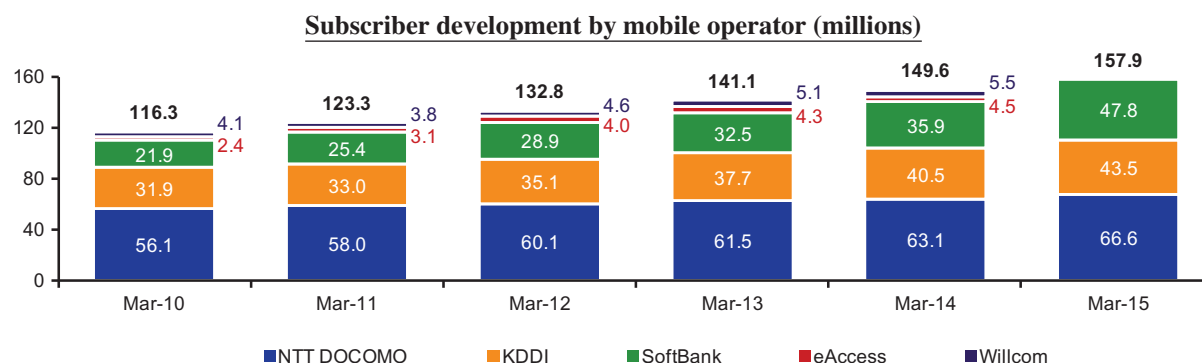
We also use the SoftBank Corp. website to market our products and services. The website contains online shopping and detailed information on our products and services, such as product specifications, pricing plan details and service area coverage. Our website also is increasingly focused on customer self-service in order to provide subscribers with greater convenience. Subscribers can access services related to their accounts through the SoftBank Corp. website in order to see, for example, their service plan, monthly statements and customer support information.

In addition, we use our existing customer relationships related to fixed-line and other corporate solutions to cross sell mobile, cloud and other solutions to corporate customers.

## Subscribers

As of March 31, 2015, total mobile subscribers attributable to our Mobile Communications segment, which we count as the total number of subscribers under the *SoftBank* brand and *Y!mobile* (including PHS), was approximately 47.8 million subscribers, representing a subscriber market share approximately 30% (including PHS) as of March 31, 2015. See “Key Performance Indicators—Mobile Communications.” This is up from 15.2 million when we acquired Vodafone Japan in 2006. We believe that our customer base will contribute to our ability to achieve stable cash flows from our mobile business communications business.

The chart below details subscriber growth for our Mobile Communications segment, as well as our competitors, over the past six years.



Source: TCA

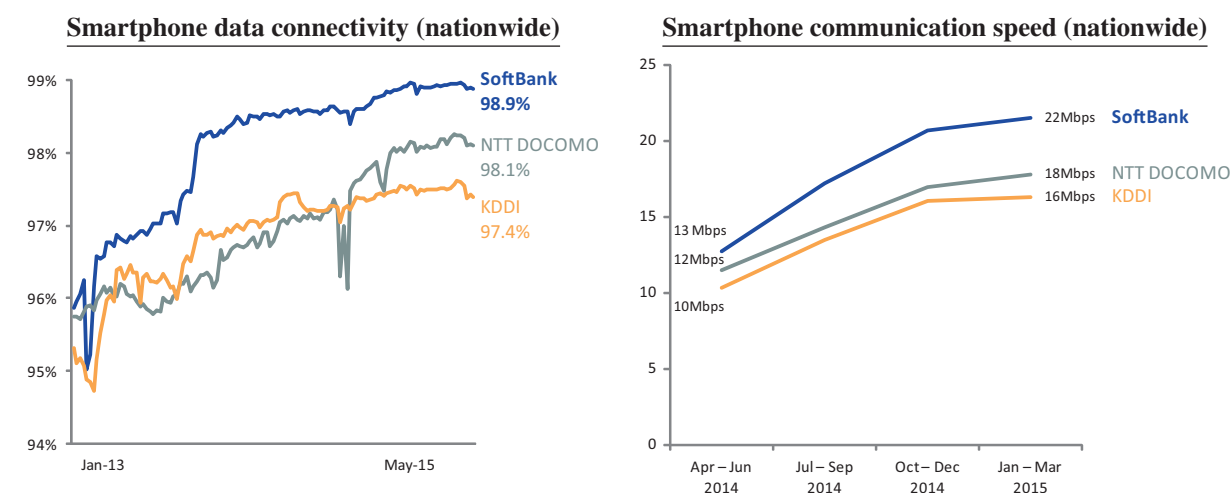
Note: On April 1, 2015, SoftBank Corp. merged with eAccess, which had previously merged with Willcom on June 1, 2014. For convenience, subscriber numbers for SoftBank, eAccess and Willcom are presented on a combined basis as of March 2015. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation.”

## Network

We operate the foremost domestic mobile communications network, in terms of smartphone data connectivity and smartphone communication speed. We purchase and operate our network infrastructure directly. Our primary providers of network equipment include affiliates of Ericsson and Nokia.



According to Agoop Corp., an industry data aggregator, our smartphone data connectivity as of May 3, 2015, was 98.9%, compared to 98.1% and 97.4% for our primary competitors NTT DOCOMO and KDDI, respectively. See “Market and Industry Data.” According to the same source, our average nationwide smartphone communication downlink speed for the three month period ended March 31, 2014 was 22 Mbps, compared to 18 Mbps and 16 Mbps for NTT DOCOMO and KDDI, respectively. The charts below show our smartphone data connectivity and smartphone communication speed, compared to NTT DOCOMO and KDDI, for the periods shown:



Source: Statistics analyzed by Agoop Corp., our industry data aggregator subsidiary, Platinum band-compatible smartphone data connection: total 120,000 platinum band-compatible smartphones (40,000 for each operator) randomly selected by the Network Connection Checker app (by Agoop). Agoop Corp. “Analysis of Data Communication Speed of Smartphones” Data collected from April 1, 2014 to March 31, 2015 nationwide. Communication speed data collected through the Network Connection Checker app (by Agoop), downlink speeds compared in the graph. Analytical conditions: within 500m × 500m areas that obtained catalogs for all 3 operators.

After acquiring Vodafone Japan in 2006, we began strengthening our network by doubling the number of our 3G base stations. Following this investment in our network, and before we were allocated spectrum of the 900 MHz band, we focused on improving our network coverage, particularly poor area coverage, by making appropriate and well-timed capital investment in our network, while minimizing capital expenditure in order to improve our financial position, such as free cash flows. In 2010, as our *iPhone* subscribers began to increase, we began to upgrade our network to better serve the needs of subscribers in the smartphone age. We doubled the number of our base stations particularly in metropolitan areas, so that our network could handle the anticipated increase in data usage. In 2012, we were allocated spectrum of the 900 MHz band and undertook efforts to further improve our network area coverage and quality, such as by building new base stations and towers in areas in which our network previously did not cover. In addition, we began to utilize the networks of Wireless City Planning and eAccess, allowing our smartphone user subscribers to access multiple spectrums and allowing us to build a network that enabled users to more seamlessly access internet media and services. Now that our network has improved significantly, as planned, required capital expenditure has declined and we expect it will decrease going forward, as the most costly aspects of our network improvement, such as setting up steel towers for base stations, are almost complete. Going forward, as we continuously improve our network, we believe that our capital expenditures will be primarily limited to maintenance and upgrades of our existing base stations for introducing the newest network technologies.

### 3G Network

Our 3G services are provided using spectrum in the 900 MHz, 1.5 GHz, 1.7 GHz and 2.1 GHz bands. Among these bands, the 900 MHz band and the 2.1 GHz are our primary bands and, by utilizing these two spectrum bands nationwide throughout Japan, we have achieved a higher smartphone data connectivity than other domestic carriers, as of May 2015. After our acquisition of Vodafone Japan in 2006, there was a period during which our mobile network lagged behind other mobile communication companies in Japan, mainly due to a lack of sufficient base stations and spectrum in the band between 700 MHz and 900 MHz, known as the “platinum band.” The platinum band is optimally suited for mobile communications services, with better propagation and penetration characteristics than some higher frequency spectrum, allowing the signal to cover wider areas and penetrate buildings and other obstacles more effectively. We were allocated spectrum of the 900 MHz band in March 2012 and launched communication services using the 900 MHz band in July 2012. To fully utilize our allocated spectrum in the 900 MHz band, during fiscal year 2013 we constructed a nationwide network of 40 to 60 meter high transmission towers. As a result, our connectivity improved significantly, not just in cities but also at remote locations such as golf courses and ski resorts in mountainous areas.

### *LTE Network*

Our LTE services include FDD-LTE and TD-LTE. We provide these services using a combination of our available spectrum, based on availability and data traffic, which helps us to achieve higher effective speed than other carriers.

Our LTE services use the 2.1 GHz band throughout most of Japan. We have enhanced our nationwide LTE coverage with the addition of our 900 MHz band LTE services. We launched our 900 MHz LTE services in July 2014, with service available through most parts of Japan as of May 2015. We currently target completing our nationwide rollout of this service by the end of October 2015.

Our 2.5 GHz TD-LTE services, which are used for data offloading, are provided primarily in cities in which data traffic is high. This TD-LTE network utilizes a one-of-a-kind architecture of “cloud-type base stations,” where “base band units”, each controlling 30 to 50 base stations, are installed in local telephone exchanges. This system enables us to reduce the geographic coverage area (“cell size”) served by base stations through coordinated control, thereby reducing interference between base stations, we believe this system will play an increasingly important role in offloading an increasing amount of data traffic.

We also enhance our LTE services by using carrier aggregation, which we began in September 2014. Carrier aggregation is a wireless communication technology used in concert with LTE-Advanced to aggregate multiple radio transmission signals together to achieve faster communication speeds. Certain of the latest Android smartphones and certain data cards are also compatible with TD-LTE carrier aggregation technology.

We implement VoLTE, which provides high quality voice calls using our FDD-LTE network, together with “HD Voice (3G),” which provides high quality voice calls in 3G areas. High quality voice calls can be made between handsets that are compatible with either VoLTE and HD Voice (3G) or both.

To support the effectiveness of our capital expenditures, we analyze the data connectivity and communication speed of different areas and at different times. This analysis is made possible as we obtain with the consent of handset users more than 2.1 billion data submissions per month from applications installed on our handsets, and those of other carriers. This data enables us to pinpoint connectivity and communication speeds in different areas and at different times of the day.

We pride ourselves in having high credibility with our customers and with the fact that we have not experienced any “serious incidents,” requiring a report to the Minister for Internal Affairs and Communications, since June 2011, for SoftBank Corp.’s mobile network, and since April 2013, for Ymobile Corporation’s mobile network. As of March 2015, an incident was considered a “serious incident” if the incident lasts for more than two hours or affects more than 30,000 people, although these criteria were partially revised in April 2015 to lower the required duration to one hour.

### *Spectrum*

SoftBank Corp. has been allocated spectrum in the 900 MHz, 1.5 GHz, 2.1 GHz and 3.5 GHz bands for operation of our mobile communications networks and acquired access to the 1.7 GHz, 1.9 GHz and 2.5 GHz bands through our acquisition of eAccess and WILLCOM, which were merged into Ymobile in 2014 and later integrated into SoftBank Corp. on April 1, 2015.

Unlike in the United States and certain European countries, radio spectrum in Japan historically has not been allocated via an auction system. Instead, the MIC allocates bandwidth after considering applications from interested parties. In this process the MIC considers a range of factors, including which proposed use for the spectrum best serves public needs and whether the parties have the necessary means to accomplish their proposals. Because the MIC can revoke allocations under certain circumstances, we are obligated to develop our spectrum in accordance with the proposals we made when applying for use of the spectrum. Spectrum users are required to pay radio utilization fees to the MIC. See “Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum.”

### *Mobile Games Business*

We sell mobile games primarily through our subsidiary Supercell and our associate GungHo.

*Clash of Clans* is a smartphone and tablet application game, developed by Supercell. It was released in August 2012 for iOS and October 2013 for Android devices. Download and regular play of the game is free, but revenues are derived from user in-app purchases of items, which is used for in-game activities such as accelerating the construction of buildings, upgrading buildings and troops and increasing the speed of resource collection. *Clash of Clans* has consistently been one of the top grossing games for iOS and Android phones since its release.

*Puzzle & Dragons* is a smartphone and tablet application game incorporating elements of the puzzle and RPG genres, developed by GungHo. It was released in February 2012 for iOS, September of the same year for Android devices and January 2013 for the Kindle Fire. The game is free to download, but revenues are derived from user in-app purchases of in-game items, which is used for continuing a game, replenishing stamina points and unlocking usable monsters, among other things. *Puzzle & Dragons* is one of Japan's most popular mobile application games. In December 2013, a version of the game, *Pazudora Z*, was released for Nintendo 3DS, which does not include paid content.

### ***Brightstar Business***

Through the collective procurement efforts of Brightstar, SoftBank Corp. and Sprint, we believe that we will be able to source desirable Android handsets at a lower cost than is currently possible. Also, we plan to utilize Brightstar's world-wide distribution network to sell smartphone accessories to mobile carriers across the globe.

### ***Sprint Segment***

The Sprint segment was established as a new reportable segment in conjunction with the consolidation of Sprint. Sprint is a communications company that primarily offers wireless communications products and services that are designed to meet the needs of individual consumers, businesses and resellers. Its operations are organized to meet the needs of our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless services. Sprint is one of the major mobile operators in the U.S. with approximately 57 million cumulative subscribers to its mobile communications services, as of March 31, 2015.

For the fiscal years ended March 31, 2014 and 2015, the segment generated net sales of ¥2,601 billion (\$21,645 million) and ¥3,800 billion (\$31,622 million), respectively. For the fiscal years ended March 31, 2014 and 2015, the segment generated EBITDA of ¥412 billion (\$3,431 million) and ¥653 billion (\$5,434 million), respectively. Results for the Sprint segment for the fiscal year ended March 31, 2014 reflect the results of operations of Sprint from July 10, 2013, the date we completed the acquisition of Sprint.

### ***Products and Services***

Sprint operates both a wireless and wireline business, providing fixed-line telecommunications services, mobile telecommunications services, mobile devices, mobile handsets and accessories services in the United States. Sprint offers wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler's brand. Sprint continues to support the open development of applications, content and devices on the Sprint platform.

Sprint's wireless data communications services include mobile productivity applications, such as internet access, messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment applications, including the ability to view live television, listen to satellite radio, download and listen to music, and play games. Sprint's wireless voice communications services include basic local and long-distance wireless voice services throughout the United States, as well as voicemail, call waiting, three-way calling, caller identification, directory assistance and call forwarding. Sprint also provides voice and data services in numerous countries outside of the United States through roaming arrangements.

Sprint's services are provided using a broad array of devices and applications and services that run on these devices to meet the growing needs of subscriber mobility. Sprint's device portfolio includes many cutting edge handsets, from various original equipment manufacturers, as well as hotspots, which allow the connection of multiple Wi-Fi enabled devices to the Sprint platform and embedded tablets and laptop devices. In addition, Sprint sells accessories, such as carrying cases, hands-free devices and other items to subscribers, and sells devices and accessories to agents and other third-party distributors for resale.

In Sprint's postpaid portfolio, it offers several price plans for both consumer and business subscribers. Many of its price plans include unlimited talk, text and data or allow subscribers to purchase monthly data allowances. Sprint also offers family plans that include multiple lines of service under one account. These plans are offered with traditional subsidy, installment billing or leasing programs. The traditional subsidy program requires a signed service contract and allows for a subscriber to either bring their handset or purchase one at a discount for a new line of service. Sprint's installment billing program does not require a signed fixed-term contract and offers service plans at lower monthly rates compared to traditional subsidy plans, but requires the subscriber to pay full or near full price for the handset over monthly installments. Sprint's leasing program also

does not require a signed fixed-term service contract, provides for service plans at lower monthly rates compared to traditional subsidy plans and allows qualified subscribers to lease a handset and make payments for the handset over the life of the lease. At the end of the lease term, the subscriber can either turn in the handset, continue leasing the handset or purchase the handset.

Sprint's prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber uses and demographics. Sprint prepaid primarily serves subscribers who want plans that are affordable, simple and flexible without a long-term commitment. Boost Mobile primarily serves subscribers with plans that offer unlimited text and talk with step pricing based on their preferred data usage. Virgin Mobile primarily serves subscribers through plans that offer control, flexibility and connectivity through various plan options. Virgin Mobile is also designated as a Lifeline-only Eligible Telecommunications Carrier in certain states and provides service for the *Lifeline Program* under our Assurance Wireless brand. Assurance Wireless provides eligible subscribers, in certain states, who meet income requirements or are receiving government assistance, with a free wireless phone, 250 free local and long-distance voice minutes each month and unlimited free texts under the *Lifeline Program*. The *Lifeline Program* is a benefit program, run by the U.S. government, that provides discounts on monthly telephone service for eligible low-income subscribers to help ensure that they can connect to the nation's communications networks, find jobs, access health care services, connect with family and their children's schools and call for help in an emergency.

Sprint has focused its wholesale business on enabling its diverse network of customers to successfully grow their business by providing them with an array of network, product and device solutions. This allows its customers to customize Sprint's full suite of value-added solutions to meet the growing demands of their businesses.

#### *Sales and Marketing*

Sprint focuses the marketing and sales of wireless services on targeted groups of retail subscribers, mainly individual consumers, business and governments, and utilizes a variety of sales channels to attract new subscribers to its wireless services. These sales include direct sales representatives, retail outlets, indirect sales agents and third-party retailers and subscriber-convenient channels, including internet sales and telesales.

Sprint has historically sold handsets at prices below its cost in response to competition to attract new subscribers and as retention inducements for existing subscribers. Sprint's subscribers now have additional options to purchase eligible devices through its installment billing program, *Sprint Easy Pay*, or to lease eligible devices through its lease program.

Sprint is offering lower monthly service fees without a traditional service contract as an incentive to attract subscribers to certain of our service plans. These lower rates for service are available whether subscribers bring their own handset, pay the full or near full retail price of the handset, purchase the handset under Sprint's installment billing program, or leases their handset through Sprint's leasing program. As the adoption rates of these plans increase throughout Sprint's base of subscribers, we expect Sprint platform postpaid ARPU to continue to decline as a result of lower pricing associated with these new service plans as compared to Sprint's traditional plans, which reflect higher service revenue and lower equipment revenue; however, we also expect reduced equipment net subsidy expense due to installment billing and leasing programs to partially offset these declines. Since inception, the combination of lower priced plans and installment billing and leasing programs have been accretive to wireless segment earnings. We expect that trend to continue with the magnitude of the impact being dependent upon the rate of subscriber adoption. We also expect that installment billing and leasing will require a greater use of operating cash flows in the earlier part of the contracts as the subscriber will generally pay less upfront than traditional plans because they are financing or leasing the device.

Effective April 1, 2015, Sprint entered into an agreement with General Wireless, who acquired 1,743 retail outlets of RadioShack, pursuant to a bankruptcy auction. Under the arrangement, General Wireless and Sprint are establishing co-branded Sprint-RadioShack retail stores at 1,435 locations throughout the United States using a store-within-a-store concept, the co-branded stores will exclusively sell or lease Sprint devices and the associated postpaid and prepaid service plans as well as RadioShack products, warranties, services and accessories. The arrangement is designed to provide Sprint with a substantial increase in its direct retail footprint. We believe this increase will lead to increased visibility of the Sprint Brand. While Sprint markets its services using traditional methods, it also uses various marketing initiatives to increase brand awareness and sales, such as various sponsorships.



### *Subscribers*

The Sprint platform had 56.1 million subscribers as of March 31, 2015. For the fiscal year ended March 31, 2015, Sprint added 2.6 million net subscribers, including 2.3 million subscribers to Sprint's wholesale and affiliate services and 449 thousand prepaid subscribers, despite a net loss of 212 thousand postpaid subscribers, mainly due to a decrease in the number of mobile phone subscribers.

### *Network*

Sprint delivers wireless services to subscribers primarily through its Sprint platform network, which primarily uses 3G CDMA and 4G LTE wireless technologies. Sprint's 3G CDMA wireless technology uses a digital spread-spectrum technique that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over the air and reassembling the voice and data into its original format. Sprint's 4G LTE wireless data communications technology utilizes an all-internet protocol ("IP") network to deliver high-speed data communications. To integrate voice into LTE, Sprint expects to use VoLTE. Sprint provides nationwide service through a combination of operating its own network in both major and smaller U.S. metropolitan areas and rural connecting routes, affiliations under commercial arrangements with third-party affiliates and roaming on other providers' networks.

Sprint has recently achieved significant improvements to its network, in part due to its nationwide deployment of voice and data services on spectrum in the 800 MHz. In 2013, Sprint's network was rated the lowest among the major U.S. wireless carriers. According to a survey by Rootmetrics, during the last half of 2014, Sprint's network had moved ahead of T-Mobile's network, putting it in third place in terms of over-all quality. Sprint is in the process of deploying further network capacity via the addition of significant spectrum in the 2.5 GHz band. In the near term, Sprint intends to focus its network expansion on densely populated urban areas, progressively enhancing network coverage and quality throughout key markets. We expect that further improvements in Sprint's network will lead to increased subscriber acquisitions and lower churn in the future.

### ***Fixed-line Telecommunications Segment***

We provide fixed-line broadband services to corporate and individual customers. Before April 1, 2015, SoftBank Telecom provided telecommunications services such as fixed-line telephone and data communications services to corporate customers, while SoftBank BB and Ymobile Corporation provided broadband services for individual customers. After the merger of these companies on April 1, 2015, fixed-line services are provided to both corporate and individual customers by SoftBank Corp.

For the fiscal years ended March 31, 2013, 2014 and 2015, the segment generated net sales of ¥531 billion (\$4,419 million), ¥548 billion (\$4,561 million) and ¥541 billion (\$4,502 million), respectively. For the fiscal years ended March 31, 2013, 2014 and 2015, the segment generated EBITDA of ¥168 billion (\$1,399 million), ¥170 billion (\$1,418 million) and ¥160 billion (\$1,334 million), respectively.

### *Products and Services*

Our fixed-line services to corporate customers include *Otoku Line*, a direct-connection fixed-line voice service, or landline service, data transmission services that support work style innovations and promote cross-selling with our other mobile communication services. As of March 31, 2015, we had a cumulative *Otoku Line* line base of 1.7 million. Our broadband services to individual customers include *Yahoo! BB ADSL* broadband internet access service, *Yahoo! BB hikari with FLET'S* ISP services offered as a package with NTT East's and NTT West's *FLET'S Hikari Series* fiber-optic connection, IP telecommunications services and wireless LAN services. In addition, in March 2015, we began offering fiber-optic connections services, under the *SoftBank Hikari* brand, through which we resell optical broadband access obtained wholesale from NTT East and NTT West.

### *Sales and Marketing*

As a fixed-line telecommunications company, we attempt to differentiate our business through network reliability and information and communications technology solutions, building on what we believe to be a trusted reputation and strong track record in the fixed-line telecommunications market and price competitiveness. As discussed above, subscribers to our fixed-line broadband services, mainly our *SoftBank Hikari* service, can receive discounts on their mobile phone services. See "—Mobile Communications Segment—Our Products and Services—Discounts and Special Plans."



## ***Internet Segment***

Yahoo Japan, our primary subsidiary operating in the Internet segment, was established in 1996 as a joint venture between Yahoo! Inc. and the Company and is the dominant search and portal site in Japan. Monthly page views, based on IP address, for its portal site for the three months ended March 31, 2015 reached over 61 billion making it the most visited internet portal site in Japan during such period. As of March 31, 2015, the SoftBank Group held 43.0% of the voting shares of Yahoo Japan, which is listed on the Tokyo Stock Exchange with a market value of ¥2,825 billion (\$23,506 million).

For the fiscal years ended March 31, 2013, 2014 and 2015, the Internet segment generated net sales of ¥357 billion (\$2,968 million), ¥400 billion (\$3,328 million) and ¥419 billion (\$3,488 million), respectively. For the fiscal years ended March 31, 2013, 2014 and 2015, the segment generated EBITDA of ¥193 billion (\$1,608 million), ¥204 billion (\$1,700 million) and ¥205 billion (\$1,705 million), respectively.

### ***Products and Services***

Yahoo Japan offers internet users a wide range of services, including search, information listing, community, e-commerce and games, all of which are accessible from the *Yahoo! Japan* internet portal site. We leverage the *Yahoo!* brand in our other businesses as well.

### ***Sales and Marketing***

In 2013, Yahoo Japan launched a new strategy for its advertising business, which included eliminating store tenant and other fees for shops on the *Yahoo! Shopping* and *YAHUOKU!* platforms. Although the new strategy has caused revenues to decline in the short term, the goal is to invigorate the market by expanding the numbers of sellers and products, and to set the overall business on a new growth trajectory by increasing advertisements. Under the new strategy, Yahoo Japan will utilize big data and advanced advertising technologies to enhance its response to diversifying advertiser needs and realize multi-device compatibility. For example, Yahoo Japan uses big data obtained from its customer base, which we believe to be the largest in Japan, to enable real-time distribution of advertisements, significantly increasing advertising efficiency. Yahoo Japan also made a full-scale expansion into the video advertisement distribution business. Looking ahead, Yahoo Japan will focus on multi-device compatibility to strengthen its response to the ongoing evolution of content, from text to images and video.

## ***Other Segment***

We are also involved in various businesses, including strategic investment by SB Group US, energy and robotics related businesses, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team and other businesses.

For the fiscal years ended March 31, 2013, 2014 and 2015, the segment generated revenue of ¥117 billion (\$974 million), ¥124 billion (\$1,036 million) and ¥111 billion (\$925 million), respectively. For the fiscal years ended March 31, 2013, 2014 and 2015, the segment generated EBITDA of ¥13 billion (\$109 million), ¥14 billion (\$113 million) and negative ¥11 billion (\$87 million), respectively. Our Other segment made up 1.3% of our consolidated net sales for the fiscal year ended March 31, 2015.

## **Strategically Important Companies**

### ***Alibaba***

Alibaba operates Taobao Marketplace, a large Chinese online shopping destination and *Tmall.com*, a large Chinese third-party platform for brands and retailers. Alibaba also operates *Alibaba.com*, a leading platform for global wholesale trade serving millions of buyers and suppliers around the world, and *AliExpress*, a global retail marketplace enabling consumers from around the world to buy directly from wholesalers and manufacturers. As a platform, Alibaba provides the fundamental technology infrastructure and marketing reach to help businesses leverage the power of the internet to establish an online presence and conduct commerce with consumers and businesses. We believe that Alibaba is one of the largest online and mobile commerce companies in the world in terms of gross merchandise volume and the largest e-commerce company by transaction volume in China. Alibaba provides a platform for third parties, and does not engage in direct sales, compete with its merchants or hold inventory.

We have built a mutually advantageous relationship with Alibaba, as seen in our joint investment with Alibaba in Travice Inc. (currently Xiaoju Kuaizhi Inc.), a provider of one of China's most popular taxi booking mobile applications. Furthermore, in May 2015, Alibaba announced a partnership with Yahoo Japan whereby the

two companies would work together to bring Japanese goods more efficiently to the Chinese consumer market. In addition, Alibaba's executive chairman Mr. Yun Ma serves as a director of the company. and Mr. Masayoshi Son (our Chairman and Chief Executive Office), serves as a director of Alibaba, with both directors using their knowledge and rich experience to contribute to the growth of each company.

We are party to a voting agreement with Alibaba, Yahoo! Inc., Yun Ma, Joseph Tsai and certain other shareholders of Alibaba, pursuant to which the parties agreed to certain voting arrangements with respect to Alibaba shares respectively controlled by them, including an agreement to vote for our director nominee.

### ***Other Strategically Important Associates and Investees***

The below information is based on our experience and belief, as well as other publicly available information about the below companies. We do not control these companies and, as such, rely on our status as a shareholder for our information with respect to their operations.

|   |   |
|---|---|
| <b>Renren<br/>(Renren Inc.)</b>                           | Renren Inc. operates China's No. 1 real-name social network service site, Renren.com. Recently, it has also been strengthening its finance business. In April 2008, we made a strategic investment in Renren, which at that time was called Oak Pacific Interactive. As of March 31, 2015, we held 43.0% of the voting rights of the company.   |
| <b>InMobi<br/>(InMobi Pte. Ltd.)</b>                      | InMobi Pte. Ltd. is the world's largest independent mobile ad network. InMobi enables the world's leading brands, developers, and publishers to engage global consumers through mobile advertising. InMobi platforms leverage advances in big data, user behavior, and cloud-based architectures to simplify mobile advertising for its customers. SoftBank committed \$100 million to acquire shares of InMobi in September 2011 and an additional \$100 million in April 2012. As of March 31, 2015, we held shares of InMobi representing 35.2% of the voting rights of the company. |
| <b>Tokopedia<br/>(PT Tokopedia)</b>                       | PT Tokopedia, which began operating in August 2009, is a rapidly growing online marketplace that enables individuals and business owners in Indonesia to open and maintain their online stores easily and for free, while providing a better and safer online shopping experience. We jointly invested approximately \$100 million, along with Sequoia Capital, in Tokopedia in November 2014.  |
| <b>Ola<br/>(ANI Technologies pvt. Ltd)</b>                | ANI Technologies pvt. Ltd, also known as Ola, was founded in 2011 and has grown to be one of the leading transportation aggregators in India. Ola leverages its technology platform to provide a market place connecting consumers and drivers via mobile apps, the web and call centers. We jointly invested \$210 million Ola, in October 2014, alongside Ola investors that were increasing their financial stake in the company.  |
| <b>snapdeal.com<br/>(Jasper Infotech Private Limited)</b> | Jasper Infotech Private Limited, founded in 2010, is the operator of snapdeal.com, an online marketplace in India, which has become one of the fastest growing and largest online marketplace in India, in terms of gross merchandise volume, with more than 25 million registered users and more than 50,000 business sellers. We invested \$627 million in Jasper Infotech Private Limited, in November 2014.   |
| <b>GrabTaxi<br/>(GrabTaxi Holdings Pte Ltd)</b>           | GrabTaxi Holdings Pte Ltd, which launched in 2012, has grown to become one of the largest and most widely used mobile taxi booking application provider in Southeast Asia, with operations in Malaysia, Philippines, Thailand, Singapore, Vietnam and Indonesia. We invested \$250 million in GrabTaxi Holdings Pte Ltd in December 2014, becoming its largest shareholder.   |
| <b>Coupang<br/>(Forward Ventures, LLC)</b>                | In June 2015, we agreed with Forward Ventures, LLC, which is the holding company of the operator of <i>Coupang</i> founded in 2010, one of the largest and fastest growing standalone e-commerce websites in Korea, to invest \$1 billion in the company. The investment closed in mid-July 2015. <i>Coupang</i> offers the largest end-to-end fulfillment operation in Korea and one of the most revolutionary last-mile delivery services in the world.   |

### **Important Relationships**

#### ***Vendors***

We rely on key vendors for mobile handsets and networking equipment, including the Apple *iPhone*. As the first carrier to market the *iPhone* in Japan, we have a well-established relationship with Apple Inc. We believe that our relationship with Apple Inc., as with other major vendors, is healthy.

### ***Nippon Telegraph & Telephone Corp. (“NTT”)***

Maintaining our relationship with NTT is important to us. NTT, which is approximately one-third owned by the Japanese government, is incumbent telecommunications operator that owns a significant portion of the telecommunications infrastructure in Japan. As telecommunications providers, certain SoftBank Group companies in Japan are party to interconnection agreements with NTT. Furthermore, certain SoftBank Group companies have formed alliances with NTT East and NTT West whereby these entities provide fixed-line broadband services to users while SoftBank Group companies provide mobile broadband or other package services to the same users. For example, we began offering fiber-optic connection services in March 2015, under the *SoftBank Hikari* brand, through which we re-offer optical broadband access obtained wholesale from NTT East and NTT West.

### ***Yahoo! Inc.***

In 1996, we entered into a joint venture agreement with Yahoo! Inc. (as amended by the Amendment Agreement dated September 17, 1997, the “Yahoo Joint Venture Agreement”) in order to create a Japanese version of Yahoo! Inc.’s online navigational services and to sell online advertisement space, among other purposes. The Yahoo Joint Venture Agreement has a perpetual term under which either party may terminate for material breach. However, Yahoo! Inc. may also terminate the agreement if Yahoo Japan sustains net losses for four consecutive fiscal quarters and the parties cannot agree on a future business plan for the joint venture. Additionally, neither Yahoo! Inc. nor SoftBank may directly or indirectly sell, assign, transfer, dispose, pledge, or encumber any shares of Yahoo Japan common stock, or purchase shares on the open market, without the prior consent of the other.

Yahoo Japan has a license to the *Yahoo!* brand in Japan from Yahoo! Inc. This licensing agreement dated April 1, 1996 and as amended on September 17, 1997 (the “*Yahoo!* Licensing Agreement”) is critical to our Internet segment, enabling us to use the *Yahoo!* brand for certain of our products and services. If Yahoo Japan is unable to use the *Yahoo!* brand for any reason, Yahoo Japan’s services, our internet service and other services with *Yahoo!* branding could be significantly damaged. As of March 31, 2015, as a group, we held 43.0% of the voting rights in Yahoo Japan, our consolidated subsidiary.

### **Intellectual Property**

The Company is the holder of the registered trademark “SoftBank” and the related corporate logo. The Company permits certain SoftBank Group companies to use its registered trademark.

Certain of the SoftBank Group companies have registered, and have patents pending with respect to, trademarks, registered designs, patents and utility models. In addition, certain of the SoftBank Group companies license the right to use certain intellectual property from third parties, including Yahoo Japan’s licensing agreement with Yahoo! Inc.

### **Insurance**

To the extent that it is reasonably available, we maintain insurance policies, which have policy specifications and insured limits that are adequate and appropriate for our business. Like many other companies in Japan, risks covered by our insurance policies include fire, theft, flood and explosion.

We also maintain a range of insurance policies for our directors that are appropriate for our business.

### **Properties and Leases**

Our major subsidiaries lease certain telecommunications equipment and service lines, buildings and structures, other property, equipment and software. Once the assembly, installation and inspection of newly acquired equipment are complete, we sell the equipment, excluding the installed software, to leasing companies and lease the equipment back from them under sale and lease-back arrangements. At the same time, we enter into loan contracts with the lessors to pay for the value of the software installed in the equipment. We include the cash inflows from the sale of the equipment to leasing companies and the proceeds from the loan arranged for the software portion as proceeds from the sale and lease-back of equipment newly acquired under cash flows from financing activities in our consolidated financial statements. As of March 31, 2015, the value of our consolidated outstanding leases was ¥1,156 billion (\$9,623 million).

We generally lease all of our offices including our head office in Tokyo. Generally, our subsidiaries also lease their properties, although each subsidiary may at its own determination purchase office space and other properties.

## Employees

As of March 31, 2015, we had 66,154 full-time employees.

The following table shows the aggregate number of our full-time employees. During the fiscal year ended March 31, 2015, we had an average of 6,824 part-time employees.

|   | As of March 31, |               |               |
|---|-----------------|---------------|---------------|
|   | 2013            | 2014          | 2015          |
| Mobile Communications                   | 7,475           | 19,399        | 20,537        |
| Sprint                                  | —               | 35,433        | 29,670        |
| Broadband Infrastructure <sup>(1)</sup> | 1,940           | —             | —             |
| Fixed-line Telecommunications           | 5,498           | 6,539         | 6,083         |
| Internet <sup>(2)</sup>                 | 5,740           | 6,180         | 6,932         |
| Other                                   | 3,758           | 2,600         | 2,730         |
| Corporate                               | 187             | 185           | 202           |
| <b>Total</b>                            | <b>24,598</b>   | <b>70,336</b> | <b>66,154</b> |

(1) This segment was eliminated as of the end of the fiscal year ended March 31, 2013 and became part of our Fixed-line Telecommunications segment.

(2) The name of this segment was changed from “Internet Culture” to “Internet” from the fiscal year ended March 31, 2014.

Group-wide, we enjoy good relations with our employees. While the Company’s employees are not unionized, some of our consolidated subsidiaries have labor unions.

We believe the level of remuneration, fringe benefits, working conditions and other allowances, which include pension payments to employees upon retirement, provided to our employees is generally competitive with those offered in Japan by other companies in similar industries.

## Legal Proceedings

We are routinely involved in litigation and other legal proceedings in connection with our ordinary course business activities. We are not currently involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our financial condition or results of operations.

On April 30, 2015, SoftBank Corp. filed a lawsuit in the Tokyo District Court against Japan Post Information Technology Co., Ltd. (“JPiT”), to receive remuneration, etc., for additional requested services provided in connection with the installation of telecommunication lines, that were ordered by JPiT in relation to a project to migrate JPiT’s network to a new network. SoftBank Corp. is seeking remuneration for additional requested services provided to JPiT worth approximately ¥14.9 billion (\$124 million).

On the same day, JPiT filed a lawsuit against SoftBank Corp. and a co-defendant, alleging that SoftBank Corp. and the co-defendant delayed performance of the ordered services related to the project discussed above, and that such delay caused damages to JPiT in the amount of ¥16.15 billion (\$134 million). SoftBank Corp. intends to fully contest JPiT’s claims in this lawsuit.

In March 2009, a stockholder brought a suit in the U.S. District Court for the District of Kansas, alleging that Sprint Communications and three of its former officers violated U.S. securities laws by failing to adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. After mediation, the parties have reached an agreement in principle to settle the matter, and the settlement amount is expected to be substantially paid by the Company’s insurers. We do not expect the resolution of this matter to have a material adverse effect on our financial position or results of operations.

In addition, five related stockholder derivative suits were filed against Sprint Communications and certain of its present and/or former officers and directors. These cases are essentially stayed while the above case is being resolved. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications has fraudulently failed to collect and pay more than \$100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint seeks recovery of triple damages as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did

dismiss certain counts or parts of certain counts. Sprint Communications has appealed that order and the intermediate appellate court affirmed the order of the trial court. Sprint's petition for leave to bring an interlocutory appeal to the highest court in New York was granted and briefing of that appeal was completed in January 2015. We believe the complaint is without merit and intends to continue to defend this matter vigorously. We do not expect the resolution of this matter to have a material adverse effect on our financial position or results of operations.

Eight related stockholder derivative suits have been filed against Sprint Communications and certain of its current and former officers and directors. Each suit alleges generally that the individual defendants breached their fiduciary duties to Sprint Communications and its stockholders by allegedly permitting, and failing to disclose, the actions alleged in the suit filed by the New York Attorney General. One suit, filed by the Louisiana Municipal Police Employees Retirement System, was dismissed by a federal court. Two suits were filed in state court in Johnson County, Kansas and one of those suits was dismissed as premature; and five suits are pending in federal court in Kansas. The remaining Kansas suits have been stayed. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

Sprint Communications, Inc. is also a defendant in a complaint filed by stockholders of Clearwire Corporation asserting claims for breach of fiduciary duty by Sprint Communications, and related claims and otherwise challenging the Clearwire Acquisition. A lawsuit was filed on April 26, 2013, in the Chancery Court of Delaware. Sprint's motion to dismiss the suit was denied, and discovery has begun. Plaintiffs in the ACP Master, LTD suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock, and discovery is proceeding in that case. Sprint Communications intends to defend the ACP Master, LTD case vigorously. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.



## REGULATION

### General

The business activities of the SoftBank Group are subject to various governmental regulations in Japan and the other jurisdictions in which we operate, including regulations relating to business and investment approvals, consumer protection, intellectual property, taxation, foreign exchange controls and environmental requirements. Applicable regulations are frequently introduced, abolished or amended, and in any event are subject to interpretation by governmental and judicial authorities.

In particular, our mobile communications business, broadband infrastructure business and fixed-line telecommunications business are subject to general regulations applicable to the telecommunications industry in Japan, of which the following are the most significant:

- the Telecommunications Business Act of Japan (Act No. 86 of 1984, as amended) (the “TBA”);
- the Radio Act of Japan (Act No. 131 of 1950, as amended) (the “Radio Act”); and
- the Wire Telecommunications Act of Japan (Act No. 96 of 1953, as amended) (collectively together with the TBA and the Radio Act, the “Telecommunications Regulations”).

The Telecommunications Regulations are administered primarily by the Ministry of Internal Affairs and Communications of Japan (the “Ministry”) through regulatory actions of the responsible government minister (the “MIC Minister” and together with the Ministry, the “MIC”). Additionally, the Japan Fair Trade Commission has jurisdiction over telecommunications carriers by virtue of its powers under the Act Concerning Prohibition of Monopoly and Maintenance of Fair Trade (Act No. 54 of 1947, as amended) to prohibit anti-competitive practices.

As is typical for regulatory authorities in Japan, the MIC has announced various guidelines in connection with the implementation of applicable laws for the primary purpose of clarifying the meaning of such laws as well as ordinances made under them. Such guidelines are informal in nature and do not have the status of legislation passed by the National Diet of Japan, the primary legislative body in Japan (the “Diet”). Accordingly they are not legally binding on telecommunications carriers. Nevertheless, such guidelines serve as a statement of the regulatory interpretation of applicable laws and, accordingly, telecommunications carriers are, in practice, required to comply with them.

### Telecommunications Business Act of Japan

#### General

The TBA applies to entities that conduct telecommunications activities such as mobile communications services, fixed-line telecommunications services, DSL access services, internet and FTTH access services. Pursuant to the TBA, companies that conduct such activities are subject to registration and notification requirements, interconnection requirements, as well as various other regulations.

The following summarizes certain material requirements under the TBA.

#### *MIC Notification or Registration of Telecommunications Business Operations*

The TBA generally classifies a telecommunications carrier as either a “registration carrier” or a “notification carrier.” A carrier that installs cable facilities across more than one administrative region, such as terminal facilities installed in multiple municipalities, or relay facilities installed in multiple prefectures, is required to register with the MIC prior to providing telecommunications services and is considered a registration carrier. A carrier that does not install terminal and/or relay facilities in multiple administrative regions is only required to notify the MIC prior to providing telecommunications services and is considered a notification carrier.

Registration carriers, such as SoftBank Corp. and Wireless City Planning, must file a detailed application for registration with the MIC. Such application must include information on the facilities and equipment, and the target service areas. The MIC will generally approve the applicant’s registration if the MIC finds that commencement of the applicant’s business is not likely to impede fair competition within the telecommunications market or is otherwise appropriate for the sound development of the telecommunications industry of Japan.

Once registration is granted, the MIC has the authority to rescind a registration in certain cases, including, among others, where the registered carrier has breached the TBA or any order or disposition issued under the TBA, and the MIC considers such breach damaging to the public interest. If a telecommunications carrier

violates certain provisions under the TBA, such as by providing telecommunications services without registration or by failing to comply with orders issued by the MIC, such carrier may be subject to penalty. In addition, an amendment to the TBA was promulgated on May 22, 2015, and will become effective within one year from the date of promulgation. Under the amendment, registration must be renewed when a registration carrier succeeds, in whole or in part, to a telecommunications business through a merger, a company split, or a business transfer from an entity outside of the SoftBank Group of the registered telecommunication carrier. Such renewal must be made within three months of the date of such succession, and if the registration carrier fails to renew, the registration becomes void.

### ***Category I-designated Telecommunications Facilities and Category II-designated Telecommunications Facilities***

Based on the number of relay facilities installed in service areas and certain other criteria, the MIC may designate facilities as (i) Category I-designated telecommunications facilities (local fixed-line systems) and/or (ii) Category II-designated telecommunications facilities (mobile communication systems). Operators of Category I and Category II-designated telecommunications facilities are subject to additional stringent regulations, which are primarily designed to prevent anticompetitive practices. Among other matters, the SoftBank Group is subject to regulation of interconnection fees as applicable to operators of Category II-designated telecommunications facilities.

As of the date of this offering memorandum, Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation, two fixed-line telecommunications carriers belonging to the NTT group, are the only operators in Japan that operate Category I-designated telecommunications facilities, while NTT DOCOMO, KDDI, Okinawa Cellular Telephone Company (a subsidiary of KDDI) and SoftBank Corp. are the only operators in Japan that operate Category II-designated telecommunications facilities.

### ***Interconnection***

#### ***General***

Subject to certain exceptions, the TBA requires telecommunications carriers to allow other telecommunications carriers to interconnect with their telecommunications facilities. In general, the carriers enter into a mutual written agreement setting forth the terms of such interconnection, including interconnection fees. If operators of Category I-designated telecommunications facilities or Category II-designated telecommunications facilities are included in the parties of the agreement, such agreement must contain the terms of interconnection, including interconnection fees, which, depending on the type of operator, have been notified to or approved by the MIC.

Upon an application by a carrier or both carriers, the MIC has the power, directly or through its dispute settlement commission, to require negotiation, mediation and arbitration of disputes between telecommunications carriers, to order telecommunications carriers to modify proposed interconnection fees and to grant awards with respect to the terms of interconnection (including interconnection fees).

#### ***Interconnection Fees for Operators of Category II-designated telecommunications facilities***

Interconnection fees to interconnect with Category II-designated telecommunications facilities, such as those operated by SoftBank Corp., are determined according to a calculation prescribed by the MIC. In particular, in March 2010, the MIC announced the “Guidelines Relating to Operation of the Category II-Designated Telecommunications Facility System,” and it was amended in March 2014 which apply to operators of Category II-designated telecommunications facilities and which generally prescribe that interconnection fees shall be calculated by dividing the sum of the maintenance costs with respect to the facilities and enterprise capital costs by the aggregate hours of communication or the volume of traffic.

Operators of Category II-designated telecommunications facilities determine their interconnection fees based upon such calculation. Further, they are required to notify the MIC of the tariff, including interconnection fees and other interconnection terms. Such notification is required prior to the implementation of the tariff or any amendment thereof, and the operator cannot enter into or amend an interconnection agreement in a manner that is inconsistent with the tariff previously notified to the MIC. Such tariffs, including interconnection fees, must be publicly disclosed (for example on the website of the operator of the Category II-designated telecommunications facilities).

The MIC may order a carrier to modify such interconnection fees in certain cases, such as where the interconnection fees exceed an amount corresponding to maintenance costs for the facilities plus enterprise capital costs, as deemed appropriate under efficient management.

### ***Interconnection Fees for Operators of Category I-designated telecommunications facilities***

Operators of Category I-designated telecommunications facilities (NTT East and NTT West) must obtain the approval of the MIC with respect to the tariff, including interconnection fees and other interconnection terms except for certain terms set forth in the ordinance of the TBA, prior to implementation or amendment thereof. Further, such tariff including interconnection fees must be publicly disclosed (for example on the website of the operator of the Category I-designated telecommunications facilities).

### ***Universal Services***

Under the TBA, certain types of calls—calls to public facilities, calls to home telephones and emergency calls to police or fire stations—are considered “Universal Services” (i.e., telecommunications services deemed to be indispensable for daily life). As of the date hereof, the only “qualified carriers” of Universal Services are NTT East and NTT West. Therefore, other carriers, including SoftBank Corp., that benefit by interconnecting to the NTT East and NTT West facilities, must share the cost of such services pursuant to a prescribed formula for allocating costs.

### ***Land Use Privilege***

The MIC may designate certain carriers as “Approved Carriers”—carriers who enjoy certain privileges specified in the TBA, such as the ability to obtain rights-of-way to use other parties’ land under certain specified circumstances. SoftBank Corp., BB BACKBONE Corp. and Wireless City Planning are Approved Carriers.

In order to become an Approved Carrier, the carrier must submit a detailed application to the MIC describing matters such as target service areas, planned facilities and equipment, its business plan (containing five-year revenue and expenditure projections), and the identity and qualifications of chief engineers. Review by the MIC focuses on the applicant’s financial and technical capacity, the soundness and reasonableness of its business plan and the applicant’s ability to obtain other necessary registrations.

This approval is an addition to those required as a registration carrier or a notification carrier, as discussed above.

An Approved Carrier may, provided it has justifiable reason, refuse to provide telecommunications services relating to its Approved Carrier status. If the Approved Carrier is unable to provide such services, the MIC may order the Approved Carrier to improve its business activities or take other measures to the extent deemed necessary to protect the interests of end users or the public. Further, the MIC has the authority to rescind the approval in certain cases, including, among others, where the Approved Carrier has breached the TBA or any order or disposition issued under the TBA, and the MIC considers such breach damaging to the public interest.

### ***Other Regulations under the TBA***

#### ***Protection of End Users***

The TBA requires telecommunications carriers to explain to end users the terms and conditions (including service charges) of a contract relating to certain telecommunications services prior to execution thereof, to promptly and properly process any customer complaints or inquiries, and to generally notify end users before ceasing or terminating all or part of telecommunications services. The “Guidelines Regarding Protection Rules for Consumers of Telecommunication Business Act,” issued by the MIC, contain detailed explanations of the above requirements and other consumer protection guidelines, such as the requirement that in soliciting or entering into a telecommunications service contract with an end user, the operator must provide sufficient explanation of such contract to the end user, taking into consideration such end user’s knowledge and experiences relating to telecommunications services.

In addition, an amendment to the TBA was promulgated on May 22, 2015, and will become effective within one year from the date of promulgation. Under the amendment, telecommunication carriers are required to deliver a document specifying the details of mobile service contracts at the time of execution of such service contracts. Upon receipt of this document, the end user has eight days to unilaterally cancel the mobile service agreement with the telecommunication carrier in writing.

#### ***Business Improvement Order***

The MIC may order telecommunications carriers to improve business activities in order to protect the interests of end users or the public. In particular, the MIC may order telecommunications carriers to improve business activities for reasons such as protecting the privacy of communications, avoiding discriminatory treatment, and giving due consideration to important communications.

### ***Maintenance of Facilities***

Telecommunications carriers that install telecommunications circuit facilities must maintain their facilities in compliance with specified technical standards and must confirm compliance to the MIC before commencing operation of such facilities. If the MIC determines that such facilities fail to meet the relevant technical standards, the MIC may order the carrier to improve or repair the facilities or restrict operation of such facilities.

## **Radio Act of Japan**

### ***General***

Certain of our businesses are subject to the provisions of the Radio Act, which regulates licenses for radio transmission stations, radio equipment, radio operators, radio operations and the transmission of radio waves. The Radio Act impacts, among other matters, our mobile communications business, due to the fact that radio waves are used by transmitters to communicate with mobile telephone handsets.

### ***License Requirement***

Any person who intends to establish radio transmission stations must first obtain a license from the MIC. In particular, mobile communications service providers must obtain a license for each base station and for handsets.

The MIC has introduced a technical standards verification system and a blanket licensing system (which can be used for handsets) in order to expedite the licensing process. With certain exceptions, a license under the Radio Act has a term of five years, and is thereafter renewable for additional five-year terms pursuant to the Radio Act. A license holder must generally obtain MIC approval in advance of any operational changes relating to the licensed activities, such as modifications to wireless facilities, changes to the location of wireless facilities or changes to the recipients of wireless communications services, and is subject to periodic inspection of its facilities.

The MIC has the authority to rescind a license under certain circumstances, and may order cessation or restriction on the operation of radio stations after a cure period of less than three months if the license holder has breached the Radio Act or the Broadcasting Act of Japan (Act No. 132 of 1950, as amended) or any order or disposition under such laws. If a license-holder violates certain provisions under the Radio Act, such as operating a radio transmission station in violation of the terms of its license, such carrier may be subject to penalties.

## ***Allocation of Radio Frequency Spectrum***

### ***Allocation Process***

Unlike other jurisdictions which allot frequency spectrums by way of an auction system, use of radio frequency spectrum in Japan is allocated at the discretion of the MIC after consultation with the Radio Regulatory Council and consideration of plans submitted by operators.

The Radio Act gives the MIC the authority to allocate frequency spectrum to private telecommunications operators for the establishment of radio transmission stations. When the MIC determines that it will allocate frequency spectrum, it must provide notice of the frequency spectrum ranges to be allocated, the planned timeline for allocation and establishment of radio transmission stations, and other matters (the "Allocation Proposal").

The MIC first submits a draft of the Allocation Proposal to the Radio Regulatory Council for approval. Once the council gives its approval, the MIC publicly announces the Allocation Proposal, together with details of the application deadlines for carriers.

Any application submitted to the MIC in connection with an Allocation Proposal must contain, among other matters, evidence of the necessity of establishing radio transmission stations, a business plan, a plan for utilization of the applicable frequency spectrum, the proposed number of radio transmission stations and their proposed locations, the timeframe for establishing stations and the service area. In allocating spectrum, the MIC compares the plans submitted by operators and considers various factors such as whether or not such application conforms with the Allocation Proposal, the soundness of the business plan, the scale of the proposed investment and provision of access to mobile virtual network operators. The MIC will allocate spectrum based on its review and approval of such plans. A carrier dissatisfied with an allocation determination of the MIC may file an objection with the MIC, and if such objection is rejected by the MIC, it may file a lawsuit for revocation of such rejection.

The MIC's allocation of radio frequency spectrum pursuant to an approved plan does not have a finite term; however, while it rarely exercises such authority, the MIC does have the power to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of frequency spectrum, taking into consideration the effect that such actions may have on existing carriers. The MIC also has the authority to rescind its approval of an application in certain cases, including, among others, where the carrier has failed to establish radio transmission stations in accordance with the approved plan, without justifiable reasons.

At the end of February 2012, the MIC approved a plan submitted by SoftBank Corp. to establish radio transmission stations using the 945 MHz to 960 MHz frequency band, which is currently available for our use. In addition, in June 2012, the MIC approved plans submitted by NTT DOCOMO, Okinawa Cellular Telephone Company (a subsidiary of KDDI) and eAccess to establish radio transmission stations using the 773 MHz to 803 MHz frequency band, which will become available from 2015.

In addition, on December 19, 2014, the MIC approved a plan submitted by SoftBank Corp. to establish radio transmission stations using 3,560 MHz to 3,600 MHz, and submitted by NTT DOCOMO and KDDI/ Okinawa Cellular Telephone Company to establish radio transmission stations using 3,480 MHz to 3,520 MHz and 3,520 MHz to 3,560 MHz (allocation for implementing the fourth generation mobile communication system). In connection with this application, the MIC has announced its new group-based spectrum allocation policy in considering the allocation for the fourth generation.

See "Business—Strengths—Well-invested, high-quality network, providing clear, high speed and stable communication services" for a distribution of existing spectrum allocations between the SoftBank Group and our primary competitors.

### ***Consideration of Auction System***

In March 2011, the MIC established a "Panel regarding Spectrum Auction" to consider the potential implementation of a spectrum auction system. In December 2011, this panel released a report which supported implementing an auction system for 4G mobile telecommunications. Following publication of this report, a bill to amend the Radio Act to introduce an auction system was submitted to the Diet in 2011. However, due to a shift of political power in Japan in 2014, the Diet was dissolved while deliberations on the bill were ongoing. The bill has not been passed and has not been discussed by the Diet since 2012. Recently, the MIC announced that the MIC does not have any immediate plans to request the Diet to amend the Radio Act in order to implement an auction system.

### ***MIC Action Plans***

Since 2004, the MIC periodically announces an "Action Plan to Reorganize Frequencies", the most recent version of which was announced in October, 2012. The action plan proposes a basic policy for the allocation of frequency bands. Under the action plan, frequency spectrums are divided into seven bands, including the band from 470 MHz ~ 960 MHz, which is the band most commonly used by mobile telecommunications carriers. The action plan effectively states that the MIC's policy is to reallocate frequencies as necessary in order to efficiently manage the frequency spectrum for the growing use of mobile telecommunications system in the mid- to long-term.

In addition, in November 2010, the MIC set up a working group which issued the "Action Plan to Reorganize Frequencies toward Promotion of Wireless Broadband," which proposed a basic policy for the promotion of advanced wireless broadband services in Japan, and included a basic policy regarding allocation of the frequencies in the 700 MHz band and the 900 MHz band for mobile communications services.

### ***Latest Proposals Concerning TBA and the Radio Act***

In addition to the requirements described above, certain regulatory bodies have announced various proposals with respect to the TBA and the Radio Act. Certain significant proposals are set forth below.

### ***Guidelines Concerning Fair Competition***

In March 2008, the MIC and the Japan Fair Trade Commission jointly issued the "Guidelines for the Promotion of Competition in the Telecommunications Business Field," in which they announced an intention to collaborate to further promote competition in the telecommunications field. These guidelines deal with areas such as interconnection, lease of telegraph poles or conduits and provision of telecommunications services, any of which may give rise to regulatory issues under both the TBA and the Act Concerning Prohibition of Monopoly and Maintenance of Fair Trade. The guidelines recommend certain actions desirable for carriers to promote further competition, such as the establishment of information barriers between departments with responsibility for interconnection and other departments.



In May 2012, the MIC issued the “Guidelines Relating to Operation of System to Review the Fair Competition for Wider Adaption of Broadband.” Pursuant to these guidelines, the MIC proposes to review whether the regulations applicable to the NTT group companies, such as the TBA and the Act Concerning Nippon Telegraph and Telephone Corporation, Etc. (Act No. 85 of 1984, as amended), promote fair competition. This review has not resulted in any amendment of regulations or other recommendations to promote fair competition. However the MIC is likely to continue to review the situation.

Further, under the TBA, an operator of Category II-designated telecommunications facilities that is a “designated carrier” (as determined by the MIC based on the operator’s market share in terms of the most recent annual revenue market share history and certain other criteria) is subject to additional regulations. Recently, amendment to the TBA has been promulgated on May 22, 2015 and will become effective from a date within one year from the date of promulgation, under which a part of the additional regulations have been relaxed. Under the currently effective TBA, a designated carrier is prohibited from giving unfair advantage or disadvantage to another operator with respect to interconnection, and cannot unfairly interfere with the business of other operators, manufacturers or retailers of telecommunications facilities, but these restrictions will be lifted when such amendment became effective. However, a designated operator will continue to be prohibited from using information relating to other carriers and end users, which the operator acquired in the course of providing interconnection services, for purposes other than the provision of such services even after the amendment. Further, a designated operator will be prohibited from giving unfair advantage to its related entity designated by the Minister of MIC with respect to its telecommunication business under the amended TBA.

As of the date hereof, KDDI and SoftBank Corp. are not designated carriers, although this is subject to review from a fair competition point of view.

### ***Guideline Regarding MVNOs***

Mobile virtual network operators (“MVNOs”) are companies that have not received allocations of spectrum and do not own network infrastructure, but who provide mobile telecommunications services by leasing network capacity from other network operators. MVNOs therefore increase the variety of mobile telecommunications services available to consumers and promote the active exploitation of radio spectrum.

The MIC has formulated the “Guidelines Regarding the Application of the Telecommunications Business Act and the Radio Act to Mobile Virtual Network Operators” (the “MVNO Guidelines”) to promote market entry by new MVNOs. Under the MVNO Guidelines, the telecommunications services to be provided by a mobile network operator to an MVNO, and the terms of MVNO services, are decided by consultation between the parties. However, when an MVNO requests access to a mobile network on behalf of its customers, unless the operator has grounds to refuse (such as where there is a risk that such interconnection would affect the smooth provision of telecommunications services or where there is a risk that such interconnection would unfairly impair the interests of the carrier), the TBA requires the operator to grant access to the MVNO. Upon an application by a carrier or both carriers, the MIC has the power, directly or through its dispute settlement commission, to require carriers to negotiate, to arbitrate or mediate disputes with other carriers, to order carriers to modify proposed interconnection fees and to grant awards with respect to the terms of interconnection (including interconnection fees).

### ***Mobile Number Portability***

Since late 2006, the MIC, through its “Regulations for Telecommunications Numbers,” has required mobile operators to provide a process whereby customers can retain their phone numbers when migrating from one operator to another. This number portability requirement, however, does not apply to email addresses associated with mobile devices in Japan.

### ***Guidelines Regarding SIM Unlocking Functions***

Most mobile handsets now contain a removable subscriber identity module (“SIM”) card that authenticates the device when it connects to a mobile telecommunications network. In the past, carriers generally sold handsets to customers with a software lock that prevented the device from working with SIM cards from other carriers, even if the handset was otherwise technologically capable of connecting to other carriers’ networks. To increase consumer convenience and enhance the international competitiveness of Japan’s mobile communications industry, the MIC has issued the “Guidelines Regarding SIM Unlocking Functions,” in 2011, and the guidelines has been amended in June 2014. Under the amended guidelines, it is required that MNOs provide SIM card unlocking services for mobile handsets sold by them with some exceptions (with respect to the handsets released before May 1, 2015, provision of SIM card unlocking services is recommended). As at the date of this offering memorandum, the Diet deliberations on legislation to govern SIM locking have been postponed for an indefinite period.

### ***Committee on Secure Communications in a State of Crisis Caused by Large-Scale Disasters***

The Great East Japan Earthquake caused widespread communications problems. In April 2011, in response to these issues, the MIC established a “Committee on Secure Communications in Large-Scale Natural Disasters and other Emergency Situations.” The committee focused on: (i) methods to control communications congestion in a crisis, (ii) methods to ensure continued communications when a base or a relay station is damaged, (iii) appropriate network infrastructure based on the experience of the Great East Japan Earthquake and (iv) effective use of the internet based on the experience of the Great East Japan Earthquake. In December 2011, the committee published specific recommendations for telecommunications carriers, including that carriers increase network capacity to avoid overload, upgrade network facilities to prevent disruptions and provide free services during emergencies.

### ***MIC Deliberations Regarding Contract Early Cancellation Penalties and Automatic Contract Renewals***

In April 2015, the MIC established a council of advisors to consider the appropriateness of the cancellation penalty and automatic renewal system for two-year contracts, which has continued deliberations since May 2015. Depending on the result of these deliberations, by the council of advisors, this system could be revised, which could affect churn rates in Japan. The committee has publicized its intention to report its preliminary findings in July 2015.

### **Certain Other Laws, Regulations and Guidelines**

The following are certain other laws, regulations and guidelines that are applicable to our businesses.

#### ***Protection of Personal Information***

The Act Concerning Protection of Personal Information (Act No.57 of 2003, as amended) applies to businesses that use or maintain databases containing personal information. Such businesses must maintain appropriate custody of such information, may not use such information for purposes other than that for which it was provided and are subject to restrictions regarding provision of such information to third parties. Further, the MIC has released the “Guidelines Regarding Protection of Personal Information for Telecommunication Business,” which state, among other matters, that carriers may maintain records of communications such as the date and time thereof and the identity of the parties communicating to the extent necessary for billing, invoicing, the processing of customer complaints, avoiding wrongful use or to the extent otherwise necessary in the performance of their telecommunications business, provided that carriers may not provide such information to third parties without customer consent, a warrant issued by a judge, or other legitimate reason.

#### ***Act Concerning Limitation of Liability for Damages of ISP***

The Act Concerning Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders (Act No.137 of 2001, as amended) provides that if a party’s rights are infringed in connection with the release of such party’s personal information on the internet, under certain circumstances such party may require the ISP to disclose the name, address and other identifying information of the infringing party. Further, the ISP does not have immunity in connection with such infringement if (i) the ISP was technically able to prevent the release of the information and knew or reasonably should have known of the potential for infringement, or (ii) the ISP itself released the information.

#### ***Others***

Under the Act on Identification by Mobile Voice Communications Carriers of Subscribers and for Prevention of Improper Use of Mobile Voice Communications Services (Act No. 31 of 2005, as amended), when a carrier enters into a contract with a customer regarding mobile communications services, the carrier must obtain appropriate verification of the identity of such customer (for example by checking a driver’s license, passport or other evidence of identity).

Under the Installment Sales Act (Act No. 159 of 1961, as amended), if a customer purchases a mobile telephone handset pursuant to an installment plan, the carrier must deliver a written document which describes certain prescribed information such as details of the installment plan to the customer.

The Used Goods Dealings Act (Act No. 108 of 1949, as amended) requires that a person obtain a license from the prefectural Public Safety Commission in order to sell, purchase or trade in used goods. The law also contains provisions addressing fraud and stolen goods in online auctions and regulates providers of internet auction services, such as Yahoo Japan’s *Yahoo! Auctions* service. Among other things, it requires “used goods

auction intermediary businesses” to notify the prefectural Public Safety Commission at the commencement of operations, to attempt to verify the identity of sellers, to notify the police of items suspected of being stolen and to make efforts to preserve transaction records.

### ***US Regulatory Framework***

Communications services in the U.S. are subject to regulation at the federal level by the Federal Communications Commission (“FCC”) and in certain states by public utilities commissions. Since the SoftBank Merger, Sprint have been subject to regulatory conditions imposed by the Committee on Foreign Investment in the United States pursuant to a National Security Agreement among SoftBank, Sprint, the Department of Justice, the Department of Homeland Security and the Department of Defense (the latter three collectively, the USG Parties). Other federal agencies, such as the Federal Trade Commission and Consumer Financial Protection Bureau, have also asserted jurisdiction over Sprint’s business.

The FCC regulates the licensing, construction, operation, acquisition and sale of Sprint’s wireless operations and wireless spectrum holdings. FCC requirements impose operating and other restrictions on Sprint’s wireless operations that increase its costs. The FCC does not currently regulate rates for services offered by commercial mobile radio service providers, and states are legally preempted from regulating such rates and entry into any market, although states may regulate other terms and conditions. The Communications Act of 1934 and FCC rules also require the FCC’s prior approval of the assignment or transfer of control of an FCC license, although the FCC’s rules permit spectrum lease arrangements for a range of wireless radio service licenses, including Sprint’s licenses, with FCC oversight. Approval from the Federal Trade Commission and the Department of Justice, as well as state or local regulatory authorities, also may be required if Sprint sells or acquires spectrum interests. The FCC sets rules, regulations and policies to, among other things:

- grant licenses in the 800 MHz band, 1.9 GHz PCS band, 2.5 GHz band and license renewals;
- rule on assignments and transfers of control of FCC licenses and leases covering Sprint’s use of FCC licenses held by other persons and organizations;
- govern the interconnection of Sprint’s networks with other wireless and wireline carriers;
- establish access and universal service funding provisions;
- impose rules related to unauthorized use of and access to subscriber information;
- impose fines and forfeitures for violations of FCC rules;
- regulate the technical standards governing wireless services; and
- impose other obligations that it determines to be in the public interest.

## MANAGEMENT

### Management

Our board of directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation provide for not more than 15 directors, and at the present, we have nine directors including three external directors. External directors are responsible for supervising our business management.

All directors are elected at general meetings of shareholders. The normal term of office of directors is one year, although they may serve any number of consecutive terms. To elect directors, the Board of Directors selects candidates in accordance with our Articles of Incorporation and the Regulations of the Board of Directors and these candidates are proposed at the General Meeting of Shareholders. Shareholders can also propose candidates in compliance with the requirements of the Companies Act of Japan. Cumulative voting is not allowed in the election of our directors.

Our Articles of Incorporation provide for not more than five audit and supervisory board members, and at present, we have five audit and supervisory board members, including four external audit and supervisory board members, one of which is a full-time audit and supervisory board member. We have one full-time, non-external audit and supervisory board member, who formerly served as the general manager of the internal audit department. All audit and supervisory board members are elected at general meetings of shareholders. The normal term of office of audit and supervisory board members is four years, although they may serve any number of consecutive or non-consecutive terms. The audit and supervisory board members are not required to be certified public accountants and may not at the same time be our directors or employees of any of our group companies. In addition, not less than half of the audit and supervisory board members must be external corporate auditors.

The audit and supervisory board members form the audit and supervisory board, which determines matters relating to the duties of audit and supervisory board members such as audit policy and methods of investigating our affairs. The audit and supervisory board also receives quarterly briefings and reports relating to financial results from the independent auditor and briefings on individual matters from directors as necessary and exchanges information and opinions with the independent auditor as necessary.

We established the assistant to audit department to support the audit and supervisory board members. This department acts under the direction of the audit and supervisory board members to gather information, investigate matters and provide other assistance.

Under the Companies Act of Japan, the audit and supervisory board members have the statutory duty of supervising the administration of our affairs by the directors and also of examining the financial statements and business reports to be submitted by a representative director to general meetings of shareholders. The audit and supervisory board members must attend meetings of the board of directors and express opinions there, if necessary, but they are not entitled to vote. Audit and supervisory board members also have a statutory duty to provide their report to the audit and supervisory board, which must submit its audit report to a representative director. If the audit report covers financial statements, the audit and supervisory board must also submit its audit report to the independent auditor.

We must appoint independent certified public accountants or audit firms in addition to audit and supervisory board members. Such independent certified public accountants or audit firms have the statutory duty of examining the financial statements, prepared in accordance with the Companies Act of Japan, to be submitted by a representative director to general meetings of shareholders and reporting their opinion thereon to the audit and supervisory board, and a representative director. Our audit firm for such purposes is Deloitte Touche Tohmatsu LLC.

Under the Companies Act of Japan and our Articles of Incorporation, we may, by resolution of our board of directors, limit the liability of our directors and audit and supervisory board members for losses sustained by us in connection with the failure of such directors and audit and supervisory board members to perform their duties, except in the case of willful misconduct or gross negligence. The applicable liability thresholds are calculated, in accordance with the Companies Act of Japan, with reference to the amounts of annual remuneration, retirement allowance and profits received upon exercise or transfer of stock options for the relevant individual. In addition, we have entered into agreements limiting the liability of our non-executive directors and audit and supervisory board members for losses sustained by us in connection with the failure of such directors and audit and supervisory board members to perform their duties, except in the case of willful misconduct or gross negligence, to the greater of either an amount previously agreed in the liability limitation agreement that is no less than ¥10 million (\$83 thousand) or an amount calculated as described above.

## Directors and Statutory Auditors

The following table sets out certain information on our directors and audit and supervisory board members as of the date of this offering memorandum:

| Name                    | Date           | Position/Action  | Shareholding in the Company (thousands of shares) <sup>(1)</sup> |
|-------------------------|----------------|--|--|
| Masayoshi Son . . . . . | September 1981 | Founded SoftBank Corp. Japan (currently SoftBank Group Corp.), Chairman & CEO                          | 231,205 <sup>(2)</sup>   |
|                         | April 1983     | Chairman, SoftBank Corp. Japan (currently SoftBank Group Corp.)  |  |
|                         | February 1986  | Chairman & CEO, SoftBank Corp. Japan (currently SoftBank Group Corp.) (to present)                     |  |
|                         | January 1996   | President & CEO, Yahoo Japan Corporation   |  |
|                         | July 1996      | Chairman of the Board, Yahoo Japan Corporation   |  |
|                         | April 2006     | Chairman of the Board, President & CEO, Vodafone Japan (currently SoftBank Corp.)                      |  |
|                         | June 2007      | Chairman & CEO, SoftBank Mobile Corp. (currently SoftBank Corp.)                                       |  |
|                         | July 2013      | Chairman of the Board, Sprint Corporation (to present)   |  |
|                         | April 2015     | Chairman, SoftBank Mobile Corp. (currently SoftBank Corp.) (to present)                                |  |
|                         | June 2015      | Director, Yahoo Japan Corporation (to present)   |  |
| Nikesh Arora . . . . .  | May 1992       | VP, Finance, Fidelity Investments  | —  |
|                         | April 1997     | VP, Putnam Investments   |  |
|                         | April 2000     | CEO, T-Motion, PLC   |  |
|                         | July 2001      | Chief Marketing Officer, T-Mobile Europe   |  |
|                         | December 2004  | President, EMEA Sales, Marketing & Partnerships, Google Inc.   |  |
|                         | January 2011   | Senior Vice President and Chief Business Officer, Google Inc.  |  |
|                         | February 2013  | Board member, The Harlem Children's Zone (to present)  |  |
|                         | June 2014      | Board Member, Tipping Point Community (to present)   |  |
|                         | September 2014 | Vice Chairman, SoftBank Corp. (currently SoftBank Group Corp.)   |  |
|                         | September 2014 | CEO, SoftBank Internet and Media, Inc. (currently SB Group US, Inc.) (to present)                      |  |
|                         | November 2014  | Director, Sprint Corporation (to present)  |  |
|                         | June 2015      | Representative Director, President & COO, SoftBank Corp. (currently SoftBank Group Corp.) (to present) |  |
|                         | June 2015      | Chairman of the Board, Yahoo Japan Corporation (to present)  |  |



| Name                       | Date          | Position/Action   | Shareholding in the Company (thousands of shares) <sup>(1)</sup> |
|----------------------------|---------------|---|--|
| Ken Miyauchi . . . . .     | February 1977 | Joined Japan Management Association   | 1,100  |
|                            | October 1984  | Joined SoftBank Corp. Japan (currently SoftBank Group Corp.)  |  |
|                            | February 1988 | Director, SoftBank Corp. Japan (currently SoftBank Group Corp.)   |  |
|                            | April 2006    | Executive Vice President, Director & COO, Vodafone Japan (currently SoftBank Corp.)                       |  |
|                            | June 2007     | Representative Director & COO, SoftBank Mobile Corp. (currently SoftBank Corp.)                           |  |
|                            | June 2012     | Director, Yahoo Japan Corporation (to present)  |  |
|                            | April 2013    | Representative Director, Executive Vice President, SoftBank Corp. (currently SoftBank Group Corp.)        |  |
|                            | June 2013     | Representative Director, Senior Executive Vice President, SoftBank Corp. (currently SoftBank Group Corp.) |  |
|                            | January 2014  | Director, Brightstar Global Group Inc. (to present)   |  |
|                            | April 2015    | President & CEO, SoftBank Mobile Corp. (currently SoftBank Corp.) (to present)                            |  |
| Ronald D. Fisher . . . . . | June 2015     | Director, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                                    | —  |
|                            | July 1984     | President, Interactive Systems Corp.  |  |
|                            | January 1990  | CEO, Phoenix Technologies Ltd.  |  |
|                            | October 1995  | Director and President, SoftBank Holdings Inc. (to present)   |  |
|                            | June 1997     | Director, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                                    |  |
|                            | July 2013     | Vice Chairman of the Board, Sprint Corporation (to present)   |  |
|                            | January 2014  | Director, Brightstar Global Group Inc.  |  |
| Yun Ma . . . . .           | August 2014   | Chairman, Brightstar Global Group Inc. (to present)   | —  |
|                            | February 1995 | Founded China Pages, President  |  |
|                            | January 1998  | President, MOFTEC EDI Centre  |  |
|                            | July 1999     | Director, Alibaba.com Corporation (currently Alibaba Group Holding Limited)                               |  |
|                            | November 1999 | Director, Chairman of the Board and CEO, Alibaba Group Holding Limited                                    |  |
|                            | February 2004 | Chairman and CEO, Alibaba Group Holding Limited   |  |
|                            | June 2007     | Director, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                                    |  |
|                            | October 2007  | Non-Executive Director and Chairman, Alibaba.com Limited  |  |
|                            | May 2013      | Executive Chairman, Alibaba Group Holding Limited (to present)  |  |

| Name                      | Date           | Position/Action  | Shareholding in the Company (thousands of shares) <sup>(1)</sup> |
|---------------------------|----------------|--|--|
| Manabu Miyasaka . . . . . | April 1991     | Joined UPU Co., Ltd.   | —  |
|                           | June 1997      | Joined Yahoo Japan Corporation   |  |
|                           | January 2002   | Senior Manager, Media Business Group, Yahoo Japan Corporation                            |  |
|                           | April 2009     | Operating Officer, Head of Consumer Business Group, Yahoo Japan Corporation              |  |
|                           | April 2012     | CEO and Operating Officer, Yahoo Japan Corporation                                       |  |
|                           | June 2012      | President and Representative Director, Yahoo Japan Corporation (to present)              |  |
|                           | June 2013      | Director, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                   |  |
| Tadashi Yanai . . . . .   | August 1972    | Joined Ogori Shoji Co., Ltd. (currently FAST RETAILING CO., LTD.)                        | 120  |
|                           | September 1972 | Director, Ogori Shoji Co., Ltd.  |  |
|                           | August 1973    | Senior Managing Director, Ogori Shoji Co., Ltd.  |  |
|                           | September 1984 | President & CEO, Ogori Shoji Co., Ltd.   |  |
|                           | June 2001      | Director, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                   |  |
|                           | November 2002  | Chairman & CEO, FAST RETAILING CO., LTD.   |  |
|                           | September 2005 | Chairman, President & CEO, FAST RETAILING CO., LTD. (to present)                         |  |
|                           | November 2005  | Chairman, President & CEO, UNIQLO Co., Ltd. (to present)                                 |  |
| Mark Schwartz . . . . .   | September 2008 | Chairman, GOV RETAILING CO., LTD. (currently G.U. CO., LTD.) (to present)                | —  |
|                           | July 1979      | Joined the investment banking division of Goldman, Sachs & Co.                           |  |
|                           | November 1988  | Partner, Goldman, Sachs & Co.  |  |
|                           | November 1996  | Managing Director, Goldman, Sachs & Co.  |  |
|                           | June 1997      | President, Goldman Sachs Japan Co., Ltd.   |  |
|                           | July 1999      | Chairman, Goldman Sachs Asia   |  |
|                           | June 2001      | Director, SoftBank Corp. (currently SoftBank Group Corp.)                                |  |
|                           | January 2003   | President and CEO, Soros Fund Management LLC   |  |
|                           | June 2004      | Retired from the position of Director of SoftBank Corp. (currently SoftBank Group Corp.) |  |
|                           | January 2006   | Chairman, MissionPoint Capital Partners, LLC   |  |
|                           | June 2006      | Director, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                   |  |
|                           | June 2012      | Vice Chairman, The Goldman Sachs Group, Inc. (to present)                                |  |
|                           | June 2012      | Chairman, Goldman Sachs Asia Pacific (to present)  |  |

| Name                             | Date           | Position/Action   | Shareholding in the Company (thousands of shares) <sup>(1)</sup> |
|----------------------------------|----------------|---|--|
| Shigenobu Nagamori . . . .       | July 1973      | Founder, Representative Director and Chairman, President, and CEO, Nidec Corporation  | 35   |
|                                  | March 1997     | Member of the Board of Directors and Chairman, Read Electronics Corporation (currently Nidec-Read Corporation) (to present) |  |
|                                  | September 2004 | Member of the Board of Directors and Chairman, Nidec Copal Electronics Corporation (to present)                             |  |
|                                  | June 2009      | Member of the Board of Directors and Chairman, Nidec Sankyo Corporation (to present)  |  |
|                                  | June 2013      | Member of the Board of Directors and Chairman, Nidec-Shimpo Corporation (to present)  |  |
|                                  | June 2014      | Director, SoftBank Corp. (currently SoftBank Group Corp.) (to present)  |  |
|                                  | October 2014   | Chairman of the Board, President and CEO, Nidec Corporation (to present)  |  |
| Tatsuhiko Murata . . . . .       | April 1975     | Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.)  | —  |
|                                  | April 2001     | General Manager of Business Development Support, Commercial Finance Business Div., The Fuji Bank, Limited.                  |  |
|                                  | January 2007   | Joined SoftBank Corp. (currently SoftBank Group Corp.)  |  |
|                                  | April 2012     | General Manager, Internal Audit, SoftBank Corp. (currently SoftBank Group Corp.)  |  |
|                                  | June 2014      | Audit & Supervisory Board Member, eAccess Ltd. (currently SoftBank Corp.) (to present)                                      |  |
|                                  | June 2015      | Full-time Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                    |  |
| Maurice Atsushi Toyama . . . . . | September 1977 | Joined San Francisco Office of Price Waterhouse (currently, PricewaterhouseCoopers)   | —  |
|                                  | August 1981    | Certified Public Accountant, State of California, U.S.  |  |
|                                  | June 2006      | Partner, PricewaterhouseCoopers Aarata  |  |
|                                  | June 2015      | Full-time Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                    |  |
| Soichiro Uno . . . . .           | April 1988     | Joined Nagashima & Ohno Law Office (currently Nagashima Ohno & Tsunematsu), admitted to practice law in Japan               | —  |
|                                  | January 2000   | Partner, Nagashima Ohno & Tsunematsu (to present)   |  |
|                                  | June 2004      | Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                              |  |

| Name                       | Date          | Position/Action   | Shareholding in the Company (thousands of shares) <sup>(1)</sup> |
|----------------------------|---------------|---|--|
| Koichi Shibayama . . . . . | April 1960    | Joined Yamaichi Securities Co., Ltd.  | —  |
|                            | October 1966  | Joined Price Waterhouse (currently PricewaterhouseCoopers)  |  |
|                            | March 1970    | Registered as a certified public accountant   |  |
|                            | August 1983   | Registered as a certified tax accountant  |  |
|                            | July 1997     | Advisor, Price Waterhouse Aoyama Consulting Co., Ltd.   |  |
|                            | July 2002     | Advisor, Zeirishi-Hojin ChuoAoyama (currently PWC Tax Japan) (to present)                                     |  |
|                            | June 2003     | Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.) (to present)                |  |
| Hidekazu Kubokawa . . . .  | November 1976 | Joined Chuo Accounting Corporation  | 51   |
|                            | August 1980   | Registered as a certified public accountant   |  |
|                            | July 1986     | Founded Kubokawa CPA Office (currently Yotsuya Partners Accounting Firm), Representative Partner (to present) |  |
|                            | March 1987    | Registered as certified tax accountant  |  |
|                            | February 1989 | Audit & Supervisory Board Member, SoftBank Corp. Japan (currently SoftBank Group Corp.) (to present)          |  |
|                            | May 2003      | Corporate Auditor, KASUMI Co., Ltd. (to present)  |  |
|                            | June 2004     | Corporate Auditor, TAKE AND GIVE NEEDS Co., Ltd. (to present)   |  |
|                            | June 2005     | Corporate Auditor, KYORITSU PRINTING CO., LTD. (to present)   |  |

(1) Information as of March 31, 2015.

(2) Mr. Masayoshi Son held 19.26% of total outstanding shares as of March 31, 2015.

Among all directors, Messrs. Tadashi Yanai, Mark Schwartz and Shigenobu Nagamori are external directors, meaning that they are not and have not been executive directors or employees of the Company or any of its subsidiaries.

Among all audit and supervisory board members, Messrs. Maurice Atushi Toyama, Soichiro Uno, Kouichi Shibayama and Hidekazu Kubokawa are external audit and supervisory board members, meaning that they are not and have not been directors or employees of the Company or any of its subsidiaries.

### Investment Committee

The investment committee has been authorized by our board of directors to make decisions on investments, financing, and related matters. It is made up of four directors elected by the board of directors.

The agenda matters for discussion by the investment committee are set forth in the regulations of the investment committee. The committee makes decisions on the following, among other matters:

- investments and loans under a certain amount; and
- matters relating to subsidiaries (excluding listed subsidiaries and their subsidiaries), such as (a) investments and loans under a certain specified amount, (b) the issuance and gratis of new stock or stock acquisition rights (except issue of new stocks that will not alter the shareholding ratio), (c) the issuance of corporate bonds, (d) overseas business expansion, and (e) entry into new business fields.

The committee requires unanimous agreement from all members to make a decision. If one or more members is against a proposal, the board of directors must consider such proposal. All decisions of the investment committee are reported to the board of directors.

### **Executive Compensation**

The aggregate compensation, including bonuses, paid by SoftBank Group Corp. to our directors and audit and supervisory board members as a group during the fiscal year ended March 31, 2015 was ¥304 million (\$3 million). During the fiscal year ended March 31, 2015, consolidated net compensation provided by the SoftBank consolidated group to Mr. Son, Mr. Miyauchi and Mr. Fisher was ¥131 million (\$1 million), ¥158 million (\$1 million) and ¥1,791 million (\$15 million) (including non-cash compensation, in the case of Mr. Fisher), respectively. In addition, Mr. Arora received the equivalent of ¥16.6 billion (\$138 million) (including non-cash compensation), during the same period.

### **Stock Option Plan**

Pursuant to resolutions at meetings of the board of directors held on July 29 and August 26, 2010, we granted stock acquisition rights to purchase up to 4 million shares of our common stock to certain of our directors and employees and those of our subsidiaries. As of March 31, 2015, such stock acquisition rights to purchase up to 1,268,000 shares were exercisable at an exercise price of ¥2,625 during the period from July 1, 2012 to June 30, 2017. As of March 31, 2015, we did not issue any new shares based upon the exercise of these options.

Pursuant to resolutions at meetings of the board of directors held on May 7, 2013 and July 25, 2013, we granted stock acquisition rights to purchase up to 12 million shares of our common stock to certain of our directors and employees and those of our subsidiaries. As of March 31, 2015, such stock acquisition rights to purchase up to 10,227,500 shares will be exercisable at an exercise price of ¥4,750 during the period from July 1, 2016 to June 30, 2021. As of March 31, 2015, these options were not yet exercisable and we did not issue any new shares based upon the exercise of these options.

### **Key Senior Management Personnel**

*Masayoshi Son.* Mr. Son founded SoftBank Corp. Japan (currently SoftBank Group Corp.) in September 1981, and has been its chairman since inception, and its CEO from September 1981 to April 1983, and then since February 1986. Mr. Son serves in various capacities with SoftBank's portfolio of companies, including chairman of SoftBank Corp. since 2006 and chairman of Sprint since 2013. In addition, Mr. Son has served as director of Yahoo Japan since 1996. Mr. Son was born on August 11, 1957.

*Nikesh Arora.* Mr. Arora joined us in September 2014 and has been our representative director, president and COO since June 2015. He is also the CEO of SB Group US, Inc. and a Director of Sprint. Prior to joining us, Mr. Arora served as senior vice president and chief business officer at Google and as chief marketing officer at T-Mobile Europe.

*Ken Miyauchi.* Mr. Miyauchi joined us in October 1984, and has been a director since February 1988. Prior to joining us, Mr. Miyauchi had served with Japan Management Association since February 1977. Mr. Miyauchi serves in various positions with SoftBank's portfolio companies, including as president and CEO of SoftBank Corp., since April 2015.



## PRINCIPAL SHAREHOLDERS

As of March 31, 2015, the following shareholders owned or exercised control or direction over more than 5% of the outstanding shares of our common stock:

| <u>Shareholder</u>   | <u>Number of shares held<br/>(thousands)<sup>(1)</sup></u> | <u>Percentage of total<br/>shares in issue (%)</u> |
|--|--|--|
| Masayoshi Son .....  | 231,205  | 19.26  |
| JP MORGAN CHASE BANK 380055 .....                          | 84,662   | 7.05   |
| The Master Trust Bank of Japan, Ltd. (Trust Account) ..... | 61,389   | 5.11   |
| Total .....  | <u>377,256</u>   | <u>31.42</u>                                       |

(1) The number of shares held by Mr. Son, as presented, includes those held through trust assets and special accounts (using name-based aggregation) as confirmed by the Company, while the number of shares held by other principal shareholders are presented precisely as reported on the shareholder register.

This information is based on our shareholder register as of March 31, 2015 and does not necessarily show our beneficial shareholders. According to a substantial holding report under the FIEA, which was filed on March 6, 2015, Capital Research and Management Company, and its related entities, jointly held shares equivalent to 8.77% of our outstanding shares and share depository securities, as of February 27, 2015.

To our knowledge, we are not directly or indirectly owned or controlled by an individual, corporation or government. We know of no arrangements the operation of which may result in a change of control in us.

## RELATED-PARTY TRANSACTIONS

The following discussion is a summary of the significant transactions with our associates in the fiscal years ended March 31, 2013, 2014 and 2015. We believe that each of these arrangements has been entered into on arm's-length terms or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties would have been. See note 43 to our audited consolidated financial statements for the fiscal year ended March 31, 2015, which are included elsewhere in this offering memorandum.

For the fiscal years ended March 31, 2013, 2014 and 2015, we received ¥0.2 billion (\$1.8 million), ¥0.3 billion (\$2.2 million) and ¥0.3 billion (\$2.2 million) respectively for temporary advances for expenses and ¥0.05 billion (\$0.4 million), ¥0.05 billion (\$0.4 million) and ¥0.04 billion (\$0.3 million) for office facility usage by our Chairman and CEO, Mr. Masayoshi Son, and companies controlled by him ("Masayoshi Son Affiliates"). We have also received a guaranteed deposit of ¥0.2 billion (\$1.5 million) from such persons.

During the fiscal year ended March 31, 2013, we paid dividends totaling ¥15 billion (\$123 million) and made a transfer of fixed assets of ¥4 billion (\$32 million) to Masayoshi Son Affiliates. During the fiscal year ended March 31, 2014, we paid dividends totaling ¥10 billion (\$83 million) to Masayoshi Son Affiliates. During the fiscal year ended March 31, 2015, we paid dividends totaling ¥10 billion (\$84 million) and made a transfer of fixed assets of ¥5 billion (\$37 million) to Masayoshi Son Affiliates.

During the fiscal year ended March 31, 2013, we paid dividends totaling ¥1 billion (\$4.6 million) to Mr. Taizo Son, the brother of Mr. Masayoshi Son, and companies controlled by him ("Taizo Son Affiliates"). During the fiscal year ended March 31, 2014, we paid dividends of ¥0.2 billion (\$1.7 million) directly from us and ¥0.8 billion (\$6.2 million) through GungHo, then our consolidated subsidiary, and outsourcing costs totaling ¥0.1 billion (\$0.7 million) to Taizo Son Affiliates. During the fiscal year ended March 31, 2015, we paid dividends ¥0.3 billion (\$2.2 million) directly from us and ¥1 billion (\$7.5 million) through GungHo, our consolidated subsidiary, and outsourcing costs totaling ¥0.1 billion (\$0.8 million) to Taizo Son Affiliates.

For the fiscal years ended March 31, 2015, a director of the Company exercised stock options totaling ¥0.2 billion (\$1.6 million). No director exercised stock options in 2013 or 2014.

On August 6, 2014 we completed the acquisition of all of the shares of the parent company of Brightstar, held by Mr. Marcelo Claure, who at the time was President and CEO of Brightstar, representing 37.7% of the outstanding shares of Brightstar's parent company, for an acquisition price of approximately \$298 million. Upon closing of the transaction, we indirectly controlled all of the voting rights of Brightstar.

On April 1, 2013, Heartis GK, of which Mr. Taizo Son holds more than a 50% interest, and Mr. Masayoshi Son, entered into an agreement whereby all shares of GungHo held by Heartis GK were pledged to Son Holdings Inc., Masayoshi Son's asset management company, and Son Holdings Inc. agreed to exercise voting rights related to 213,080,000 shares, or 18.50%, of GungHo's shares held by Heartis GK, in accordance with Masayoshi Son's instruction. As a result, as of March 31, 2015, the voting rights of GungHo shares held by us, SoftBank Corp. and Heartis GK, to be exercised in accordance with Masayoshi Son's instruction, corresponded to 6,739,200 shares and accounted for 58.72% of all outstanding shares of GungHo. On May 31, 2015, Heartis GK and Son Holdings terminated this arrangement for approximately 100 million shares of GungHo's common stock held by Heartis GK. On June 24, 2015, Heartis GK and Son Holdings Inc. terminated this arrangement for the remaining shares.

On June 1, 2015, GungHo completed a tender offer in which we tendered a portion of the shares of GungHo held by us representing 16.34% of GungHo's outstanding common shares. As a result of the completion of this tender offer, and certain concurrent transactions, GungHo is now treated as our equity-method associate. Our tender of 188,235,200 shares was settled on June 24, 2015, at a price of ¥425 per share, and we received proceeds of approximately ¥80 billion (\$666 million). See "Summary—Recent Developments—Tender of Shares in GungHo."

## SUBSIDIARIES AND ASSOCIATES

We had 769 subsidiaries and 120 associates as of March 31, 2015. The following table provides information on our significant consolidated subsidiaries and associates as of March 31, 2015. Because we own a number of subsidiaries through subsidiaries that we do not wholly own, our economic interests in some of our subsidiaries listed below, mostly in our Internet segment, may not be identical to our voting interests in such subsidiaries.

| Name  | Country       | Issued Share Capital<br>(millions of yen and KRW/<br>thousands of dollars, euros<br>and RMB) | Percentage of voting interest owned (indirectly) by the Company | Principal business   |
|---|---------------|--|---|--|
| <b>Mobile Communications Segment Subsidiaries</b>     |               |  |   |  |
| SoftBank Corp. ....                                   | Japan         | ¥ 177,251  | 100.0<br>(100.0)  | Provision of mobile communications service and the sale of mobile devices                                      |
| Ymobile Corporation ....                              | Japan         | ¥ 43,436   | 99.7  | Provision of mobile communications services under the <i>Y!mobile</i> brand                                    |
| BB Mobile Corp. ....                                  | Japan         | ¥ 315,155  | 100.0<br>(100.0)  | Holding company  |
| GungHo Online Entertainment, Inc. ....                | Japan         | ¥ 5,339  | 40.2<br>(6.4)<br>18.6 <sup>(1)</sup>                            | Production and distribution of online games for smartphones and other devices                                  |
| Wireless City Planning Inc. ....                      | Japan         | ¥ 18,899   | 33.3  | Planning and provision of mobile broadband services  |
| SoftBank Commerce and Service Corp. ....              | Japan         | ¥ 500  | 100.0<br>(100.0)  | Distribution of IT related products  |
| Brightstar Global Group Inc. ....                     | United States | \$ 2   | 100.0   | Holding company  |
| Brightstar Corp. ....                                 | United States | \$ 0   | 100.0<br>(100.0)  | Mobile device distribution   |
| GRAVITY Co., Ltd. ....                                | South Korea   | ¥ 354  | 59.3<br>(59.3)  | Planning, development and operations of online games   |
| Supercell Oy ....                                     | Finland       | € 3  | 53.7<br>(53.7)  | Production and distribution of mobile game applications  |
| 169 other subsidiaries and nine other associates .... |               |  |   |  |
| <b>Sprint Segment Subsidiaries</b>                    |               |  |   |  |
| Sprint Corporation ....                               | United States | \$ 39,674  | 79.5<br>(79.5)  | Holding company  |
| Sprint Communications, Inc. ...                       | United States | \$ 1,180,954   | 100.0<br>(100.0)  | Mobile communications services, sale of mobile devices and accessories, fixed-line telecommunications services |
| 347 other subsidiaries ....                           |               |  |   |  |

| Name   | Country | Issued Share Capital<br>(millions of yen and KRW/<br>thousands of dollars, euros<br>and RMB) | Percentage of voting interest owned (indirectly) by the Company | Principal business   |
|--|---------|--|---|--|
| <b>Fixed-line Telecommunication Segment</b>                |         |  |   |  |
| <b>Subsidiaries</b>  |         |  |   |  |
| SoftBank BB Corp. . . . .                                  | Japan   | ¥ 100,000  | 100.0   | Provision of ADSL broadband  |
| SoftBank Telecom Corp. . . . .                             | Japan   | ¥ 100  | 100.0   | Provision of fixed-line telephone service, data transmission and leased line services  |
| 20 other subsidiaries and three other associates . . . . . |         |  |   |  |
| <b>Internet Segment</b>                                    |         |  |   |  |
| <b>Subsidiaries</b>  |         |  |   |  |
| Yahoo Japan Corporation . . . . .                          | Japan   | ¥ 8,281  | 43.0<br>(6.6)   | Operation of a portal site <i>Yahoo! JAPAN</i>   |
| IDC Frontier Inc. . . . .                                  | Japan   | ¥ 100  | 100.0<br>(100.0)  | Provision of sales and marketing solutions for data centers  |
| ValueCommerce Co., Ltd. . . . .                            | Japan   | ¥ 1,728  | 50.6<br>(50.6)  | Operation of internet affiliate program system   |
| <b>Associates</b>  |         |  |   |  |
| ASKUL Corporation . . . . .                                | Japan   | ¥ 20,941   | 41.9<br>(41.9)  | Mail-order sales of office supplies  |
| The Japan Net Bank, Limited . .                            | Japan   | ¥ 37,250   | 41.2<br>(41.2)  | Banking business   |
| Bookoff Corporation Limited . .                            | Japan   | ¥ 3,652  | 15.0<br>(15.0)  | Auction and secondhand business  |
| 43 other subsidiaries and 17 other associates . . . . .    |         |  |   |  |
| <b>Other</b>   |         |  |   |  |
| <b>Subsidiaries</b>  |         |  |   |  |
| Mobiletech Corporation . . . . .                           | Japan   | ¥ 315,966  | 100.0   | Holding company  |
| SB Energy Corp. . . . .                                    | Japan   | ¥ 746  | 100.0   | Generation of electricity from renewable energy sources, supply and sale of electricity  |
| SoftBank Payment Service Corp. . . . .                     | Japan   | ¥ 450  | 100.0   | Provision of outsourcing services for settlement and collection; provision of outsourcing services for corporate accounting work |
| Fukuoka SoftBank HAWKS Corp. . . . .                       | Japan   | ¥ 100  | 100.0   | Owning a Japanese professional baseball team; operating baseball games   |

| Name   | Country       | Issued Share Capital<br>(millions of yen and KRW/<br>thousands of dollars, euros and RMB) | Percentage of voting interest owned (indirectly) by the Company | Principal business   |
|--|---------------|---|---|--|
| SoftBank Robotic Holdings Corp. ....                 | Japan         | ¥ 10  | 100.0   | Planning, development and sales in the robotics industry                               |
| SBBM Corporation .....                               | Japan         | ¥ 10  | 100.0   | Holding company  |
| ITmedia Inc. ....                                    | Japan         | ¥ 1,670   | 57.9<br>(57.9)  | Operation of information technology-related comprehensive news site "ITmedia"          |
| SoftBank Technology Corp. ...                        | Japan         | ¥ 645   | 55.4  | Provision of solutions and services for online business                                |
| Vector Inc. ....                                     | Japan         | ¥ 1,007   | 52.4<br>(9.8)   | Operation of online gaming sites; sale of downloaded software                          |
| SFJ Capital Limited .....                            | Cayman        | ¥ 200,000   | 100.0   | Raising funds by issuance of preferred equity securities with restricted voting rights |
| SB Group US, Inc. ....                               | United States | \$ 0  | 100.0   | Holding company  |
| SB CHINA HOLDINGS PTE LTD .....                      | Singapore     | \$ 46   | 100.0   | Holding company  |
| SoftBank Ventures Korea Corp. ....                   | South Korea   | KRW 18,000  | 100.0<br>(100.0)  | Holding company  |
| SoftBank Korea Corp. ....                            | South Korea   | KRW 2,200   | 100.0<br>(100.0)  | Holding company  |
| Starburst I, Inc. ....                               | United States | \$ 216  | 100.0   | Holding company  |
| SoftBank Holdings Inc. ....                          | United States | \$ 8  | 100.0   | Holding company  |
| SoftBank America Inc. ....                           | United States | \$ 0  | 100.0<br>(100.0)  | Holding company  |
| SoftBank Ranger Venture Investment Partnership ..... | South Korea   | KRW 18,366  | 100.0<br>(1.0)  | Venture fund   |
| SoftBank Capital Fund '10 L.P. ....                  | United States | \$ 122,449  | 98.0<br>(98.0)  | Venture fund   |
| STARFISH I PTE. LTD. ....                            | Singapore     | ¥ 76,944  | 100.0   | Holding company  |
| SB Pan Pacific Corporation ....                      | Micronesia    | ¥ 48,248  | 100.0   | Holding company  |
| Hayate Corporation .....                             | Micronesia    | ¥ 35,960  | 100.0   | Holding company  |
| <b>Associates</b>                                    |               |   |   |  |
| Scigineer Inc. ....                                  | Japan         | ¥ 766   | 33.2<br>(1.3)   | Internet marketing support for e-commerce and retail businesses                        |
| SoftBank US Ventures VI L.P. ....                    | United States | \$ 626,881  | 97.0<br>(97.0)  | Venture fund   |
| SoftBank Capital Technology Fund III L.P. ....       | United States | \$ 232,750  | 56.3<br>(56.3)  | Venture fund   |



| Name  | Country   | Issued Share Capital<br>(millions of yen and KRW/<br>thousands of dollars, euros<br>and RMB) | Percentage<br>of voting<br>interest<br>owned<br>(indirectly)<br>by the<br>Company | Principal business  |
|---|-----------|--|---|---|
| Bharti SoftBank Holdings Pte.<br>Ltd. ....              | Singapore | \$ 63,096  | 50.0  | Holding company   |
| Renren Inc. ....  | Cayman    | \$ 1,025   | 43.0<br>(43.0)  | Investor company in a<br>company operating a<br>social networking site<br>“Renren” and other<br>companies                 |
| Alibaba Group Holding<br>Limited .....                  | Cayman    | RMB 1,000  | 31.9<br>(13.2)  | Investor company in<br>companies operating<br>e-commerce sites<br><i>Alibaba.com, Taobao.com,</i><br><i>and Tmall.com</i> |
| InMobi Pte. Ltd. ....                                   | Singapore | \$ 703   | 35.2<br>(35.2)  | Provision of advertisement<br>delivery services for<br>mobile devices   |
| 151 other subsidiaries and<br>81 other associates ..... |           |  |   |   |

(1) Holdings by parties in close relationships, etc., with SoftBank Group Corp.

## DESCRIPTION OF OTHER INDEBTEDNESS

The following is a description of our material indebtedness as of the date of the offering of the Notes. The description does not purport to be complete and is qualified in its entirety by reference to the agreements which set forth the principal terms and conditions of our credit facilities and other indebtedness.

The table below shows our consolidated indebtedness as of March 31, 2015:

| As of March 31, 2015               |   |               |
|------------------------------------|---|---------------|
|                                    | (billions of yen and millions of dollars) |               |
| Short-term borrowings              | ¥ 940                                     | \$ 7,820      |
| Commercial paper                   | 32  | 266           |
| Corporate bonds                    | 7,009                                     | 58,329        |
| Lease obligations                  | 1,156                                     | 9,623         |
| Long-term borrowings               | 2,116                                     | 17,613        |
| Preferred securities               | 200                                       | 1,664         |
| Installment payable                | 153                                       | 1,275         |
| <b>Total interest-bearing debt</b> | <u>11,607</u>                             | <u>96,590</u> |

The table below shows consolidated net interest-bearing debt at the Company, entities absorbed into SoftBank Corp. in connection with the Intra-Group Consolidation and non-guarantor subsidiary levels as of March 31, 2015. The below information was prepared under IFRS and is net of intra-group reconciliations and eliminations.

### Consolidated Net Interest-bearing Debt as of March 31, 2015

|                               | Total interest-<br>bearing<br>debt | Cash position <sup>(1)</sup><br>(billions of yen) | Net interest-<br>bearing<br>debt <sup>(2)</sup> |
|-------------------------------|------------------------------------|---|---|
| SoftBank Group Corp. (Issuer) | 5,325                              | 1,672   | 3,652   |
| Senior debt                   | 4,490 <sup>(3)(4)</sup>            | —   | —   |
| Subordinated debt             | 834                                | —   | —   |
| Guarantor entities            | 1,516                              | 59  | 1,456   |
| SoftBank Corp.                | 1,300                              | 50  | 1,249   |
| SoftBank Telecom Corp.        | 83                                 | 3   | 80  |
| SoftBank BB Corp.             | 34                                 | 0   | 34  |
| Ymobile Corporation           | 99                                 | 6   | 93  |
| Non-guarantor subsidiaries    | 4,767                              | 1,693   | 3,074   |
| Sprint                        | 4,103                              | 502   | 3,601   |
| Other subsidiaries            | 664                                | 1,191   | (527)   |
| <b>Consolidated</b>           | <u>11,607</u>                      | <u>3,424</u>                                      | <u>8,183</u>                                    |

(1) Cash position is cash and cash equivalents plus short-term investments.

(2) Net interest-bearing debt: total interest-bearing debt minus cash position.

(3) Includes ¥4,195 billion guaranteed by SoftBank Corp. and Softbank Telecom Corp. on a senior unsecured basis which will rank *pari passu* with the Notes.

(4) Includes ¥198 billion corresponding to cash collateral under securities lending arrangements whereby we loan shares that we own to a major Japanese lender. See “—Borrowings—¥198 billion (\$1,651 million) in Securities Lending.”

## Borrowings

The table below summarizes our loans outstanding as of March 31, 2015:

| Loan                          | As of March 31, 2015                      |                  |
|-------------------------------|---|------------------|
|                               | (billions of yen and millions of dollars) |                  |
| Sprint Acquisition Loan       | ¥1,882                                    | \$15,662         |
| Brightstar Acquisition Loan   | 119                                       | 989              |
| Supercell Acquisition Loan    | 90  | 745              |
| Commitment line               | — <sup>(2)</sup>                          | — <sup>(2)</sup> |
| Other Loans                   | 268                                       | 2,228            |
| Securities lending            | 198                                       | 1,651            |
| Securitization of receivables | 500                                       | 4,158            |
| <b>Total loans</b>            | <b>3,056</b>                              | <b>25,433</b>    |

(1) Last date of the commitment period.

(2) Outstanding undrawn commitment of ¥179 billion (\$1,485 million) as of March 31, 2015.

### **¥1,882 billion (\$15,662 million) of Indebtedness Outstanding under Sprint Acquisition Loan as of March 31, 2015**

On September, 2013, we procured a syndicated loan from several Japanese and international financial institutions in the principal amount of ¥1,980 billion (\$16,477 million) (the “Sprint Acquisition Loan”), under which ¥1,882 billion (\$15,662 million) of indebtedness remains outstanding (measured at amortized costs pursuant to IFRS). We used the proceeds of this loan mainly: (i) to pay off certain debt, including but not limited to, the bridge facilities that we acquired in connection with the Sprint acquisition; (ii) to pay costs for various transactions related to the Sprint acquisition; (iii) for the general corporate purposes; and (iv) to provide Ymobile Corporation with necessary funds for repayment of its existing debt. The Sprint Acquisition Loan is a direct, unsecured obligation of the Company and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company including the Notes. The Sprint Acquisition Loan is guaranteed by SoftBank Corp. on a senior, unsecured basis and such guarantee by SoftBank Corp. will rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. including the Guarantee of the Notes.

The following table shows the total remaining scheduled repayments for the facilities for the periods indicated:

| Fiscal year ending March 31, | Total Principal Amount Due <sup>(1)</sup> |
|------------------------------|---|
|                              | (billions of yen)                         |
| 2016                         | 150                                       |
| 2017                         | 275                                       |
| 2018                         | 400                                       |
| 2019                         | 415                                       |
| 2020                         | 430                                       |
| 2021                         | 235                                       |

(1) Amounts correspond to the face amounts.

Each facility under the Sprint Acquisition Loan accrues interest at a floating rate that is calculated based on the applicable index rate plus the applicable margin for the relevant facility.

The Sprint Acquisition Loan is subject to representations and warranties customary in the Japanese syndicated loan market. It is also subject to certain financial and operational covenants that require us to maintain certain financial ratios and that restrict our business activities. The covenants include an affirmative obligation for the Company to maintain net assets on a stand-alone basis of at least 75% of the net assets at the end of the previous fiscal year, as measured at the end of each fiscal year. Other covenants set certain caps on the total amount of net interest-bearing debt the Company can incur on a consolidated basis excluding some newly consolidated subsidiaries such as Sprint and subject to certain other adjustments as of each cut-off date. We are also restricted from changing our principal business activity. Additionally, the Company is required to maintain a leverage ratio to be calculated on a semi-annual basis, which shall not exceed a certain level as of each cut-off date.

The Sprint Acquisition Loan is also subject to certain events of default, including breach of the covenants described above. Any event of default could trigger acceleration of amounts outstanding under the Sprint

Acquisition Loan through the majority lenders' decision, provided that a certain limited number of events shall automatically lead to acceleration of the loan. We may prepay certain facilities under the Sprint Acquisition Loan under certain conditions.

***¥119 billion (\$989 million) of Indebtedness Outstanding under Brightstar Acquisition Loan as of March 31, 2015***

On February 4, 2014, we procured a syndicated loan from several Japanese financial institutions in the principal amount of ¥125 billion (\$1,040 million) (the "Brightstar Acquisition Loan"), under which ¥119 billion (\$989 million) of indebtedness remains outstanding (measured at amortized costs pursuant to IFRS). We used the proceeds of this loan mainly to finance the Brightstar acquisition as well as the working capital of Brightstar. The Brightstar Acquisition Loan is a direct, unsecured obligation of the Company and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company including the Notes. The Brightstar Acquisition Loan is also guaranteed by SoftBank Corp. on a senior, unsecured basis and such guarantee by SoftBank Corp. ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. including the Guarantee of the Notes.

Amounts outstanding under the Brightstar Acquisition Loan accrue interest at a rate that is equal to the sum of the announced Japanese yen TIBOR, for the applicable interest period, plus a margin. The final maturity date of the Brightstar Acquisition Loan is September 14, 2020.

The Brightstar Acquisition Loan is subject to representations and warranties customary in the Japanese syndicated loan market. It is also subject to certain financial and operational covenants similar to those under the Sprint Acquisition Loan.

The Brightstar Acquisition Loan is also subject to customary events of default including breach of the covenants described above. Any event of default could trigger acceleration of amounts outstanding under the Brightstar Acquisition Loan through the majority lenders' decision, provided that a certain limited number of events shall automatically lead to acceleration of the loan. We may prepay the loan by paying breakfunding costs (if any) and without penalty.

***\$745 million (¥90 billion) of Indebtedness Outstanding under Supercell Acquisition Loan as of March 31, 2015***

On December 27, 2013, Kahon 2 Oy, a consolidated subsidiary of the Company, procured a U.S. dollar-denominated syndicated loan from European branches of several Japanese financial institutions in the principal amount of \$750 million (the "Supercell Acquisition Loan"), under which \$745 million (¥90 billion) of indebtedness remains outstanding (measured at amortized costs pursuant to IFRS). Kahon 2 Oy used the proceeds of this loan to pay off a certain bridge loan that Kahon 2 Oy acquired from the Company in connection with the Supercell acquisition.

The Supercell Acquisition Loan is a direct, unsecured obligation of Kahon 2 Oy and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of Kahon 2 Oy, and is structurally senior to the Notes because Kahon 2 Oy will not guarantee the Notes.

The Supercell Acquisition Loan is guaranteed by the Company on a senior, unsecured basis and such guarantee by the Company also ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company including the Notes. The guarantee by the Company of the Supercell Acquisition Loan is in turn guaranteed by SoftBank Corp. on a senior, unsecured basis and such guarantee by SoftBank Corp. ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. including the Guarantee of the Notes.

The final maturity date of the Supercell Acquisition Loan is June 27, 2017. Amounts outstanding under the Supercell Acquisition Loan accrue interest at a rate that is equal to the sum of the announced U.S. dollar LIBOR, for the applicable interest period, plus a margin.

The Supercell Acquisition Loan is subject to representations and warranties made by Kahon 2 Oy as borrower, the Company as guarantor, and SoftBank Corp. as sub-guarantor, which are customary in the Japanese syndicated loan market. The Supercell Acquisition Loan is also subject to certain financial and operational covenants undertaken by Kahon 2 Oy as borrower, the Company as guarantor, and SoftBank Corp. as sub-guarantor which are similar to those under the Sprint Acquisition Loan.

The Supercell Acquisition Loan is also subject to customary events of default including breach of the covenants described above. Any event of default could trigger acceleration of amounts outstanding under the Supercell Acquisition Loan through the majority lenders' decision, provided that a certain limited number of events shall automatically lead to acceleration of the loan. Kahon 2 Oy as borrower may prepay the loan by paying breakfunding costs (if any) and without penalty.

### ***Undrawn ¥178.5 billion (\$1,485 million) Commitment Line***

On August 18, 2014, we renewed a commitment line agreement with several Japanese and international financial institutions for borrowings up to ¥178.5 billion (\$1,485 million) (the “Commitment Line”). As of March 31, 2015, we have no principal amount outstanding on the Commitment Line, and the whole facility of ¥178.5 billion (\$1,485 million) remains available for drawing. The Commitment Line is a direct, unsecured obligation of the Company and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company including the Notes. The Commitment Line is also guaranteed by SoftBank Corp. on a senior, unsecured basis and such guarantee by SoftBank Corp. ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. including the Guarantee of the Notes.

The Commitment Line has a one-year term, which we have historically renewed annually, and the interest rate is equal to the sum of the announced Japanese yen TIBOR, for the applicable interest period, plus a margin.

The Commitment Line is subject to representations and warranties customary in the Japanese syndicated loan market. It is also subject to certain financial and operational covenants similar to those under the Sprint Acquisition Loan.

The Commitment Line is also subject to customary events of default including breach of the covenants described above. Any event of default could trigger acceleration of the amount outstanding under the Commitment Line through the majority lenders’ decision, provided that a certain limited number of events shall automatically lead to acceleration of the loan. We are obliged to report the occurrence of an event of default or a potential event of default as soon as we become aware of it. We may prepay the loan by paying breakfunding costs (if any) and without penalty.

### ***¥268 billion (\$2,228 million) of Indebtedness Outstanding under Other Loans***

We have also entered into other loan agreements with a number of major financial institutions, under which the total outstanding indebtedness as of March 31, 2015 was ¥268 billion (\$2,228 million) (measured at amortized costs pursuant to IFRS). Of these, (i) ¥87 billion (\$727 million) was borrowed by the Company, and (ii) ¥101 billion (\$842 million), ¥68 billion (\$567 million) were borrowed by Brightstar and Sprint respectively. These loan agreements contain terms that we believe are customary for these types of loans provided by financial institutions. These loans also contain certain events of default, including non-payment of principal or interest, breach of covenants, cross-default and certain insolvency-related events.

### ***¥198 billion (\$1,651 million) in Securities Lending***

We loan shares that we own in one of our subsidiaries to a major Japanese lender and receive cash as collateral. These loans are on a monthly basis and are typically rolled over each month. As of March 31, 2015, our securities lending totaled ¥198 billion (\$1,651 million).

### ***¥500 billion (\$4,158 million) in Securitization of Receivables***

We have several continuous securitization programs of receivables of SoftBank Corp., Ymobile, Sprint and SoftBank Commerce & Service Corp. As of March 31, 2015, the balances were ¥406 billion (\$3,379 million), ¥60 billion (\$500 million), ¥31 billion (\$261 million) and ¥2 billion (\$18 million) for SoftBank Corp., Ymobile, Sprint and SoftBank Commerce & Service Corp., respectively.

Under the securitization programs, SoftBank Corp. entrusts the installment receivables to trust banks as special purpose vehicle for each program on a true-sale basis and the holder of financial instruments backed by those installment receivables/issued under these securitization programs, have only recourse to the trust assets and not to SoftBank Corp.

Under the IFRS, however, most of these securitized receivables are still booked on our financial statements.



## Bonds

The table below summarizes all bonds, which we have issued, outstanding as of March 31, 2015. This table does not include the 47th series unsecured straight bond, issued June 18, 2015. See “Summary—Recent Developments.”

| Bond   | Interest Rate<br>(% per annum) | Balance<br>(billions of yen) | Balance<br>(million of \$) |
|--|--------------------------------|------------------------------|----------------------------|
| <b>SoftBank Group Corp.</b>  |                                |                              |                            |
| <b>Yen Denominated Bonds</b>   |                                |                              |                            |
| 32nd series Unsecured Straight Bond .....                                  | 1.67%                          | 25                           | 208                        |
| 34th series Unsecured Straight Bond .....                                  | 1.10%                          | 45                           | 374                        |
| 36th series Unsecured Straight Bond<br>(Fukuoka SoftBank HAWKS bond) ..... | 1.00%                          | 100                          | 831                        |
| 42nd series Unsecured Straight Bond .....                                  | 1.47%                          | 70                           | 581                        |
| 41st series Unsecured Straight Bond<br>(Fukuoka SoftBank HAWKS bond) ..... | 1.47%                          | 298                          | 2,478                      |
| 40th series Unsecured Straight Bond .....                                  | 0.73%                          | 10                           | 83                         |
| 39th series Unsecured Straight Bond<br>(Fukuoka SoftBank HAWKS bond) ..... | 0.74%                          | 100                          | 830                        |
| 35th series Unsecured Straight Bond .....                                  | 1.66%                          | 10                           | 83                         |
| 43rd series Unsecured Straight Bond<br>(Fukuoka SoftBank HAWKS Bond) ..... | 1.74%                          | 397                          | 3,302                      |
| 45th series Unsecured Straight Bond<br>(Fukuoka SoftBank HAWKS Bond) ..... | 1.45%                          | 297                          | 2,470                      |
| 46th series Unsecured Straight Bond<br>(Fukuoka SoftBank HAWKS Bond) ..... | 1.26%                          | 395                          | 3,291                      |
| 44th series Unsecured Straight Bond .....                                  | 1.69%                          | 50                           | 415                        |
| 1st series Unsecured Subordinated Bond .....                               | 2.50%                          | 393                          | 3,268                      |
| 2nd series Unsecured Subordinated Bond .....                               | 2.50%                          | 442                          | 3,675                      |
| <b>Subtotal</b> .....  |                                | 2,630                        | 21,889                     |
| <b>Foreign Currency Denominated Notes</b>                                  |                                |                              |                            |
| 2020 USD-denominated Senior Notes .....                                    | 4.50%                          | 295                          | 2,455                      |
| 2020 EUR-denominated Senior Notes .....                                    | 4.63%                          | 80                           | 669                        |
| <b>Subtotal</b> .....  |                                | 375                          | 3,124                      |
| <b>SoftBank Group Corp. Total</b> .....                                    |                                | 3,006                        | 25,013                     |
| <b>Brightstar Corp Notes</b>   |                                |                              |                            |
| Brightstar 2016 Senior Notes .....   | 9.50%                          | 45                           | 373                        |
| Brightstar 2018 Senior Notes .....   | 7.25%                          | 32                           | 263                        |
| <b>Brightstar total</b> .....  |                                | 76                           | 636                        |
| <b>Other</b> .....   |                                | 0                            | 2                          |
| <b>Excluding Sprint Total</b> .....  |                                | 3,082                        | 25,651                     |
| <b>Sprint Corporation Notes</b>  |                                |                              |                            |
| Sprint 2021 Notes .....  | 7.25%                          | 267                          | 2,221                      |
| Sprint 2023 Notes .....  | 7.88%                          | 504                          | 4,193                      |
| Sprint 2024 Notes .....  | 7.13%                          | 296                          | 2,466                      |
| Sprint 2025 Notes .....  | 7.63%                          | 178                          | 1,480                      |
| <b>Subtotal</b> .....  |                                | 1,245                        | 10,361                     |

| Bond  | Interest Rate<br>(% per annum) | Balance<br>(billions of yen) | Balance<br>(million of \$) |
|---|--------------------------------|------------------------------|----------------------------|
| <b>Sprint Communications Inc. Notes</b>   |                                |                              |                            |
| Sprint Communications 2015 Export Development Canada Facility (Tranche 2) ..... | 4.15%                          | 60                           | 500                        |
| Sprint Communications 2016 Senior Notes .....                                   | 6.00%                          | 248                          | 2,061                      |
| Sprint Communications 2017 Senior Notes .....                                   | 9.13%                          | 130                          | 1,081                      |
| Sprint Communications 2017 Senior Notes .....                                   | 8.38%                          | 168                          | 1,395                      |
| Sprint Communications 2018 Huaranteed Notes .....                               | 9.00%                          | 403                          | 3,357                      |
| Sprint Communications 2019 Export Development Canada Facility (Tranche 3) ..... | 3.65%                          | 36                           | 299                        |
| Sprint Communications 2020 Huaranteed Notes .....                               | 7.00%                          | 128                          | 1,062                      |
| Sprint Communications 2020 Senior Notes .....                                   | 7.00%                          | 186                          | 1,549                      |
| Sprint Communications 2021 Senior Notes .....                                   | 11.50%                         | 154                          | 1,285                      |
| Sprint Communications 2022 Debentures .....                                     | 9.25%                          | 28                           | 235                        |
| Sprint Communications 2022 Senior Notes .....                                   | 6.00%                          | 271                          | 2,252                      |
| <b>Subtotal</b> .....   |                                | 1,812                        | 15,075                     |
| <b>Sprint Capital Corporation Notes</b>   |                                |                              |                            |
| Sprint Capital 2019 Senior Notes .....  | 6.90%                          | 213                          | 1,772                      |
| Sprint Capital 2028 Senior Notes .....  | 6.88%                          | 277                          | 2,307                      |
| Sprint Capital 2032 Senior Notes .....  | 8.75%                          | 257                          | 2,139                      |
| <b>Subtotal</b> .....   |                                | 747                          | 6,218                      |
| <b>Clearwire Communications LLC Notes</b>                                       |                                |                              |                            |
| Clearwire Communications 2016 First-Priority Senior Secured Notes .....         | 14.75%                         | 43                           | 356                        |
| Clearwire Communications 2040 ExchanHeable Notes .....                          | 8.25%                          | 80                           | 669                        |
| <b>Subtotal</b> .....   |                                | 123                          | 1,025                      |
| <b>Other</b> .....  |                                | 0                            | 0                          |
| <b>Sprint Total</b> .....   |                                | 3,927                        | 32,679                     |
| <b>Total</b> .....  |                                | 7,009                        | 58,329                     |

**¥1,796 billion (\$14,947 million) of Indebtedness Outstanding under Domestic Yen-Denominated Unsecured Straight Bonds**

We have issued domestic unsubordinated yen-denominated bonds (the “Yen-denominated Bonds”), which are senior, unsecured obligations of the Company and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company, including the Notes. These bonds are guaranteed by SoftBank Corp. on a senior, unsecured basis, ranking *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. including the Guarantee of the Notes.

These bonds contain terms that are customary for these types of securities issued by Japanese companies in Japan. However, we note the 41st, 43rd, 45th and 46th Yen-denominated Bonds contain a financial covenant requiring that the Company’s net assets on a stand-alone basis must be at least ¥370 billion (\$3,077 million) at the end of each fiscal year. These bonds contain various events of default, including those relating to the non-payment of principal or interest, cross-acceleration of other indebtedness in excess of specified thresholds and insolvency events. Upon the occurrence of an event of default, holders of the bonds are immediately entitled to redeem the bonds on all amounts due.

As of March 31, 2015, the aggregate outstanding indebtedness under these bonds was ¥1,796 billion (\$14,947 million) (measured at amortized costs pursuant to IFRS).

On June 18, 2015, we issued our 47th Unsecured Straight Corporate Bonds in the aggregate principle amount of ¥100 billion (\$832 million) at 1.36% coupon per annum. The 47th Unsecured Straight Corporate Bonds are senior, unsecured obligations of the Company and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company, including the Notes. These bonds are guaranteed by SoftBank Corp. on a senior, unsecured basis, ranking *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. including the Guarantee of the Notes.

Proceeds of the our 47th Unsecured Straight Corporate Bonds, net of issuance costs, amounted to ¥98.7 billion (\$821 million), which will be used for repayment of other loans and bonds. Our 47th Unsecured

Straight Corporate Bonds contain a net assets maintenance covenant requiring that the Company's net assets on a stand-alone basis must be at least ¥370 billion (\$3,077 million) at the end of each fiscal year. The 47th Unsecured Straight Corporate Bonds are guaranteed by SoftBank Corp. The 47th Unsecured Straight Corporate Bonds received an A- by Japan Credit Rating Agency and matures on June 18, 2020.

**¥375 billion (\$3,124 million) of Indebtedness Outstanding under Foreign Currency Denominated Senior Notes issued by the Company**

On April 23, 2013, we issued two series of senior notes due 2020 in the form of \$2,485 million 4.50% Senior Notes due 2020 (the "2013 Dollar Notes") and €625 million 4.63% Senior Notes due 2020 (collectively with the 2013 Dollar Notes, the "2013 Notes"), each guaranteed by SoftBank Corp. As of March 31, 2015, we had ¥375 billion (\$3,124 million) of outstanding indebtedness under these senior notes (measured at amortized costs pursuant to IFRS). The 2013 Notes are direct, unsecured obligations of the Company and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company. The guarantee for the 2013 Notes provided by SoftBank Corp. is a direct, unsecured obligation of SoftBank Corp. and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp.

The maturity date of the 2013 Notes is April 23, 2020. The 2013 Notes indenture contains only limited restrictive covenants, including (i) a limitation on issuance of certain non-guarantor subsidiaries of certain categories of priority indebtedness subject to a permitted priority indebtedness "basket" of 15% of consolidated net tangible assets of the Company, (ii) a limitation on the ability of the Company and SoftBank Corp. to secure marketable debt securities and loans, subject to certain exceptions and (iii) a prohibition on using the proceeds from asset sales to make restricted payments in the event that aggregate restricted payments exceed \$5 billion since the original issuance date of the 2013 Notes.

Upon the occurrence of a change of control triggering event, the Company would be required to make an offer to repurchase all outstanding 2013 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

The 2013 Notes are redeemable by the Company at any time prior to maturity at a redemption price equal to 100% of the outstanding principal amount, with accrued and unpaid interest plus a "make-whole" premium.

**¥76 billion (\$636 Million) of Indebtedness Outstanding under Senior Notes issued by Brightstar**

On November 30, 2010, Brightstar issued 9.50% senior notes due 2016 (the "Brightstar 2016 Notes"). The Brightstar 2016 Notes are senior, unsecured obligations of Brightstar and rank *pari passu* in right of payment to all of Brightstar's existing and future senior indebtedness. The Brightstar 2016 Notes are guaranteed by the Company on a senior, unsecured basis, ranking *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company including the Notes.

As of March 31, 2015, Brightstar had ¥45 billion (\$373 million) in outstanding indebtedness under the Brightstar 2016 Notes (measured at amortized costs pursuant to IFRS).

The Brightstar 2016 Notes indenture contains customary events of default and covenants that restrict, among other things, Brightstar's ability to incur additional debt; make certain payments, including dividends or other distributions, with respect to its capital stock, or prepayments of subordinated debt; make certain investments or sell assets; create certain liens or engage in sale and leaseback transactions; provide guarantees for certain debt; enter into restrictions on the payment of dividends and other amounts by subsidiaries; engage in certain transactions with affiliates; consolidate, merge or transfer all or substantially all its assets; and enter into other lines of business. The Company is not subject to negative covenants pursuant to the Brightstar 2016 Indenture.

Upon the occurrence of a change of control of Brightstar, Brightstar would be required to make an offer to repurchase all outstanding Brightstar 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

At any time, Brightstar may redeem the Brightstar 2016 Notes, in whole or in part, at a redemption price equal to 104.75% (on or after December 1, 2014 but prior to December 1, 2015), or 100% (on or after December 1, 2015), of the principal amount of such Brightstar 2016 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date.

On July 31, 2013, Brightstar issued 7.25% senior notes due in 2018 (the "Brightstar 2018 Notes"). The Brightstar 2018 Notes are senior, unsecured obligations of Brightstar and rank *pari passu* in right of payment to all of Brightstar's existing and future senior indebtedness. The Brightstar 2018 Notes are guaranteed by the Company on a senior, unsecured basis, ranking *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company including the Notes.

As of March 31, 2015, Brightstar had ¥32 billion (\$263 million) in outstanding indebtedness under the Brightstar 2018 Notes (measured at amortized costs pursuant to IFRS).

The Brightstar 2018 Notes indenture contains customary events of default and covenants that restrict, among other things, Brightstar's ability to incur additional debt; make certain payments, including dividends or other distributions, with respect to its capital stock, or prepayments of subordinated debt; make certain investments or sell assets; create certain liens or engage in sale and leaseback transactions; provide guarantees for certain debt; enter into restrictions on the payment of dividends and other amounts by subsidiaries; engage in certain transactions with affiliates; consolidate, merge or transfer all or substantially all its assets; and enter into other lines of business. The Company is not subject to negative covenants pursuant to the Brightstar 2018 Indenture.

Upon the occurrence of a change of control of Brightstar, Brightstar would be required to make an offer to repurchase all outstanding Brightstar 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

At any time, Brightstar may redeem the Brightstar 2018 Notes, in whole or in part, at a redemption price equal to 100% plus applicable premiums (prior to August 1, 2015), 105.438% (on or after August 1, 2015 but prior to August 1, 2016), 102.719% (on or after August 1, 2016 but prior to August 1, 2017) or 100% (on or after August 1, 2017), of the principal amount of such Brightstar 2018 Notes, plus a premium and any accrued and unpaid interest to (but not including) the redemption date. Prior to August 1, 2015, the Company may also redeem up to 35% of the Brightstar 2018 Notes, subject to certain restrictions, from the proceeds of an equity offering.

***¥834 Billion (\$6,942 Million) of Indebtedness Outstanding under Domestic Yen-Denominated Subordinated Bonds***

We have issued domestic yen-denominated unsecured subordinated bonds (the "Yen-denominated subordinated Bonds") at 2.50% coupon per annum, which are direct, unsecured obligations of the Company and contractually subordinated to all existing and future debt except for debt equal or subordinated to the Yen-denominated Bonds. The Yen-denominated subordinated Bonds are not guaranteed by SoftBank Corp. The Yen-denominated subordinated Bonds will be contractually subordinated to the Notes.

As of March 31, 2015, the aggregate outstanding indebtedness under these Yen-denominated subordinated Bonds was ¥834 billion (\$6,942 million) (measured at amortized costs pursuant to IFRS).

***¥3,927 billion (\$32,679 million) of Indebtedness Outstanding under Senior Notes issued by Sprint and its subsidiaries***

As of March 31, 2015, Sprint's outstanding notes consisted of senior notes, guaranteed notes, and exchangeable notes, all of which are unsecured, as well as secured notes of Clearwire Communications LLC, which are secured solely by assets of Clearwire Communications LLC and certain of its subsidiaries. Cash interest on all of the notes is generally payable semi-annually in arrears. As of March 31, 2015, approximately \$30.1 billion aggregate principal amount of the notes was redeemable at Sprint's discretion at the then-applicable redemption prices plus accrued interest. Indebtedness under Sprint's outstanding notes is structurally senior to the Notes.

As of March 31, 2015, approximately \$21.6 billion aggregate principal amount of Sprint's senior notes and guaranteed notes (the "Sprint Senior Notes") provide holders with the right to require Sprint to repurchase the notes if a change of control triggering event (as defined in the applicable indentures and supplemental indentures) occurs. As of March 31, 2015, approximately \$300 million aggregate principal amount of Clearwire Communications LLC notes provide holders with the right to require Sprint to repurchase the notes if a change of control occurs (as defined in the applicable indentures and supplemental indentures). If Sprint is required to make such a change of control offer, Sprint will offer a cash payment equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest.

Upon Sprint's acquisition of Clearwire Corporation, the Clearwire Communications, LLC 8.25% Exchangeable Notes due 2040 became exchangeable at any time, at the holder's option, for a fixed amount of cash equal to \$706.21 for each \$1,000 principal amount of notes surrendered. As a result, \$444 million, which is the total cash consideration payable upon an exchange outstanding Notes, is now classified as a current debt obligation.

As of March 31, 2015, ¥43 billion (\$356 million) of the Clearwire Communications, LLC 14.75% First-Priority Senior Secured Notes due 2016 was also outstanding (measured at amortized costs pursuant to IFRS).

These notes are redeemable by Sprint at any time prior to maturity at a redemption price equal to 100% of the principal amount, with accrued and unpaid interest plus a “make-whole” premium. The Company and SoftBank Corp. do not guarantee any of Sprint’s indebtedness.

## Leases

The table below shows our finance leases and the future minimum lease payments related to non-cancelable operating leases as of March 31, 2015.

|  | As of March 31, 2015                      |          |
|--|---|----------|
|  | (billions of yen and millions of dollars) |          |
| Finance leases .....   | ¥1,156                                    | \$ 9,623 |
| Future minimum lease payments related to non-cancelable operating leases ..... | 3,072                                     | 25,561   |

### **¥1,156 billion (\$9,623 million) Outstanding on Finance Leases**

Our major subsidiaries lease certain telecommunications equipment and service lines, buildings and structures, other property, equipment and software. Once the assembly, installation and inspection of newly acquired equipment are complete, we sell the equipment, excluding the installed software, to leasing companies and lease the equipment back from them under sale and lease-back arrangements. At the same time, we enter into loan contracts with the lessors to pay for the value of certain software. We include the cash inflows from the sale of the equipment to leasing companies and the proceeds from the loan arranged for the software portion as proceeds from the sale and lease-back of equipment newly acquired under cash flows from financing activities in our consolidated financial statements. SoftBank Corp. holds ¥802 billion (\$6,677 million), or approximately 69%, of all of our finance leases.

As of March 31, 2015, we had outstanding finance leases totaling ¥1,156 billion (\$9,623 million). Of our outstanding finance leases, we had ¥411 billion (\$3,424 million) due within one year and ¥745 billion (\$6,199 million) due after one year.

### **Operating Leases**

The future minimum lease payments related to non-cancelable operating leases are ¥3,072 billion (\$25,561 million). We lease various equipment, office facilities, retail outlets and kiosks, switching facilities and cell sites under operating leases, mostly through Sprint. The non-cancelable portion of these leases generally ranges from monthly up to 15 years. These leases, with few exceptions, provide for automatic renewal options and escalations that are either fixed or based on the consumer price index.



## DESCRIPTION OF THE NOTES

The definitions of certain terms used in this Description of the Notes can be found under the subheading “*Certain Definitions.*” In this Description of the Notes, the term the “*Company*” refers only to SoftBank Group Corp. and not to any of its Subsidiaries.

The Company will issue \$1,000,000,000 aggregate principal amount of its 6% Senior Notes due 2025 denominated in U.S. dollars (the “*2025 Dollar Notes*”), \$1,000,000,000 aggregate principal amount of its 5¾% Senior Notes due 2022 denominated in U.S. dollars (the “*2022 Dollar Notes*” and, together with the 2025 Dollar Notes, the “*Dollar Notes*”), €500,000,000 aggregate principal amount of its 5¼% Senior Notes due 2027 denominated in euro (the “*2027 Euro Notes*”), €1,250,000,000 aggregate principal amount of its 4¾% Senior Notes due 2025 denominated in euro (the “*2025 Euro Notes*”) and €500,000,000 aggregate principal amount of its 4% Senior Notes due 2022 denominated in euro (the “*2022 Euro Notes*”, together with the 2027 Euro Notes and the 2025 Euro Notes, the “*Euro Notes*”, and, together with the Dollar Notes, the “*Notes*”) under an indenture (the “*Indenture*”), to be dated as of the Issue Date, among the Company, SoftBank Corp., as guarantor (the “*Initial Note Guarantor*”), Deutsche Trustee Company Limited, as trustee (the “*Trustee*”), Deutsche Bank AG, London Branch, as principal paying agent, and Deutsche Bank Luxembourg S.A., as transfer agent and registrar, in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. Holders of the Notes will not be entitled to any registration rights. See “*Notice to Investors.*”

The following description is a summary of the material provisions of the Indenture. It does not restate the Indenture in its entirety. The Indenture, and not this description, defines the rights of holders of the Notes. Copies of the Indenture are available at the corporate trust office of the Trustee at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. Certain defined terms used in this description but not defined below have the meanings assigned to them in the Indenture. The Indenture is not required to be nor will it be qualified under and will not be subject to the U.S. Trust Indenture Act.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

### Brief Description of the Notes and the Note Guarantee

#### *The Notes*

The Notes will:

- be general unsecured obligations of the Company;
- in insolvency proceedings of the Company, rank *pari passu* in right of payment with all existing and future Indebtedness of the Company (including the Sprint Acquisition Loan, the 2013 Senior Notes and the Company’s unsubordinated yen-denominated bonds), except that the Notes will:
  - rank senior in right of payment to all existing and future Indebtedness of the Company that is contractually subordinated in right of payment and all existing and future Indebtedness of the Company that is subordinated in right of payment by operation of law; and
  - be subordinated in right of payment to all existing and future Indebtedness of the Company that is preferred by operation of law.
- be effectively subordinated to any existing and future Indebtedness of the Company that is secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness through either enforcement of such Indebtedness outside insolvency proceedings or preferred treatment of such Indebtedness in insolvency proceedings;
- be effectively subordinated to all existing and future Indebtedness or other obligations, including the substantial liabilities outstanding under the corporate bonds issued by Sprint and any trade payables, of any Subsidiary of the Company that does not Guarantee the Notes; and
- be guaranteed, as of the Issue Date, by the Initial Note Guarantor as set forth below under “—*The Note Guarantees*”.

See “*Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantee are unsecured obligations and will be effectively subordinated to the existing and future secured indebtedness of the Company and its subsidiaries. We and our subsidiaries may in the future incur substantial amounts of secured debt*”; “*Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantee will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries*”;

and “*Risk Factors—Risks Relating to the Notes—Enforcement of claims on the Notes and the Note Guarantees will be subject to certain limitations arising under Japanese insolvency and corporate laws. Japanese laws may be different from, and not as favorable to you as, the laws in other jurisdictions.*”

### **The Note Guarantees**

The Notes will be guaranteed as of the Issue Date by the Initial Note Guarantor. Other Subsidiaries of the Company may be required to Guarantee the Notes in the future under certain circumstances. See “—*Certain Covenants—Subsidiary Guarantees of Indebtedness.*”

Each Guarantee of the Notes (a “*Note Guarantee*”) of a Note Guarantor will:

- be a general unsecured obligation of such Note Guarantor;
- in insolvency proceedings of the Note Guarantor, rank *pari passu* in right of payment with all existing and future Indebtedness of the Note Guarantor (including, in the case of the Initial Note Guarantor, its obligations under the Sprint Acquisition Loan, the 2013 Senior Notes and any unsubordinated yen-denominated bonds that it guarantees), except that the Note Guarantee will:
  - rank senior in right of payment to all existing and future Indebtedness of such Note Guarantor that is contractually subordinated in right of payment and all existing and future Indebtedness of such Note Guarantor that is subordinated in right of payment by operation of law; and
  - be subordinated in right of payment to all existing and future Indebtedness of the Note Guarantor that is preferred by operation of law;
- be effectively subordinated to any existing and future Indebtedness of the Note Guarantor that is secured by property or assets that do not secure the Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness through either enforcement of such Indebtedness outside insolvency proceedings or preferred treatment of such Indebtedness in insolvency proceedings; and
- be effectively subordinated to all existing and future Indebtedness or other obligations, including any trade payables, of any Subsidiary of such Note Guarantor that does not Guarantee the Notes.

### **Non-Guarantor Subsidiaries**

Substantially all of the operations of the Company are conducted through its Subsidiaries and, therefore, the Company depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including substantial liabilities outstanding under corporate bonds issued by Sprint, any trade payables and certain other payables and lease obligations) of the Subsidiaries of the Company which do not provide a Note Guarantee (the “*Non-Guarantor Subsidiaries*”). Any right of the Company to receive assets of any of its Non-Guarantor Subsidiaries upon such Subsidiary’s liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that Non-Guarantor Subsidiary’s creditors, except to the extent that the Company is itself recognized as a creditor of the Non-Guarantor Subsidiary, in which case the claims of the Company may be effectively subordinated in right of payment to any security in the assets of the Non-Guarantor Subsidiary and any Indebtedness of such Subsidiary senior to that held by the Company. See “*Risk Factors—Risks Relating to the Notes—Our corporate structure may affect your ability to receive payment on the Notes*”; “*Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantee will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries*”; and “*Risk Factors—Risks Relating to the Notes—Enforcement of claims on the Notes and the Note Guarantees will be subject to certain limitations arising under Japanese insolvency and corporate laws. Japanese laws may be different from, and not as favorable to you as, the laws in other jurisdictions.*”

### **Principal, Maturity and Interest**

The Company will issue \$1,000,000,000 million in aggregate principal amount of 2025 Dollar Notes, \$1,000,000,000 million in aggregate principal amount of 2022 Dollar Notes, €500,000,000 million in aggregate principal amount of 2027 Euro Notes, €1,250,000,000 million in aggregate principal amount of 2025 Euro Notes and €500,000,000 million in aggregate principal amount of 2022 Euro Notes in this offering. The Company may issue additional 2025 Dollar Notes (“*Additional 2025 Dollar Notes*”), additional 2022 Dollar Notes (“*Additional 2022 Dollar Notes*”), additional 2027 Euro Notes (“*Additional 2027 Euro Notes*”), additional 2025 Euro Notes (“*Additional 2025 Euro Notes*”) or additional 2022 Euro Notes (“*Additional 2022 Euro Notes*”, together with the Additional 2025 Dollar Notes, the Additional 2022 Dollar Notes, the Additional 2027 Euro Notes and the

Additional 2025 Euro Notes, the “*Additional Notes*”) under the Indenture from time to time after this offering. Unless the context otherwise requires, in this “*Description of the Notes*,” references to the “*Notes*” include any Additional Notes that are actually issued and references to each series of Notes include any Additional Notes of the same series that are issued. The Notes and any Additional Notes will be treated as a single class for all purposes of the Indenture, including, without limitation, certain waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture. The Company will issue the Dollar Notes in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof and the Euro Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The 2025 Dollar Notes will mature on July 30, 2025, the 2022 Dollar Notes will mature on July 30, 2022, the 2027 Euro Notes will mature on July 30, 2027, the 2025 Euro Notes will mature on July 30, 2025 and the 2022 Euro Notes will mature on July 30, 2022.

Interest on the 2025 Dollar Notes will accrue at the rate of 6.000% per annum, interest on the 2022 Dollar Notes will accrue at the rate of 5.375% per annum, interest on the 2027 Euro Notes will accrue at the rate of 5.250% per annum, interest on the 2025 Euro Notes will accrue at the rate of 4.750% per annum and interest on the 2022 Euro Notes will accrue at the rate of 4.000% per annum and, in each case, will be payable semi-annually in arrears on January 30 and July 30 in each year, commencing on January 30, 2016.

The Company will make each interest payment, to the extent that Notes are represented by Global Notes, to the holders of record of the Notes at the close of business (in the relevant clearing system) on the Clearing System Business Day immediately before the due date for such payment.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

#### **Methods of Receiving Payments on the Notes**

The Notes will be issued in the form of one or more registered notes in global form (the “*Global Notes*”). Principal, interest and premium, if any, and Additional Amounts, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; *provided* that all such payments shall be made by a wire transfer of immediately available funds to the account specified by the common depositary for Euroclear and/or Clearstream or its nominee.

#### **Paying Agent, Registrar and Transfer Agent for the Notes**

The Company will maintain one or more paying agents (each, a “*Paying Agent*”) for the Notes in the City of London. Deutsche Bank AG, London Branch will initially act as Paying Agent in London.

If and for so long as the Notes are listed on the SGX-ST, and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive notes in registered form (“*Definitive Registered Notes*”), the Company will appoint and maintain a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption. In the event that a Global Note is exchanged for Definitive Registered Notes, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Registered Notes, including details of the Paying Agent in Singapore.

Deutsche Bank Luxembourg S.A. will initially act as Registrar (the “*Registrar*”).

Deutsche Bank Luxembourg S.A. will initially act as a transfer agent in Luxembourg. The Company may change a Paying Agent or the Registrar without prior notice to the holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

#### **Transfer and Exchange**

A holder may transfer or exchange Notes in accordance with the provisions of the Indenture. The relevant Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders of the Notes will be required to pay all taxes due on transfer. Neither the relevant Registrar nor the Company will be required:

- to register the transfer or exchange of any Notes during a period beginning at the opening of business on the day (to the extent that Notes are represented by Global Notes) or at the opening business on the 15<sup>th</sup> day (to the extent that Notes are represented by Definitive Registered Notes) prior to (i) the day fixed for the redemption of the Notes or (ii) the day fixed for selection of Notes to be redeemed in part and ending at the close of business on the day of such redemption or selection;

- to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part;
- to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date; or
- to register the transfer or exchange of any Notes that the registered holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer.

During the 40-day “distribution compliance period” (as such term is defined in Rule 902 of Regulation S under the U.S. Securities Act), book entry interests in the Notes may be transferred only to non-U.S. persons as defined under Regulation S.

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfer of interests in Global Notes, see “*Book-Entry, Delivery and Form.*”

### **Additional Amounts**

All payments made by or on behalf of the Company under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or any Note Guarantor on its Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any withholding, deduction or imposition for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Company or Note Guarantor (including any Successor Entity), is then incorporated, engaged in business or resident for tax purposes, or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a “*Tax Jurisdiction*”), will at any time be required to be made from any payments made by or on behalf of the Company under or with respect to the Notes or any Note Guarantor with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Company or the Note Guarantor, as applicable, will pay such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments (including Additional Amounts) after such withholding, deduction, or imposition will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes that would not have been imposed but for the holder or beneficial owner of the Notes being a citizen, resident or national of, incorporated in or carrying on a business, in the relevant Tax Jurisdiction in which such Taxes are imposed, other than by the mere holding of such Note, enforcement of rights thereunder, the receipt of payments in respect thereof or any other connection with respect to the Notes;
- (2) any Taxes imposed or withheld as a result of the failure of the holder or beneficial owner of the Notes to comply with any written request, made to the relevant holder in writing at least 90 days before any such withholding or deduction would be payable, by the Company or a Note Guarantor to provide timely or accurate information concerning the nationality, residence or identity of such holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification information or other reporting requirement applicable to such holder or beneficial owner, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes;
- (3) any Note presented for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);
- (4) any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;
- (5) any Taxes that are withheld, deducted or imposed on a payment to an individual and that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing, complying with or introduced in order to conform to, such Directive;
- (6) any Note presented for payment by or on behalf of a holder (in cases in which presentation is required) in a Tax Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (7) any Note presented for payment by or on behalf of a holder who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Notes by reason



of its (a) having some connection with Japan, other than the mere holding of such Notes, enforcement of rights thereunder, the receipt of payments in respect thereof or any other connection with respect to the Notes or (b) being a Specially-Related Person of the Company);

- (8) any Note presented for payment by or on behalf of a holder of the Notes who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide certain information prescribed by the Special Taxation Measures Act to enable a participant of a depository or financial intermediary through which the Notes are held (a “*Participant*”) to establish that such beneficial owner is exempted from the requirement for Japanese taxes to be withheld or deducted (the “*Interest Recipient Information*”);
- (9) any Note presented for payment by or on behalf of a holder of the Notes who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (a) a designated Japanese financial institution within certain categories as prescribed by the Special Taxation Measures Act (a “*Designated Financial Institution*”), which complies with the requirement to provide Interest Recipient Information or to submit a written application for tax exemption and (b) an individual resident of Japan or a Japanese corporation that duly notifies (directly or through the Participant or otherwise) the relevant Paying Agent of its status as exempt from Taxes to be withheld or deducted by the Company by reason of such individual resident of Japan or Japanese corporation receiving interest on the Notes through a payment handling agent in Japan appointed by it);
- (10) any Taxes that are imposed under FATCA; or
- (11) any combination of items (1) through (10) above.

In addition to the foregoing, the Company and each Note Guarantor (including any Successor Entities thereof) will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any Tax Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the Indenture, any Note Guarantee, or any other document or instrument referred to therein.

If the Company or any Note Guarantor becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Company or the relevant Note Guarantor, as the case may be, will deliver to the Trustee, copied to the Paying Agents, on a date at least 30 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company or the relevant Note Guarantor, as the case may be, shall notify the Trustee promptly thereafter) an officers’ certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers’ certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to holders of the Notes on the relevant payment date. The Company or the relevant Note Guarantor as the case may be, will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee, will be entitled to rely solely on such officers’ certificate as conclusive proof that such payments are necessary.

The Company or the relevant Note Guarantor, as the case may be, will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company or the relevant Note Guarantor, as the case may be, will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Note Guarantor, as the case may be, will furnish to the holders of the Notes, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or the relevant Note Guarantor, as the case may be, or if, notwithstanding the Company’s or the relevant Note Guarantor’s efforts to obtain receipts, receipts are not obtained, other evidence of payments by the Company or the relevant Note Guarantor, as the case may be.

Whenever the Indenture or this “*Description of the Notes*” mentions the payment of amounts based on the principal amount, interest of any other amount payable under, or with respect to, any of the Notes, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any Successor Entity is organized or resident (or deemed resident) for tax purposes.



Where the Notes are held through a Participant, in order to receive payments free of withholding or deduction by the Company for, or on account of Taxes, if the relevant holder is, in accordance with the Special Taxation Measures Act, (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (B) a Designated Financial Institution, such holder shall, at the time of entrusting a Participant with the custody of the Notes, provide the Interest Recipient Information and advise the Participant if the holder of the Notes ceases to be so exempted (including the case where the holder who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where the Notes are not held by a Participant, in order to receive payments free of withholding or deduction by the Company for, or on account of, Taxes, if the relevant holder is (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (B) a Designated Financial Institution, such holder shall, prior to each time on which it receives interest, submit to the relevant Paying Agent a written application for tax exemption in a form obtainable from the Paying Agent stating the name and address of the holder of the Notes, the title of the Notes, the relevant interest payment date, the amount of interest and the fact that the holder is qualified to submit the written application for tax exemption, together with documentary evidence regarding its identity and residence.

### **Redemption for Changes in Taxes**

The Company or any Note Guarantor may redeem the Notes, in whole but not in part, at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company has or would be required to pay Additional Amounts, and the Company cannot avoid any such payment obligation by taking reasonable measures available to it (including by changing the jurisdiction of the Paying Agent), as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture); or
- (2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture).

The Company or such Note Guarantor will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Company would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Notwithstanding the foregoing, neither the Company nor the Note Guarantors may redeem the Notes under this provision if the relevant Tax Jurisdiction changes under the Indenture and the Company is obligated to pay any Additional Amounts as a result of a change in, or an amendment to, the laws (or any regulations or rulings promulgated thereunder), or any change in or amendment to, any official position regarding the application, administration or interpretation of such laws, regulations or rules, of the then current Tax Jurisdiction which, at the time such Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture, was publicly announced as formally proposed.

Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an officers' certificate and opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld), to the effect that there has been such change or amendment which would entitle the Company or such Note Guarantor to redeem the Notes hereunder and the Company cannot avoid any obligation to pay Additional Amounts by taking reasonable measures available to it. The Trustee will accept such officers' certificate and

opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on holders of the Notes. For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

### **Optional Redemption**

At any time prior to the date that is 90 days prior to the final maturity date of the Notes of any series, the Company or any Note Guarantor may on any one or more occasions redeem all or a part of such series of Notes, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of such Notes on the relevant record date to receive interest due on the relevant interest payment date.

At any time on or after the date that is 90 days prior to the final maturity date of the Notes of any series, the Company or any Note Guarantor may on any one or more occasions redeem all or a part of the Notes of such series, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of such Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the two preceding paragraphs, as set forth above under “—*Redemption for Changes in Taxes*” or as set forth in the ninth paragraph under “—*Repurchase at the Option of Holders upon a Change of Control Triggering Event*,” the Notes will not be redeemable at the Company's option prior their final maturity date.

The Company and its Subsidiaries shall also be entitled at their option at any time and from time to time to purchase the Notes in the open market or otherwise.

Unless the Company defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Any redemption and notice of redemption of Notes may, at the Company's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, the incurrence of Indebtedness the proceeds of which will be used to redeem the Notes). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, at the Company's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed; *provided* that in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs.

### **Mandatory Redemption**

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

### **Selection and Notice**

If less than all of the Notes (or any series of Notes) are to be redeemed at any time, the Trustee will select Notes for redemption on a *pro rata* basis (or, in the case of Notes represented by Global Notes, based on the procedures of Euroclear or Clearstream) unless otherwise required by law or applicable stock exchange or depositary requirements.

No Dollar Note in the principal amount of \$200,000 or less and no Euro Note in the principal amount of €100,000 or less can be redeemed in part.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. Unless the Company defaults in the payment of the redemption price, on and after the redemption date, interest ceases to accrue on Notes or any portion of Notes called for redemption.

## Repurchase at the Option of Holders upon a Change of Control Triggering Event

If a Change of Control Triggering Event occurs, each holder of Notes will have the right to require the Company or any Note Guarantor to repurchase all or any part (in case of Dollar Notes, equal to \$200,000 or an integral multiple of \$1,000 in excess thereof and in case of Euro Notes, equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder's Notes pursuant to an offer described below (the "*Change of Control Offer*") and on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment (the "*Change of Control Payment*") in cash equal to 100% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following any Change of Control Triggering Event, the Company or such Note Guarantor will provide notice to the Trustee and each holder describing the events that constitute the Change of Control Triggering Event and offering to repurchase Notes on a date (the "*Change of Control Payment Date*") specified in the notice, which date will be no earlier than 10 days and no later than 60 days from the date such notice is given, pursuant to the procedures required by the Indenture and described in such notice.

The Company or such Note Guarantor will comply with the requirements of relevant securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company or such Note Guarantor will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company or such Note Guarantor will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the applicable Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company or such Note Guarantor.

The applicable Paying Agent will promptly deliver to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or its authenticating agent) will promptly authenticate and cause to be transferred to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company or any Note Guarantor and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "*—Redemption for Changes in Taxes*" or "*—Optional Redemption*," unless and until there is a default in payment of the applicable redemption price.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

If holders of not less than 90% in aggregate principal amount of the outstanding Notes of any series validly tender and do not withdraw such Notes in a Change of Control Offer and the Company, or any third party making a Change of Control Offer in lieu of the Company, purchase all of the Notes of such series validly tendered and not withdrawn by such holders of the Notes, the Company, any Note Guarantor or such third party

will have the right, upon not less than 15 nor more than 60 days' prior notice, given not more than 30 days following such purchase pursuant to such Change of Control Offer, to redeem the Notes of such series that remain outstanding in whole, but not in part, at a purchase price in cash equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes so redeemed to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

The phrase "all or substantially all" relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of the properties or assets of the Company and its Subsidiaries taken as a whole has no precise established definition under applicable law. Accordingly, the ability of a holder of Notes to require the Company or any Note Guarantor to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain. The sale, lease, conveyance, assignment, transfer, or other disposition by the Company and/or any of its Subsidiaries, in any single transaction or series of related transactions, whether direct or indirect, of any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group will not be deemed a sale or disposition of all or substantially all of the properties or assets of the Company or any Note Guarantor.

The agreements governing the Company's other Indebtedness contain, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of the Notes of their right to require the Company to repurchase the Notes upon a Change of Control could cause a default under these other agreements, even if the Change of Control itself does not, due to the financial effect of such repurchases on the Company. In the event a Change of Control occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other indebtedness. Furthermore, the Company's ability to pay cash to the holders of the Notes upon a repurchase may be limited by the Company's then existing financial resources. See "*Risk Factors Risks Relating to the Notes—We may not have sufficient funds to repurchase the Notes upon a Change of Control Triggering Event and certain strategic transactions may not constitute a Change of Control Triggering Event.*"

## **Certain Covenants**

### ***Anti-Layering***

The Company will not incur any Indebtedness that is contractually subordinated in right of payment to any of its other Indebtedness unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms.

No Note Guarantor will incur any Indebtedness that is contractually subordinated in right of payment to any of its other Indebtedness unless such Indebtedness is also contractually subordinated in right of payment to its Note Guarantee on substantially identical terms.

For the purposes of this covenant, no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company or such Note Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

### ***Negative Pledge***

The Company and the Note Guarantors will not create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind, securing any Relevant Indebtedness upon any of their property or assets, now owned or hereafter acquired (an "*Initial Lien*"), unless:

- (1) all payments due under the Notes or the relevant Guarantees, as applicable, are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer so secured; or
- (2) such Initial Lien is a Permitted Lien.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph shall be automatically and unconditionally released and discharged under any one or more of the following circumstances:

- (a) upon the release and discharge of the Initial Lien to which it relates;

- (b) upon full and final payment of the Notes and performance of all obligations of the Company and any Note Guarantors under the Indenture and the Notes, as provided under “—*Satisfaction and Discharge*”;
- (c) upon a Note Guarantor that has granted such Liens becoming a Non-Guarantor Subsidiary or the Note Guarantee provided by such Note Guarantor being otherwise discharged or terminated, in either case pursuant to the terms of the Indenture;
- (d) upon the sale or other disposition of the assets which are subject to such Liens (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction), the Company or an Affiliate of the Company, if such sale or other disposition does not violate the covenant described under “—*Distributions of Proceeds of Asset Sales*”;
- (e) upon legal or covenant defeasance in accordance with the provisions described under “—*Legal Defeasance and Covenant Defeasance*”; or
- (f) as described under the caption “—*Amendment, Supplement and Waiver.*”

Upon any occurrence giving rise to a release and discharge of a Lien created for the benefit of the holders of the Notes pursuant to this covenant, as specified in this paragraph, the Trustee, subject to receipt of an officers’ certificate and an opinion of counsel certifying that the event or circumstance in question has occurred and such release of Lien complies with the Indenture and all conditions precedent to the release of such Liens have been satisfied, will execute any documents reasonably requested by the Company in order to evidence or effect such release and discharge in respect of such Lien.

#### ***Permitted Third Party Guarantees***

The Company and the Note Guarantors will not make any Third Party Guarantee if, on the date of incurrence of any Third Party Guarantee, after giving *pro forma* effect thereto, the aggregate principal amount (or deemed amount, in the case of Attributable Debt) of all Third Party Guarantees then outstanding (expressed in the Account Currency) exceeds 10.0% of the Company’s Consolidated Net Tangible Assets.

The accrual of interest or preferred stock dividends on any Indebtedness or Disqualified Stock that is Guaranteed under a Third Party Guarantee, the accretion or amortization of original issue discount on any Indebtedness or Disqualified Stock that is Guaranteed under a Third Party Guarantee, the payment of interest on any Indebtedness that is Guaranteed under a Third Party Guarantee in the form of additional Indebtedness with the same terms, the reclassification of any preferred stock or other liability as Indebtedness that is Guaranteed under a Third Party Guarantee due to a change in accounting principles and the payment of dividends on preferred stock or Disqualified Stock that is Guaranteed under a Third Party Guarantee in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of additional Third Party Guarantees for purposes of this covenant.

#### ***Subsidiary Guarantees of Indebtedness***

The Company will not permit any of its Non-Guarantor Subsidiaries, directly or indirectly, to Guarantee any Indebtedness of the Company or a Note Guarantor unless such Non-Guarantor Subsidiary simultaneously executes and delivers a supplemental indenture providing for a Note Guarantee by such Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Subsidiary’s Guarantee of such other Indebtedness.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Subsidiary to Guarantee the Notes to the extent that such Guarantee by such Subsidiary would give rise to or result in a violation of applicable law or any liability for the officers, directors or shareholders of such Subsidiary which, in any case, cannot be prevented or otherwise avoided through measures available to the Company or the Subsidiary.

#### ***Automatic Release of Note Guarantees***

The Note Guarantee of any Note Guarantor will automatically and unconditionally be released:

- (1) other than in the case of the Note Guarantee provided by the Initial Note Guarantor, in connection with any sale or other disposition of all or substantially all of the assets of such Note Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Subsidiary of the Company;
- (2) in connection with any sale or other disposition of all of the Capital Stock of such Note Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or another Subsidiary of the Company;



- (3) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—*Legal Defeasance and Covenant Defeasance*” and “—*Satisfaction and Discharge*,” or
- (4) as a result of a transaction permitted by “—*Merger or Consolidation*.”

#### ***Optional Release of Note Guarantees***

Except as provided below, the Company may at any time unconditionally release the Note Guarantee of any Note Guarantor, *provided* that:

- (1) such release will not cause or result in a Default or an Event of Default;
- (2) (i) immediately after such release such Note Guarantor will no longer Guarantee any Indebtedness of the Company or a Note Guarantor or (ii) the Company delivers to the Trustee an officers’ certificate stating (a) that such Note Guarantor’s Guarantee of the 2013 Senior Notes will be released in accordance with the 2013 Senior Notes Indenture substantially concurrently with the release of its Note Guarantee and (b) that, upon the release of such Note Guarantor’s Guarantee of the 2013 Notes and the Note Guarantee, such Note Guarantor would no longer Guarantee any Indebtedness of the Company or a Note Guarantor;
- (3) any Third Party Guarantees of Indebtedness of such Note Guarantor outstanding at the time of such release (which will be deemed to have been incurred at the time of such release) would be permitted to be incurred by the covenant described under “—*Permitted Third Party Guarantees*,” and
- (4) any assets or businesses previously transferred to such Note Guarantor by the Initial Note Guarantor and owned by such Note Guarantor at the time of such release (which transfers will be deemed to have been made to an Excluded Subsidiary at the time of such release) would be permitted to be transferred to an Excluded Subsidiary pursuant to the covenant described under “—*Transfers of Businesses to Excluded Subsidiaries*,”

*provided further*, that the Note Guarantee of the Initial Note Guarantor may be released only if, at the time of the release, the Notes have an Investment Grade Rating.

If on any subsequent date the Notes cease to maintain an Investment Grade Rating, the Note Guarantee of the Initial Note Guarantor that has been released under this provision must be reinstated and the Initial Note Guarantor (or any surviving Person of the Initial Note Guarantor, as determined in accordance with the provisions of the covenant described under “—*Merger or Consolidation*”) must execute and deliver a supplemental indenture within 30 Business Days after such ratings decline.

#### ***Distributions of Proceeds of Asset Sales***

The Company will not, and will not permit any of its Subsidiaries to:

- (i) pay any dividend or make any other payment or distribution on account of the Company’s or any of its Subsidiaries’ Equity Interests or to the direct or indirect holders of the Company’s or any of its Subsidiaries’ Equity Interests in their capacity as such (other than a payment or distribution by a Subsidiary of the Company to the holders of its Equity Interests on a *pro rata* basis); or
- (ii) purchase, redeem or otherwise acquire for value any Equity Interests of the Company or any direct or indirect parent of the Company,

in each case using the Net Proceeds from any Asset Sale (each such payment, distribution, purchase, redemption or acquisition of value, a “*Restricted Payment*”) unless, at the time of such Restricted Payment, no Default or Event of Default of the type specified in clauses (1) or (2) under “—*Events of Default and Remedies*” has occurred and is continuing and either:

- 1) after giving *pro forma* effect to such Restricted Payment, the Consolidated Net Leverage Ratio would not exceed 4.0 to 1.0; or
- 2) such Restricted Payment, individually or when aggregated with all other Restricted Payments made since the Issue Date under this clause (2), does not exceed the Dollar Equivalent of \$15.0 billion.

## ***Merger or Consolidation***

### ***The Company***

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving Person), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized and existing under the laws of Japan, any jurisdiction which is at the Issue Date or at any time thereafter a member state of the European Union, Switzerland, the United States, any state of the United States or the District of Columbia, Singapore, the Cayman Islands, Jersey, Guernsey, Hong Kong or the British Virgin Islands;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture (pursuant to a supplemental indenture reasonably satisfactory to the Trustee) and under any security documents providing for Liens for the benefit of holders of the Notes in accordance with the covenant described under “—*Negative Pledge*” (pursuant to customary agreements reasonably satisfactory to the Trustee);
- (3) immediately after such transaction, no Default or Event of Default exists; and
- (4) the Company shall have delivered to the Trustee an officers’ certificate and an opinion of counsel, each to the effect that such consolidation, merger, sale, assignment, transfer, conveyance or other disposition and such supplemental indenture (if any) comply with the Indenture and an opinion of counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Company, the surviving Person (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made (in each case, in form and substance reasonably satisfactory to the Trustee), *provided* that in giving an opinion of counsel, counsel may rely on an officers’ certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

In addition, the Company will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Notwithstanding the foregoing clause (4), (i) the Company may consolidate with, merge into or sell, assign, transfer, lease, convey or otherwise dispose of all or part of its properties and assets to any Subsidiary that is not an Excluded Subsidiary, and (ii) the Company may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing its legal domicile, reincorporating in another jurisdiction or changing its legal form.

### ***The Note Guarantors***

A Note Guarantor may not sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Note Guarantor is the surviving Person) another Person, other than the Company or another Note Guarantor, unless:

- (1) either (a) the Person acquiring the property in any such sale, assignment, transfer, conveyance or disposition or the Person formed by or surviving any such consolidation or merger becomes a Note Guarantor under the Indenture (pursuant to a supplemental indenture satisfactory to the Trustee) and assumes all the obligations of the Note Guarantor under any security documents providing for Liens for the benefit of holders of the Notes in accordance with the covenant described under “—*Negative Pledge*” (pursuant to customary agreements reasonably satisfactory to the Trustee); or (b), except in the case of the Initial Note Guarantor (to which only sub-clause (a) above applies), the Net Proceeds of such sale, assignment, transfer, conveyance or other disposition are applied in accordance with the applicable provisions of the Indenture; and
- (2) immediately after giving effect to such transaction, no Default or Event of Default exists.

### ***General***

The provisions of this covenant shall not restrict (and shall not apply to): (a) any Subsidiary of the Company that is not a Note Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Company, a Note Guarantor or any Non-Guarantor Subsidiary

of the Company, so long as, immediately after giving effect to such transaction, no Default or Event of Default exists; (b) any Note Guarantor from liquidating into the Company or another Note Guarantor; or (c) any consolidation or merger of the Company into any Note Guarantor; *provided* that, if the Company is not the surviving Person of such consolidation or merger, the relevant Note Guarantor will assume all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture reasonably satisfactory to the Trustee.

Though there is a limited body of case law interpreting the phrase “substantially all”, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person. For the avoidance of doubt, for all purposes under the Indenture, the sale, lease, conveyance, assignment, transfer, or other disposition by the Company or any of its Subsidiaries, in any single transaction or series of related transactions, whether direct or indirect, of any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group will not be deemed a sale or disposition of all or substantially all of the properties or assets of the Company or any Note Guarantor.

### ***Excluded Subsidiaries***

Every Subsidiary of the Company (other than the Initial Note Guarantor) that is not a Note Guarantor will be an “*Excluded Subsidiary*” under the Indenture, until such time as it executes and delivers a supplemental indenture providing for a Note Guarantee or is required to provide a Note Guarantee under the Indenture. For the avoidance of doubt, the Initial Note Guarantor or its Successor Entity will not be deemed an Excluded Subsidiary under the Indenture, even while the Notes have an Investment Grade Rating or its Note Guarantee is released in accordance with the provisions described under “—*Subsidiary Guarantees of Indebtedness*.”

### ***Transfers of Businesses to Excluded Subsidiaries***

Neither the Company nor the Initial Note Guarantor (nor any of their respective Successor Entities) will, and the Company will procure that none of its Subsidiaries from time to time will, transfer to an Excluded Subsidiary a business directly owned by the Initial Note Guarantor on the Issue Date that is at the time of such transfer material to the operations of the Initial Note Guarantor.

Any assets or businesses that are directly owned by the Initial Note Guarantor on the Issue Date that have previously been transferred (through one or more transfers) to another Note Guarantor and are owned by such other Note Guarantor at the time when its Note Guarantee is released in accordance with the provisions described under “—*Subsidiary Guarantees of Indebtedness*” will be deemed to have been transferred to an Excluded Subsidiary for the purposes of this covenant at the time of such release.

### ***Suspension of Certain Covenants***

If on any date following the Issue Date:

- (1) the Notes have received an Investment Grade Rating; and
- (2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this offering memorandum will be suspended:

- (1) “—*Anti-Layering*,”
- (2) “—*Permitted Third Party Guarantees*,” and
- (3) “—*Distributions of Proceeds of Asset Sales*.”

Notwithstanding the foregoing, if on any subsequent date (the “*Reinstatement Date*”), the Notes cease to maintain Investment Grade Ratings, respectively, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Calculations under the reinstated “*Distributions of Proceeds of Asset Sales*” covenant will be made as if the “*Distributions of Proceeds of Asset Sales*” covenant had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a distribution made while that covenant was suspended. Calculations under the reinstated “*Permitted Third Party Guarantees*” covenant will be made as if the “*Permitted Third Party Guarantees*” covenant had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of Third Party Guarantees issued while that covenant was suspended.

The Company shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve an Investment Grade Rating or that any such rating will be maintained.

### ***Payments for Consent***

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes (or, if the relevant consent, waiver or amendment is separately being sought with respect to one or more series of Notes, any holder of Notes of such series) for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is paid to all holders of the Notes (or to all holders of such series of Notes, as applicable) that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement (the “*Consenting Holders*”); *provided* that (i) the Company and its Subsidiaries will be permitted, in any such consent solicitation or liability management transaction, to exclude holders of the Notes in any jurisdiction or any category or number of holders of the Notes so long as such consideration is paid within 30 days of the closing of any such consent solicitation or liability management transaction; and (ii) the Company and its Subsidiaries may in their sole discretion furnish or cause to be furnished the same consideration, in whole or in part, to any holder of Notes other than the Consenting Holders.

For purposes of determining whether the same consideration is offered to all holders of the Notes or to all holders of one or more series of Notes, as applicable, under the terms of this covenant, the amount of consideration offered in euro to holders of Euro Notes shall be deemed to be the Dollar Equivalent of such amount as of (a) if a record date has been set with respect to the consent solicitation or liability management transaction referred to in the preceding paragraph, such date or (b) if no such record date has been set, the date of payment of such consideration.

### **Reports**

So long as any Notes are outstanding, the Company will furnish to the Trustee and holders of the Notes, as soon as they are available but in any event not more than 10 days after they are filed with the Tokyo Stock Exchange or any other internationally recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Company’s common shares cease to be listed for trading on an internationally recognized stock exchange, the Company will furnish to the Trustee and holders of the Notes as soon as they are available, but in any event:

- (1) within 120 days after the end of each fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such fiscal year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants; and
- (2) within 60 days after the end of the first, second and third quarters of each fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants.

To the extent any reports are filed on the Company’s website, such reports shall be deemed to have been furnished to the Trustee and the holders of the Notes.

### **Events of Default and Remedies**

Each of the following is an “*Event of Default*”:

- (1) default for 30 days in the payment when due of interest on, or Additional Amounts with respect to, if any, the Notes;
- (2) default in the payment within two Business Days after the date when such payment is due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by the Company or Note Guarantors to comply with the provisions described under the captions “—*Repurchase at the Option of Holders upon a Change of Control Triggering Event*” or “—*Certain Covenants Merger or Consolidation*.”

- (4) failure by the Company for 60 days after notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance covered under clauses (1), (2) or (3) above);
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any Note Guarantor (or the payment of which is Guaranteed by the Company or any Note Guarantor), whether such Indebtedness or Guarantee now exists, or is created after the date of the Indenture or arises under the Indenture, if that default:
  - (a) is caused by a failure to pay principal of, premium on, if any, or interest, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a “*Payment Default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its Stated Maturity,
 and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates ¥15 billion (or foreign currency equivalent) or more;
- (6) failure by the Company or any Note Guarantor to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of ¥15 billion (or foreign currency equivalent), which judgments are not paid, discharged or stayed, for a period of 60 days;
- (7) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid, in whole or in part, or ceases for any reason to be in full force and effect, or any Note Guarantor, or any Person acting on behalf of any Note Guarantor, denies or disaffirms its obligations under its Note Guarantee; or
- (8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any Note Guarantor.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Note Guarantor, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing with respect to the Notes of any series (regardless of whether the same Event of Default has occurred and is continuing with respect to other series of Notes), the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes of such series may declare all the Notes of such series to be due and payable immediately; *provided* that holders of at least 25% in aggregate principal amount of the then outstanding Notes (as a whole) may declare all the Notes then outstanding to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes of any series may direct the Trustee in its exercise of any trust or power with respect to the Notes of such series; *provided* that, to the extent holders of a majority in aggregate principal amount of the then outstanding Notes provide directions to the Trustee as to all Notes, such directions shall prevail over directions from holders of one or more specific series of Notes that are limited to such series, to the extent of any inconsistency between or among directions. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, premium, interest or Additional Amounts, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of the Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes of any series unless:

- (1) such holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) either (a) holders of at least 25% in aggregate principal amount of the then outstanding Notes of such series make a written request to the Trustee to pursue the remedy with respect to the Notes of such series or (b) holders of at least 25% in aggregate principal amount of the then outstanding Notes (as a whole) make a written request to the Trustee to pursue the remedy with respect to all Notes;
- (3) such holder or holders offer to the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;



- (4) the Trustee does not comply with such request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) during such 60-day period, neither (a) holders of a majority in aggregate principal amount of the then outstanding Notes of such series nor (b) holders of a majority in aggregate principal amount of the then outstanding Notes (as a whole) give the Trustee a direction inconsistent with such request; *provided* that a written request under clause (a) of this paragraph shall not reverse a request made under clause (b) of the above paragraph (2).

The holders of a majority in aggregate principal amount of the then outstanding Notes of the relevant series by written notice to the Trustee may, on behalf of the holders of all of the Notes of the relevant series, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture as to such series and holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of the holders of all of the Notes (as a whole), rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture as to all of the Notes then outstanding (as a whole) if, in either case, the rescission would not conflict with any judgment or decree, except a Default or Event of Default in the payment of principal of, premium on, interest on or Additional Amounts, if any, with respect to the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

#### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Company or any Note Guarantor as such, will have any liability for any obligations of the Company or any Note Guarantor under the Notes, the Note Guarantees, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

#### **Legal Defeasance and Covenant Defeasance**

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and the Note Guarantors' obligations discharged with respect to the Note Guarantees ("*Legal Defeasance*") except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium on, interest on or Additional Amounts with respect to, if any, such Notes when such payments are due from the trust referred to below;
- (2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee under the Indenture, and the Company's and the Note Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations or obligations of the Note Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of Default and Remedies*" (except those relating to payments on the Notes or bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee or such other entity designated by the Trustee for this purpose, in trust, for the benefit of the holders of the Dollar Notes, cash in U.S. dollars, U.S. Government Obligations or a combination thereof, or, for the benefit of the holders of the Euro Notes, cash in euro, European Government Obligations or a combination thereof, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank,

appraisal firm or firm of independent public accountants, to pay the principal of, premium on, interest on and Additional Amounts with respect to, if any, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

- (2) in the case of Legal Defeasance, the Company must deliver to the Trustee: (a) an opinion of U.S. counsel reasonably acceptable to the Trustee confirming that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and (b) an opinion of Japanese counsel reasonably acceptable to the Trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for Japanese tax purposes as a result of such deposit and defeasance and will be subject to tax in Japan on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company must deliver to the Trustee: (a) an opinion of U.S. counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and (b) an opinion of Japanese counsel reasonably acceptable to the Trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for Japanese tax purposes as a result of such deposit and defeasance and will be subject to Japanese tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing either: (a) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowing) or (b) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 366th day after the date of deposit;
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Company is a party or by which the Company is bound;
- (6) the Company must deliver to the Trustee an opinion of counsel, reasonably acceptable to the Trustee, to the effect that after the 366th day following the deposit, the trust funds will not be subject to the effect of any applicable preference or similar insolvency laws affecting creditors' rights generally;
- (7) the Company must deliver to the Trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of the Notes over the other creditors of the Company or the Note Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Company, the Note Guarantors or others; and
- (8) the Company must deliver to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

#### **Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium on, interest on or Additional Amounts with respect to, if

any, the Notes, except a Payment Default resulting from an acceleration that has been rescinded) or compliance with any provision of the Indenture, the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, waiver or other modification only relates to the 2025 Dollar Notes, the 2022 Dollar Notes, the 2027 Euro Notes, the 2025 Euro Notes or the 2022 Euro Notes, then only the consent of the holders of at least a majority in principal amount of the then outstanding 2025 Dollar Notes, 2022 Dollar Notes, 2027 Euro Notes, 2025 Euro Notes or 2022 Euro Notes (including, without limitation, any Additional 2025 Dollar Notes, any Additional 2022 Dollar Notes, any Additional 2027 Euro notes, any Additional 2025 Euro Notes or any Additional 2022 Euro Notes, as applicable), and not the consent of at least a majority of all Notes then outstanding, shall be required.

Without the consent of (i) holders of Notes holding not less than 90% of the then outstanding aggregate principal amount of Notes, or, (ii) if the amendment, supplement or waiver only relates to the 2025 Dollar Notes, the 2022 Dollar Notes, the 2027 Euro Notes, the 2025 Euro Notes or the 2022 Euro Notes, then holders of 2025 Dollar Notes, 2022 Dollar Notes, 2027 Euro Notes, 2025 Euro Notes or 2022 Euro Notes holding not less than 90% of the then outstanding aggregate principal amount of the 2025 Dollar Notes, the 2022 Dollar Notes, the 2027 Euro Notes, the 2025 Euro Notes or the 2022 Euro Notes (as applicable), an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter or waive any of the provisions with respect to the redemption of the Notes (except those provisions relating to the covenant described above under the caption “—*Repurchase at the Option of Holders upon a Change of Control Triggering Event*”);
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) waive a Default or Event of Default in the payment of principal of, premium on, interest on or Additional Amounts with respect to, if any, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the Notes;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of the Notes to receive payments of principal of, premium on, interest on or Additional Amounts with respect to, if any, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by the covenant described above under the caption “—*Repurchase at the Option of Holders upon a Change of Control Triggering Event*”);
- (8) release any Note Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture; or
- (9) make any change in the preceding amendment and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Note Guarantor and the Trustee may amend or supplement the Indenture, the Notes or the Note Guarantees:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of Definitive Registered Notes;
- (3) to provide for the assumption of the Company’s or a Note Guarantor’s obligations to holders of the Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company’s or such Note Guarantor’s assets;
- (4) to make any change that would provide any additional rights or benefits to the holders of the Notes or that does not adversely affect the legal rights under the Indenture of any holder in any material respect;
- (5) to conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees, which intent may be evidenced by an officers’ certificate to that effect;

- (6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date thereof;
- (7) to allow any Note Guarantor to execute a supplemental indenture or a Note Guarantee with respect to the Notes;
- (8) to secure the Notes;
- (9) to give effect to Permitted Liens;
- (10) to evidence and provide for the acceptance and appointment under the Indenture of a successor trustee pursuant to the requirements thereof; or
- (11) to make any amendment to the provisions of the Indenture relating to the transfer and legending of Notes as permitted by the Indenture, including, without limitation to facilitate the issuance and administration of the Notes; *provided* that (i) compliance with the Indenture as so amended would not result in Notes being transferred in violation of the U.S. Securities Act or any applicable securities law and (ii) such amendment does not materially and adversely affect the rights of holders to transfer Notes.

For purposes of determining whether the holders of the requisite principal amount of Notes have taken any action under the Indenture (other than with respect to a determination that only affects one or more series of the Euro Notes), the principal amount of Euro Notes shall be deemed to be the Dollar Equivalent of such principal amount of such Euro Notes as of (a) if a record date has been set with respect to the taking of such action, such date or (b) if no such record date has been set, the date the taking of such action by the holders of such requisite principal amount is certified to the Trustee by the Company.

The consent of the holders of the Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder given in connection with a tender of such holder's Notes will not be rendered invalid by such tender.

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including officers' certificates and opinions of counsel.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
  - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or
  - (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Note Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for such purpose) as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, U.S. Government Obligations or a combination thereof, with respect to the Dollar Notes, or cash in euro, European Government Obligations or a combination thereof, with respect to the Euro Notes, and, in either case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal of, premium on, interest on or Additional Amounts with respect to, if any, the Notes to the date of maturity or redemption;
- (2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Note Guarantor is a party or by which the Company or any Note Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

- (3) the Company or any Note Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and
- (4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an officers' certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

### **Judgment Currency**

The sole currency of account and payment for all sums payable by the Company or any Note Guarantor under the Indenture with respect to Dollar Notes is U.S. dollars and with respect to Euro Notes is euro. Any payment on account of an amount that is payable in U.S. dollars or euros, as the case may be (the "*Required Currency*"), which is made to or for the account of any holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or a Note Guarantor, shall constitute a discharge of the obligations of the Company and the Note Guarantor under the Indenture, the Notes and the Note Guarantees only to the extent of the amount of the Required Currency which such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the date of the receipt or recovery of the payment in the Judgment Currency (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the Trustee, as the case may be, the Company and the Note Guarantor shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. For the purposes of this indemnity, it will be sufficient for the holder to certify that it would have suffered a loss had an actual purchase of Required Currency been made with the amount so received in Judgment Currency on the date of receipt or recovery (or, if a purchase of Required Currency on such date had not been practicable, on the first date on which it would have been practicable). This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture, the Notes or the Note Guarantees, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under the Indenture, the Notes or the Note Guarantees or under any judgment or order.

### **Concerning the Trustee**

If the Trustee becomes a creditor of the Company or any Note Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

The holders of a majority in aggregate principal amount of the then outstanding Notes (as a whole) or, to the extent relating solely to such series, holders of a majority in aggregate principal amount of the then outstanding Notes of any series of Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee with respect to all the Notes (as a whole) or the Notes of such series, as the case may be, in each case subject to certain exceptions. To the extent holders of a majority in aggregate principal amount of the then outstanding Notes provide directions to the Trustee with respect to all the Notes (as a whole), such directions shall prevail over directions from holders of any specific series of Notes that are only expressed with respect to such series, to the extent of any inconsistency between or among directions. The Indenture provides that in case an Event of Default has occurred and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense.

### **Listing**

Approval in-principle has been received for the listing of the Notes on the SGX-ST. There can be no assurance that such listing will be obtained or maintained.



## Governing Law, Consent to Jurisdiction and Service of Process

The Notes, the Note Guarantees and the Indenture will provide that they will be governed by, and construed in accordance with, the laws of the State of New York.

The Company and the Note Guarantor will irrevocably agree that any suit, action or proceeding arising out of, related to, or in connection with the Indenture, the Notes and the Note Guarantees may be instituted in any U.S. federal or state court located in the Borough of Manhattan in The City of New York. The Company and the Note Guarantor will appoint National Corporate Research, Ltd. as its agent for service of process in any such action or proceeding.

## Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*“2013 Senior Notes”* means the Company’s \$2,485,000,000 4½% Senior Notes due 2020 and €625,000,000 4⅝% Senior Notes due 2020 issued under the 2013 Senior Notes Indenture.

*“2013 Senior Notes Indenture”* means that certain indenture, dated as of April 23, 2013 and as amended or waived from time to time, by and between, among others, the Company, SoftBank Corp. and SoftBank Telecom Corp., as guarantors, Deutsche Trustee Company Limited, as trustee, Deutsche Bank Trust Company Americas, as dollar notes paying agent, transfer agent and registrar, Deutsche Bank AG, London Branch, as principal paying agent and Deutsche Bank Luxembourg S.A., as euro notes paying agent, transfer agent and registrar.

*“Account Currency”* means, at any time, the presentation currency used in the most recent annual financial statements reported by the Company pursuant to GAAP at such time.

*“Account Currency Equivalent”* means with respect to any Indebtedness denominated in any other currency, at any time for the determination thereof, the amount of Account Currency obtained by converting such other currency into Account Currency at the spot rate for the purchase of Account Currency with such other currency as published by Bloomberg on the date that is two Business Days prior to such determination; *provided* that if any such Indebtedness that is denominated in a different currency is subject to a currency hedging agreement (with respect to Account Currency) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in Account Currency will be adjusted to take into account the effect of such agreement.

*“Additional Note Guarantor”* means any Person that executes a Note Guarantee of the Notes after the Issue Date, in each case until (i) the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture or (ii) a Successor Entity replaces such Person pursuant to the applicable provisions of the Indenture and, thereafter, shall mean such Successor Entity.

*“Affiliate”* of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

*“Alibaba Group”* means Alibaba Group Holding Limited and any of its Subsidiaries from time to time.

*“Applicable Dollar Note Premium”* means with respect to any Dollar Note at any redemption date prior to its final maturity date, the greater of:

- 1) 1.0% of the principal amount of such Dollar Note; or
- 2) the excess of:
  - a) the present value at such redemption date of
    - i. the payment of principal on such Dollar Note on its final maturity date
  - plus
  - ii. all required remaining scheduled interest payments due on such Dollar Note through to its final maturity date (but excluding accrued and unpaid interest to the redemption date),

computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points

over

- b) the principal amount of such Dollar Note on such redemption date.

For the avoidance of doubt, calculation of the Applicable Dollar Note Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

“*Applicable Euro Note Premium*” means with respect to a Euro Note at any redemption date prior to its final maturity date, the greater of:

- 1) 1.0% of the principal amount of the Euro Notes; or
- 2) the excess of:
  - a) the present value at such redemption date of
    - i. the redemption price of such Euro Note on its final maturity date
    - plus
    - ii. all required remaining scheduled interest payments due on such Euro Note through to its final maturity date (but excluding accrued and unpaid interest to the redemption date),
  - computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points

over

- b) the principal amount of such Euro Note on such redemption date.

For the avoidance of doubt, calculation of the Applicable Euro Note Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

“*Applicable Premium*” means, with respect to any Dollar Note, the Applicable Dollar Note Premium and, with respect to any Euro Note, the Applicable Euro Note Premium.

“*Asset Sale*” means:

- (1) the sale, lease, conveyance or other disposition of any assets or rights by the Company or any of the Company’s Subsidiaries; and
- (2) the issuance of Equity Interests by any of the Company’s Subsidiaries or the sale by the Company or any of its Subsidiaries of Equity Interests in any of the Company’s Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) the sale, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole, which will be governed by the provisions of the Indenture described above under the caption “—*Repurchase at the Option of Holders upon a Change of Control Triggering Event*” or by the covenant described above under the caption “—*Certain Covenants—Merger or Consolidation*” and not by the covenant described above under the caption “—*Certain Covenants—Distribution of Proceeds of Asset Sales*;”
- (2) any single transaction or series of related transactions that involves assets having a fair market value of less than ¥10.0 billion;
- (3) a transfer of assets or Equity Interests between or among the Company and its Subsidiaries;
- (4) an issuance of Equity Interests by a Subsidiary of the Company to the Company or to a Subsidiary of the Company;
- (5) the sale, lease or other transfer of products, services or accounts receivable in the ordinary course of business and any sale, conveyance or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Company, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its Subsidiaries taken as whole);
- (6) the grant of licenses and sublicenses by the Company or any of its Subsidiaries of software or intellectual property in the ordinary course of business;

- (7) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;
- (8) the granting of Liens or Permitted Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Negative Pledge*” and any disposition of Capital Stock, other Equity Interests, other securities, assets or other properties upon the enforcement of such Liens or Permitted Liens;
- (9) any issuance or disposition of Capital Stock of, or other Equity Interests or securities issued by, any Excluded Subsidiary or any Person other than a Subsidiary pursuant to the conversion or exchange of any Non-Recourse Relevant Indebtedness that is permitted to be incurred under the Indenture;
- (10) the sale or other disposition of cash or Cash Equivalents;
- (11) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (12) dispositions of receivables or related assets in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings;
- (13) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (14) disposals of assets or Capital Stock which the Company or any Subsidiary is required by a regulatory authority or court of competent jurisdiction to dispose of; or
- (15) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Note Guarantor to such Person.

“Associate” has the meaning assigned to such term under GAAP. If the term is not defined under GAAP, “Associate” has the meaning assigned to the term “*equity investee*” under GAAP.

“*Attributable Debt*” in respect of a sale and lease-back transaction means, at any time of determination, the present value at that time of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and lease-back transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value will be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided, however*, that if such sale and lease-back transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capital Lease Obligation”.

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the Board of Directors of the general partner of the partnership;
- (3) with respect to a limited-liability company, the managing member or members or any controlling committee of managing members thereof (or analogous governing body); and
- (4) with respect to any other Person, the board or committee (or analogous governing body) of such Person serving a similar function.

“*Bund Rate*” means, with respect to any redemption date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such redemption date, where:

- (1) “*Comparable German Bund Issue*,” with respect to redemption of Euro Notes of any series, means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a

fixed maturity most nearly equal to the period from such redemption date to the Stated Maturity of the Notes of such series, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of Notes of such series and of a maturity most nearly equal to the maturity date of the Notes of such series; *provided, however*, that, if the period from such redemption date to the Stated Maturity of the Notes of such series, is less than one year, a fixed maturity of one year shall be used;

- (2) “*Comparable German Bund Price*” means, with respect to any redemption date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “*Reference German Bund Dealer*” means any dealer of German *Bundesanleihe* securities appointed by the Company in consultation with the Trustee; and
- (4) “*Reference German Bund Dealer Quotations*” means, with respect to each Reference German Bund Dealer and any redemption date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the redemption date.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in London, New York or Tokyo are authorized or required by law to close; *provided* that for any payments to be made under this Indenture, such day shall also be a day on which the second generation Trans-European Automated Real-time Gross Settlement Express Transfer payment system is open for the settlement of payments. If a payment date is not a Business Day at a place of payment, payment may be made at that place on the next succeeding day that is a Business Day, and no interest shall accrue on such payment for the intervening period.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited-liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully guaranteed or insured by the government of the United States, Japan, Ireland, Belgium, the Netherlands, France, Germany or the United Kingdom or any agency or instrumentality thereof (*provided* that the full faith and credit of the United States, Japan, Ireland, Belgium, the Netherlands, France, Germany or the United Kingdom, as applicable, is pledged in support of those securities) having maturities of not more than 12 months from the date of acquisition;
- (2) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances, money market deposits (and similar instruments) with maturities of 12 months or less from the date of acquisition, in each case, with any bank or trust company organized under, or authorized to operate as a bank or trust company under the laws of, Japan, the United States of America or any state thereof, any member state of the European Union or the United Kingdom, and having capital and surplus and undivided profits in excess of \$500.0 million (or the foreign currency equivalent thereof

as of the date of such investment) and whose long-term debt is rated “A-3” or higher by Moody’s or “A-” or higher by S&P or the equivalent Rating Category of another internationally recognized rating agency;

- (3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having one of the two highest ratings obtainable from Moody’s or S&P or the highest ratings obtainable by JCR or Rating and Investment Information, Inc., and, in each case, maturing within 12 months after the date of acquisition; and
- (5) money market funds at least 95% of the assets of which constitute cash or Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

“*Change of Control*” means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the U.S. Exchange Act)) other than the Permitted Holders;
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company (other than in connection with a solvent reorganization); or
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any “person” (as defined above)) other than the Permitted Holders becomes the Beneficial Owner, directly or indirectly, of (a) more than 33-1/3% of the Voting Stock of the Company (or its Successor Entity), measured by voting power rather than number of shares, and (b) more Voting Stock of the Company (or its Successor Entity), measured by voting power rather than number of shares, than is Beneficially Owned by the Permitted Holders; *provided that* a transaction in which the Company becomes a Subsidiary of another Person shall not constitute a Change of Control where (x) the shares of Voting Stock of the Company (or its Successor Entity) outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of such other Person of whom the Company is a Subsidiary immediately following such transaction and (y) immediately following such transaction no Person other than the Permitted Holders or such other Person Beneficially Owns, directly or indirectly, more Voting Stock of the Company (or its Successor Entity) and no Person other than the Permitted Holders Beneficially Owns, directly or indirectly, more Voting Stock of such other Person, in each case, than is Beneficially Owned by the Permitted Holders (measured by voting power rather than number of shares).

For the avoidance of doubt, the sale, lease, conveyance, assignment, transfer, or other disposition by the Company or any of its Subsidiaries, in any single transaction or series of related transactions, whether direct or indirect, of any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group will not be deemed to be a Change of Control.

“*Change of Control Triggering Event*” means the occurrence of a Change of Control and, if the Notes are rated by at least one Rating Agency, a Ratings Decline.

“*Clearing System Business Day*” means a day on which each clearing system for which the Global Note is being held is open for business.

“*Commission*” means the U.S. Securities and Exchange Commission, as from time to time constituted, created under the U.S. Exchange Act, or if at any time after the execution of the Indenture such Commission is not existing and performing the duties now assigned to it under the U.S. Securities Act, U.S. Exchange Act and U.S. Trust Indenture Act, then the body performing such duties at such time.

“*Comparable Treasury Issue*” means, with respect to redemption of Dollar Notes of any series, the U.S. Treasury security having a maturity comparable to the Stated Maturity of the Notes of such series that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Stated Maturity of the Notes of such series.

“*Comparable Treasury Price*” means, with respect to any redemption date, if clause (ii) of the Treasury Rate is applicable, the average of three (or such lesser number as is received by the Company) Reference Treasury Dealer Quotations for such redemption date.



“*Consolidated EBITDA*” means, for any period, without duplication, net sales of the Company and its Subsidiaries for such period *minus* cost of sales *minus* selling, general and administrative expenses *plus* depreciation and amortization, determined on a consolidated basis in accordance GAAP but without giving effect to the net sales, cost of sales, selling, general and administrative expenses and depreciation and amortization of members of the New Sprint Group that are Excluded Subsidiaries as of such date of determination; *provided* that, for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

- 1) since the beginning of such period the Company or any Subsidiary (other than a member of the New Sprint Group that is an Excluded Subsidiary on such date of determination) will have made any Asset Sale or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “*Sale*”) or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;
- 2) since the beginning of such period the Company or any Subsidiary (other than a member of the New Sprint Group that is an Excluded Subsidiary on such date of determination), by merger or otherwise, will have made an investment in any Person that thereby becomes a Subsidiary (other than a member of the New Sprint Group that is an Excluded Subsidiary on such date of determination), or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such investment or acquisition, a “*Purchase*”), Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and
- 3) since the beginning of such period any Person that became a Subsidiary (other than a member of the New Sprint Group that is an Excluded Subsidiary on such date of determination) or was merged with or into the Company or any Subsidiary (other than a member of the New Sprint Group that is an Excluded Subsidiary on such date of determination) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Company or a Subsidiary (other than a member of the New Sprint Group that is an Excluded Subsidiary on such date of determination) since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition and the definition of Consolidated Net Leverage Ratio, (a) whenever *pro forma* effect is to be given to any transaction, investment, acquisition, disposition, restructuring, corporate reorganization or otherwise, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Company (including without limitation in respect of anticipated expense and cost reductions and regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements to the extent prepared) and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

“*Consolidated Net Leverage Ratio*,” as of any date of determination, means the ratio of:

- (1) (a) the outstanding Indebtedness (including any Disqualified Stock but excluding (i) any Hedging Obligations incurred for *bona fide* hedging purposes and not for speculative purposes, (ii) Non-Recourse Relevant Indebtedness, and (iii) Securitized Debt Obligations) of the Company and its Subsidiaries (other than members of the New Sprint Group that are Excluded Subsidiaries on such date of determination) on a consolidated basis less (b) the aggregate amount of cash and Cash Equivalents of the Company and its Subsidiaries (other than members of the New Sprint Group that are Excluded Subsidiaries on such date of determination) on a consolidated basis, to
- (2) Consolidated EBITDA for the most recent four consecutive fiscal quarters for which financial statements have previously been furnished to holders of the Notes pursuant to the provisions of the Indenture described under “—*Reports*”.

“*Consolidated Net Tangible Assets*” means the Company’s consolidated total assets as reflected in the Company’s most recent balance sheet preceding the date of determination prepared in accordance with GAAP, less total Current Liabilities and goodwill, software, customer relationships, favorable lease contracts, game titles, trademarks with finite useful lives and other similar intangible assets.

“*Continuing*” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“*Current Liabilities*” means those items that are included in such term under GAAP and reflected as such in the Company’s most recent balance sheet preceding the date of determination prepared in accordance with GAAP.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 366 days after the date on which the Notes mature. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that a Person may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*Dollar Equivalent*” means with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such other currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with such other currency as published by Bloomberg on the date that is two Business Days prior to such determination.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*European Government Obligations*” means any security that is (1) a direct obligation of Ireland, Belgium, the Netherlands, France, Germany or the United Kingdom, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“*FATCA*” means:

- (1) sections 1471 to 1474 of the United States Internal Revenue Code of 1986, as amended, or any associated regulations or other official guidance;
- (2) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (1) above; or
- (3) any agreement pursuant to the implementation of paragraphs (1) or (2) above with the United States Internal Revenue Service, the United States government or any governmental or taxation authority in any other jurisdiction.

“*Finance Subsidiary*” means any direct and wholly-owned Subsidiary of the Company or any Note Guarantor or another Finance Subsidiary that is a direct Subsidiary of the Company or any Note Guarantor (i) whose operations are comprised of incurring Indebtedness to Persons other than the Company, any Note Guarantor or their respective Affiliates from time to time to finance the operations of the Company or its Subsidiaries and (ii) which conducts no business and owns no material assets other than equity interests in a Finance Subsidiary or intercompany Indebtedness incurred in connection with the Indebtedness described in clause (i) of this definition or other than as may be reasonably incidental to the foregoing.

“*GAAP*” means the accounting standards issued by the International Accounting Standards Board and its predecessors as in effect from time to time, *provided* that the Company may (by notice to the Trustee and posting an announcement to that effect on its website) make one irrevocable election to establish that “GAAP” shall mean either (i) generally accepted accounting principles in Japan as in effect from time to time (“*JGAAP*”), or (ii) generally accepted accounting principles in the United States as in effect from time to time (“*US GAAP*”). Upon such election, references to GAAP will be construed to mean JGAAP or US GAAP for all purposes under the Indenture.

“*Guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise); *provided* that Permitted Liens shall not constitute Guarantees.

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

“*Indebtedness*” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by or issued in exchange for bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker’s acceptances, bank guarantees, surety bonds or similar instruments;
- (4) representing Capital Lease Obligations or Attributable Debt in respect of sale and lease-back transactions;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than 360 days after such property is acquired or such services are completed; or
- (6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. The amount of Indebtedness representing any Hedging Obligation will be determined by the net termination value of such agreement or arrangement giving rise to such obligation that would be payable on the date of such determination. In addition, the term “Indebtedness” includes (i) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), (ii) to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person and (iii) preferred stock or other equity interests providing for mandatory redemption or sinking fund or similar payments issued by any Subsidiary of the specified Person.

“*Investment Grade Rating*” means a rating equal to or greater than Baa3 by Moody’s and BBB- by S&P or the equivalent thereof under any new ratings system if the ratings systems of either such Rating Agency shall be modified after the Issue Date, or the equivalent rating of any other Ratings Agency selected as provided in the definition of Ratings Agency herein.

“*Issue Date*” means the date as of which the Notes are issued upon completion of the offering.

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, and any lease having substantially the same economic effect as any of the foregoing, *provided that*, for the avoidance of doubt, in no event will an operating lease constitute a Lien.

“*Moody’s*” means Moody’s Japan K.K. or any successor to the rating agency business thereof.

“*Net Proceeds*” means the aggregate amount of proceeds received by the Company or any of its Subsidiaries in respect of any Asset Sale, net of the direct costs relating to such Asset Sale.

“*New Sprint Group*” means Starburst I and its Subsidiaries from time to time.

“*Non-Recourse Relevant Indebtedness*” means Relevant Indebtedness:

- (1) of a person other than the Company or any Note Guarantor (except to the extent of Liens on assets of the Company or any Note Guarantor permitted by clause (4) of this definition),
- (2) that is not Guaranteed, in whole or in part, by the Company or any Note Guarantor (except to the extent of Liens on assets of the Company or any Note Guarantor permitted by clause (4) of this definition),
- (3) that is not recourse to, and does not obligate, the Company or any Note Guarantor in any way (except to the extent of Liens on assets of the Company or any Note Guarantor permitted by clause (4) of this definition), and

- (4) that does not subject any property or asset of the Company or any Note Guarantor to the satisfaction thereof, directly or indirectly, contingently or otherwise, except for (i) Liens on Capital Stock of, or other Equity Interests or securities issued by, any Excluded Subsidiary or any Person other than a Subsidiary, (ii) other Permitted Liens, or (iii) the ability to be converted into or exchanged for Capital Stock of, or other Equity Interests or securities issued by, any Excluded Subsidiary or any Person other than a Subsidiary.

“*Note Guarantors*” means each of the Initial Note Guarantor and any Additional Note Guarantor.

“*Permitted Holders*” means (1) Mr. Masayoshi Son, (2) any of his immediate family members and (3) any trust, corporation, partnership, limited-liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of Mr. Masayoshi Son and/or any of his immediate family members.

“*Permitted Lien*” means:

- (1) Liens on Capital Stock of, or other Equity Interests or securities issued by, any Excluded Subsidiary or any Person other than a Subsidiary securing Non-Recourse Relevant Indebtedness;
- (2) Liens arising or already arisen automatically by operation of law which are promptly discharged or disputed in good faith by appropriate proceedings;
- (3) Liens created or outstanding in favor of the Company or any Note Guarantor;
- (4) Liens with respect to (a) Relevant Indebtedness that, when taken together with the aggregate principal amount of all other outstanding Relevant Indebtedness secured by Liens incurred pursuant to this clause (4) and any Permitted Refinancing Indebtedness thereof (expressed in the Account Currency), does not exceed 2.0% of the Company’s Consolidated Net Tangible Assets and (b) any Permitted Refinancing Indebtedness of Indebtedness described under sub-clause (a) above;
- (5) Liens on accounts receivables pledged, encumbered or otherwise disposed of pursuant to any receivables financing or asset-backed financing of the Company or any Note Guarantor that consists of Relevant Indebtedness and has a maturity no longer than 180 days from its funding date; or
- (6) Liens on tangible assets incurred for the purpose of securing Relevant Indebtedness of the Company or a Note Guarantor incurred or assumed to finance the acquisition, construction, development or improvement of tangible assets in the ordinary course of business and any Permitted Refinancing Indebtedness thereof; *provided* that any such Lien may not extend to any assets or property of the Company or any Note Guarantor other than the tangible assets acquired, improved, developed or constructed with the proceeds of such Relevant Indebtedness and any improvements or accessions to such tangible assets.

“*Permitted Refinancing Indebtedness*” means any Indebtedness (including Guarantees) of the Company or any Note Guarantor issued in exchange or replacement for, or the net proceeds of which are used to renew, refund, refinance, defease or discharge other Indebtedness of the Company or any Note Guarantor (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (2) any Permitted Liens securing such Permitted Refinancing Indebtedness are limited to all or part of the same property and assets that were subject to Permitted Liens securing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged (plus improvements and accessions to such property or proceeds or distributions thereof);
- (3) such Indebtedness is incurred either by the Company or by the Note Guarantor who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and
- (4) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is Relevant Indebtedness, such Permitted Refinancing Indebtedness is also Relevant Indebtedness.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited-liability company or government or other entity.



“*Project Finance Indebtedness*” means Indebtedness incurred by any Person (a “*Debtor*”) for the purpose of financing the acquisition, construction, development or improvement of tangible assets in respect of which the creditors have no recourse whatsoever for the payment of any sum relating to such Indebtedness other than:

- (1) recourse to such Debtor limited to such assets or the cash flows from such assets;
- (2) recourse to such Debtor generally, which recourse is limited to a claim for damages for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation to procure payment by another, to comply or to procure compliance by another with any financial ratios or other test of financial condition only) by such Debtor or for gross negligence, wilful misconduct or fraud by such Debtor or similar cause on such Debtor’s side;
- (3) if such Debtor has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset and such debtor owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such Debtor and the shares in the capital of such debtor and shareholder loans made to such Debtor;
- (4) recourse to the Company, any Subsidiary of the Company or any joint venture in which the Company or any its Subsidiaries participate (as applicable, the “*Sponsor*”) pursuant to a keepwell agreement or comfort letter or agreement (including a sponsor support agreement or a *keiei shido nensho*), entered into in respect of such Project Finance Indebtedness (a “*Sponsor Keepwell*”), provided that such Sponsor Keepwell (i) does not expressly provide for legal recourse to the Company or the Note Guarantors beyond seeking specific performance or damages in respect of obligations of the Sponsor to maintain the solvency or financial health of the Debtor (including after giving effect to the incurrence of such Indebtedness) or the overall soundness of the Debtor’s assets or business or to procure compliance by the Debtor with terms and conditions of such Indebtedness (other than express obligations to procure direct payments proscribed by sub-clause (ii) below) or for gross negligence, wilful misconduct or fraud by such Sponsor or similar cause on such Sponsor’s side, and (ii) does not expressly obligate the Sponsor to make or procure direct payments of principal or interest (or pay liquidated damages relating to non-payment defaults) in respect of such Indebtedness to the holders thereof; or
- (5) recourse to the Company or any Note Guarantor pursuant to a keepwell agreement or comfort letter or agreement (including a sponsor support agreement or a *keiei shido nensho*) entered into in respect of the obligations of a Sponsor pursuant to a Sponsor Keepwell as set forth in clause (4) of this definition, provided that such keepwell agreement or comfort letter or agreement (including a sponsor support agreement or a *keiei shido nensho*) (i) does not expressly provide for legal recourse to the Company or such Note Guarantor beyond seeking specific performance or damages in respect of obligations of the Company or such Note Guarantor to maintain the solvency or financial health of such Sponsor (including after giving effect to the incurrence of Indebtedness under such Sponsor Keepwell) or the overall soundness of such Sponsor’s assets or business or to procure compliance by such Sponsor with terms and conditions of such Sponsor Keepwell (other than express obligations to procure direct payments proscribed by sub-clause (ii) below) or for gross negligence, wilful misconduct or fraud by the Company or such Note Guarantor or similar cause on the Company or such Note Guarantor’s side, and (ii) does not expressly obligate the Company or such Note Guarantor to make or procure direct payments of principal or interest (or pay liquidated damages relating to non-payment defaults) in respect of such Indebtedness to the holders thereof.

“*Qualified Securitization Financing*” means any Securitization Facility of a Securitization Subsidiary that meets the following conditions: (i) all sales of Securitization Assets and related assets by the Company or any Subsidiary to the Securitization Subsidiary or any other Person are made at fair market value (as determined in good faith by the Company or such Subsidiary), (ii) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Company or such Subsidiary) and may include Standard Securitization Undertakings, and (iii) the obligations under such Securitization Facility are non-recourse (except for customary representations, warranties, covenants and indemnities made in connection with such facilities) to the Company or any of its Subsidiaries (other than a Securitization Subsidiary).

“*Rating Category*” means:

- (1) with respect to S&P, any of the following categories: AAA, AA, A, BBB, BB, B, CCC, CC, C and D (or equivalent successor categories); and
- (2) with respect to Moody’s, any of the following categories: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C and D (or equivalent successor categories).



*“Rating Date”* means the date that is 60 days prior to the earlier of (i) a Change of Control or (ii) public announcement of the Change of Control or the intention effect a Change of Control.

*“Ratings Agencies”* means (1) Moody’s and S&P; and (2) if either Moody’s or S&P ceases to rate the Notes or ceases to make a rating on the Notes publicly available, other than due to any action or inaction of the Company, an entity registered as a “nationally recognized statistical rating organization” (registered as such pursuant to Rule 17g-1 of the U.S. Exchange Act) then making a rating on the Notes publicly available selected by the Company (as certified by an officers’ certificate), which shall be substituted for Moody’s or S&P, as the case may be.

*“Ratings Decline”* means the occurrence, during the period commencing on the date of the first public announcement of the Change of Control or the intention to effect a Change of Control and ending 90 days after the occurrence of the Change of Control, of any of the events listed below:

- (1) in the event the Notes have an Investment Grade Rating from at least two of the Ratings Agencies on the Rating Date, the rating of the Notes by either of such Rating Agencies shall be below an Investment Grade Rating; or
- (2) in the event the Notes do not have an Investment Grade Rating from at least two Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency with a rating below Investment Grade Rating shall be decreased by one or more gradations. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (including + or – for S&P, and 1, 2, and 3 for Moody’s) will be taken into account.

*“Reference Treasury Dealer”* means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

*“Reference Treasury Dealer Quotations”* means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third New York business day preceding such redemption date.

*“Relevant Indebtedness”* means any present or future Indebtedness of the Company, any of the Note Guarantors or any other person in the form of, or represented by:

- (1) bonds, notes, debentures or other securities, which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market or
- (2) loans in respect of borrowed money.

*“S&P”* means Standard & Poor’s Financial Services LLC, a division of the McGraw-Hill Financial, or any successor to the rating business thereof.

*“Securitization Asset”* means any accounts receivable, real estate asset, mortgage receivables or other assets, in each case subject to a Qualified Securitization Financing.

*“Securitization Facility”* means any of one or more securitization financing facilities as amended, supplemented, modified, extended, renewed, restated or refunded from time to time, pursuant to which the Company or any Subsidiary sells its Securitization Assets to either (a) a Person that is not a Subsidiary or (b) a Securitization Subsidiary that in turn sells Securitization Assets to a Person that is not a Subsidiary.

*“Securitization Repurchase Obligation”* means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including, without limitation, as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*“Securitization Subsidiary”* means a wholly owned Subsidiary of the Company (or another Person formed for the purposes of engaging in a Qualified Securitization Financing with the Company in which the Company or any Note Guarantor makes an investment and to which the Company or any Note Guarantor transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Company and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Company (as provided below) as a Securitization Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Company or any Note Guarantor (excluding guarantees of obligations (other than the principal

of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Company or any Note Guarantor, (c) is recourse to or obligates the Company or any Note Guarantor any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Company or any Note Guarantor, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any Note Guarantor has any contract, agreement, arrangement or understanding other than on terms which the Company reasonably believes to be no less favorable to the Company or such Note Guarantor than those that might be obtained at the time from Persons that are not Affiliates of the Company; and

(3) to which neither the Company nor any Note Guarantor has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an officers' certificate certifying that such designation complied with the foregoing conditions.

*"Securitized Debt Obligations"* means Indebtedness incurred pursuant to a Qualified Securitization Financing.

*"Special Taxation Measures Act"* means the Act on Special Measures Concerning Taxation of Japan, Act No. 26 of 1957, as amended.

*"Specially-Related Person"* means a person who has a special relationship with the Company as described in Article 6, paragraph (4) of the Special Measures Taxation Act.

*"Standard Securitization Undertakings"* means representations, warranties, covenants and indemnities entered into by the Company or any Subsidiary which the Company has determined in good faith to be customary in a Securitization Financing, including, without limitation, those relating to the servicing of the assets of a Securitization Subsidiary, it being understood that any Securitization Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

*"Stated Maturity"* means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the terms of the Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

*"Subsidiary"* means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);
- (2) any partnership or limited-liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; and
- (3) any entity otherwise treated as a consolidated entity of that Person in accordance with GAAP.

*"Successor Entity"* means, with respect to any Person, its successor by merger, consolidation or purchase of all or substantially all of its assets, as determined in accordance with the provision of the covenant described under *"—Certain Covenants—Merger or Consolidation"*.

*"Tax"* means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto), and any amounts paid pursuant to FATCA.

*“Third Party Guarantee”* means any Guarantee of Indebtedness or Disqualified Stock of any Non-Guarantor Subsidiary or any Affiliate or Associate of the Company other than the Note Guarantors, *provided* that the following will not be deemed to be Third Party Guarantees:

- (1) performance guarantees, completion guarantees, indemnities, sureties or other similar instruments provided by the Company or any Note Guarantor in respect of obligations incurred by any Non-Guarantor Subsidiary or any Affiliate or Associate of the Company other than the Note Guarantors in the ordinary course of business or in respect of any government requirement;
- (2) keepwell agreements or comfort letters or agreements (including sponsor support agreements or *keiei shido nensho*) in respect of Project Finance Indebtedness incurred by any Non-Guarantor Subsidiary or any Affiliate or Associate of the Company other than the Note Guarantors; and
- (3) Guarantees by the Company or any Note Guarantor of Indebtedness issued by a Finance Subsidiary.

*“Treasury Rate”* means, with respect to any redemption date for Dollar Notes of any series, (i) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after the Stated Maturity for such Note being redeemed, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the applicable Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third New York business day immediately preceding the redemption date.

*“U.S. Exchange Act”* means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

*“U.S. Government Obligations”* means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

*“U.S. Securities Act”* means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

*“U.S. Trust Indenture Act”* means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute.

*“Voting Stock”* of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

## BOOK-ENTRY, DELIVERY AND FORM

Each series of Notes sold to non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by global notes in registered form without interest coupons attached (the “*Global Notes*”). The Global Notes representing the 2025 Dollar Notes (the “*2025 Dollar Global Notes*”), the Global Notes representing the 2022 Dollar Notes (the “*2022 Dollar Global Notes*” and, together with the 2025 Dollar Global Notes, the “*Dollar Global Notes*”), the Global Notes representing the 2027 Euro Notes (the “*2027 Euro Global Notes*”), the Global Notes representing the 2025 Euro Notes (the “*2025 Euro Global Notes*”) and the Global Notes representing the 2022 Euro Notes (the “*2022 Euro Global Notes*” and, together with the 2027 Euro Global Notes and the 2025 Euro Notes, the “*Euro Global Notes*”) will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (the “*Book-Entry Interests*”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

The Dollar Notes will be issued in registered, global form in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof and the Euro Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of \$1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holder” of the Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depository for Euroclear or Clearstream, as applicable (or their respective nominees), will be considered the holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear or Clearstream, as applicable, and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Beneficial interests in the Global Notes may not be exchanged for Definitive Registered Notes except in the limited circumstances described below. See “—Exchange of Global Notes for Definitive Registered Notes.” Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

The Notes will bear the legend described under “Notice to Investors.”

### ***Exchange of Global Notes for Definitive Registered Notes***

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive notes in registered form (the “*Definitive Registered Notes*”):

- (1) if Euroclear or Clearstream notifies the Company that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Company within 120 days; or
- (2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture.

Euroclear and Clearstream have advised the Company that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Company issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Company, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

### ***Exchange of Certificated Notes for Global Notes***

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Notice to Investors.”

### ***Redemption of the Global Notes***

In the event any Global Note, or any portion thereof, is redeemed, Euroclear or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided* that no Book-Entry Interest of less than €100,000 (in the case of the Euro Global Notes) or \$200,000 (in the case of the Dollar Global Notes), principal amount at maturity, or less, may be redeemed in part.

### ***Payments on Global Notes***

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and Additional Amounts) will be made by the Company to the principal paying agent. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture governing the Notes, the Company and the Trustee will treat the registered holder of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Trustee, the Registrar nor any Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in “street name.”

### ***Currency of Payment for the Global Notes***

The principal of, premium, if any, and interest on, and all other amounts payable in respect of (including Additional Amounts), the Global Notes will be paid to holders of interests to such Notes (the “*Euroclear/Clearstream Holders*”) through Euroclear and/or Clearstream in U.S. dollars with respect to the Dollar Notes or in euro with respect to the Euro Notes.

### ***Action by Owners of Book-Entry Interests***

Euroclear and Clearstream have advised the Company that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for Definitive Registered Notes and to distribute such Definitive Registered Notes to their participants.



## ***Transfers***

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth in "Notice to Investors." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Notice to Investors."

## ***Information Concerning Euroclear and Clearstream***

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Company nor the initial purchasers are responsible for those operations or procedures.

The Company understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited.

## ***Global Clearance and Settlement Under the Book-Entry System***

Although Euroclear or Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Company, any Note Guarantor, the Trustee, the Registrar or the principal paying agent will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

## ***Initial Settlement***

Initial settlement for the Notes will be made in U.S. dollars and euros. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear/Clearstream Holders on the Business Day following the settlement date against payment for value on the settlement date.

## ***Secondary Market Trading***

The Book-Entry Interests that trade through participants of Euroclear or Clearstream will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

### ***Special Timing Considerations***

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

### ***Trustee's Powers***

In considering the interests of the holders of the Notes, while title to the Notes is registered in the name of a nominee of a clearing system, the Trustee may have regard to, and rely on, any information provided to it by that clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Notes and may consider such interests as if such accountholders were the holders of the Notes.

### ***Enforcement***

For the purposes of enforcement of the provisions of the Indenture by the Trustee, the persons named in a certificate of the holder of the Notes in respect of which a Global Note is issued shall be recognized as the beneficiaries of the trusts set out in the Indenture to the extent of the principal amounts of their interests in the Notes set out in the certificate of the holder, as if they were themselves the holders of the Notes in such principal amounts.

## MATERIAL JAPANESE TAXATION CONSIDERATIONS

*The following discussion summarizes certain Japanese tax consequences to prospective holders arising from the purchase, ownership and disposition of the Notes. The summary does not purport to be a comprehensive description of all potential Japanese tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Japan or any Japanese consequences other than Japanese tax consequences.*

*Prospective holders of the Notes should consult their own tax advisors as the Japanese or other tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of any state, local, foreign or other tax laws.*

The following description is a summary of Japanese tax consequences (limited to national taxes) to holders of the Notes, principally relating to such holders that are individual non-residents of Japan or non-Japanese corporations, having no permanent establishment in Japan, and applicable to interest and the Issue Differential (as defined below) with respect to Notes that we will issue outside Japan, as well as to certain aspects of capital gains, inheritance and gift taxes. It does not address the tax treatment of the original issue discount of the Notes bearing no interest that fall under “discounted bonds” as prescribed by the Special Taxation Measures Act or any Notes on which interest is calculated based on any indices, including the amount of our profits or assets or those of any specially-related person of ours (as defined below).

The statements regarding Japanese tax laws set out below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after such date. Prospective investors should note that the following description of Japanese taxation is not exhaustive.

### ***Representation Upon Initial Distribution***

By subscribing for Notes, an investor will be deemed to have represented that it is a “gross recipient,” i.e., (1) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with us as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, or a specially-related person of ours, (2) a Japanese financial institution or financial instruments business operator as designated in Article 3-2-2, Paragraph 29 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) relating to the Special Taxation Measures Act that will hold the Notes for its own proprietary account or (3) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. The Notes are not as part of the initial distribution by the Initial Purchasers at any time to be directly or indirectly offered or sold in Japan or to, or for the benefit of, any person other than a gross recipient, except as specifically permitted under the Special Taxation Measures Act.

### ***Interest and Issue Differential***

Interest payments on the Notes will be subject to Japanese withholding tax unless the holder establishes that the Note is held by or for the account of a holder that is (1) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, and in compliance with certain requirements for tax exemption under the Special Taxation Measures Act, or (2) a Japanese designated financial institution or financial instruments business operator as described in Article 6, Paragraph 9 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that Paragraph.

Interest payments on the Notes to an individual resident of Japan, to a Japanese corporation not described in item (2) of the preceding paragraph, to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of ours and does not comply with the requirements described in item (1) of the preceding paragraph will be subject to deduction in respect of Japanese income tax at a rate of 15% (from and including January 1, 2013 to and including December 31, 2037, of 15.315%) of the amount specified in subparagraphs (a) or (b) below, as applicable:

- (a) if interest is paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours (except as provided in subparagraph (b) below), the amount of such interest; or

- (b) if interest is paid to a public corporation, a financial institution, a financial instruments business operator or certain other entities through a Japanese payment handling agent, as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Act in compliance with the requirement for tax exemption under that paragraph, the amount of such interest minus the amount accrued during the period held, without any cessation, by such entities as provided in the Cabinet Order relating to the said Paragraph 6.

A legend containing a statement to the same effect as set forth in the preceding paragraphs will be printed on the relevant Notes or global Note, as applicable, in compliance with the requirements of the Special Taxation Measures Act and regulations thereunder.

If the recipient of interest on the Notes is a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, or having a permanent establishment in Japan but the receipt of the interest on the Notes is not attributable to the business thereof carried on in Japan through such permanent establishment, that in either case is not a specially-related person of ours, no Japanese income tax or corporation tax will be payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:

- (x) if the relevant Notes are held through a participant in an international clearing organization, such as DTC, Euroclear and Clearstream or through a financial intermediary, in each case, as prescribed by the Special Taxation Measures Act (each such participant or financial intermediary being referred to as a “Participant”), the requirement to provide certain information prescribed by the Special Taxation Measures Act to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted, and to advise the Participant if the holder of the Notes ceases to be so exempted (including the case where the holder became a specially-related person of ours); and
- (y) if the relevant Notes are not held through a Participant, the requirement to submit to the relevant paying agent that makes payment of interest on the Notes a written application for tax exemption (*hikazei tekiyo shinkokusho*), together with certain documentary evidence, at or prior to each time interest is received.

If a recipient of interest on the Notes is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, which is subject to Japanese withholding tax due to its status as a specially-related person of ours or for any other reason, (1) the rate of withholding tax may be reduced, generally to 10%, under the applicable tax treaty, convention or agreement, and (2) if such recipient is not subject to Japanese tax under the applicable tax treaty, convention or agreement due to its status as a financial institution in the relevant country, such as the United States and the United Kingdom, or for any other reason, no Japanese income tax or corporation tax will be payable with respect to such interest whether by way of withholding or otherwise; *provided* that, in either case (1) or (2) above, such recipient shall submit required documents and information (if any) to the relevant tax authority.

If the recipient of any difference between the issue price and the redemption price of the Notes as referred to in Article 41-13, Paragraph 3 and Article 67-17, Paragraph 3 of the Special Taxation Measures Act (the “Issue Differential”) is a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, that in either case is not a specially-related person of ours, no income tax or corporation tax will be withheld with respect to such issue differential.

### ***Capital Gains, Inheritance and Gift Taxes***

Gains derived from the sale of the Notes, whether within or outside Japan, by a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, will be, in general, not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired the Notes as a legatee, heir or donee, even if the individual is not a Japanese resident.

No stamp, issue, registration or similar taxes or duties will, under present Japanese law, be payable by holders of the Notes in connection with the issue of the Notes outside Japan.

## EUROPEAN TAX CONSIDERATIONS

### *EU Savings Directive*

Under the EC Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments (the “**EU Savings Directive**”), the competent authority of each Member State of the European Union (an “**EU Member State**”) is required to provide to the competent authority of another EU Member State details of payments of interest and other similar income paid or secured by a person within its jurisdiction to, or for the benefit of, an individual, or certain other persons, resident in that other EU Member State. However, for a transitional period, Austria is instead required (unless during such period it elects otherwise) to operate a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described in the first paragraph above. EU Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements and to establish procedures to look through entities to prevent the circumvention of the EU Savings Directive by the use of intermediaries. They also broaden the definition of “interest payment” to cover income that is equivalent to interest.

A number of non-EU countries (including, for example, Switzerland, Andorra, Liechtenstein, Monaco and San Marino), and certain dependent or associated territories of EU Member States (including, for example, Jersey, Guernsey and the Isle of Man), have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to an individual, or certain other persons resident, in a EU Member State. In addition, the EU Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a EU Member State to an individual, or certain other persons, resident in one of those territories.

The European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

The attention of holders of the Notes is drawn to “Description of Notes—Additional Amounts.”

Investors who are in any doubt as to their position should consult their professional advisers.



## **PLAN OF DISTRIBUTION**

Subject to the terms and conditions of a purchase agreement dated the date of this offering memorandum entered into between the Company, the Note Guarantor and the Initial Purchasers, each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us the Notes at the initial offering price set forth on the cover page of this offering memorandum less discounts and commissions.

The purchase agreement provides that the obligations of the several Initial Purchasers to purchase the Notes are subject to certain conditions precedent and that the Initial Purchasers will purchase all of the Notes if any of the Notes are purchased. The purchase agreement also provides that if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or this offering may be terminated.

The Company and the Note Guarantor have agreed, on a joint and several basis, to indemnify the Initial Purchasers against some specified types of liabilities, including liabilities under the U.S. Securities Act, and to contribute to payments the Initial Purchasers may be required to make in respect of any of these liabilities. The Company and the Note Guarantor have also agreed, on a joint and several basis, to reimburse the Initial Purchasers for certain expenses incidental to the sale of the Notes.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of certain legal opinions and officers' certificates confirming, among other things, the lack of any legal restriction or injunction with respect to the consummation of the offering of the Notes. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. After the initial offering, the Initial Purchasers may change the offering price and other selling terms.

### **No Sale of Similar Securities**

The Company and the Note Guarantor have agreed that during the period from the date hereof through and including the date that is 90 days after the date the Notes are issued, without the prior written consent of Deutsche Bank AG, London Branch, the Company and the Note Guarantor will not offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or the Note Guarantor. This provision does not apply to (i) any debt securities which either confer a right to receive payment, or by their terms are payable, in yen, or are denominated in any other currency and more than 50% of the aggregate principal amount thereof is initially distributed in Japan and (ii) any equity-linked securities.

### **New Issue of Notes**

The Notes are a new issue of securities with no established trading market. The Initial Purchasers may make a market in the Notes after completion of this offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

Approval in-principle has been received for the listing of the Notes on the SGX-ST. There can be no assurance that such listing will be obtained or maintained.

### **Delivery, Payment and Settlement**

The Company expects that delivery of the Notes will be made against payment therefore on or about the date specified on the cover page of this offering memorandum, which will be the fourth business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+4").

### **Stabilization**

In connection with this offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in this offering. The Initial Purchasers may close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market prior to the completion of this offering.

Stabilizing transactions consist of various bids for or purchases of the Notes made by the Initial Purchasers in the open market prior to the completion of this offering. The Initial Purchasers may impose a

penalty bid. This occurs when a particular Initial Purchaser repays to the other Initial Purchasers a portion of the underwriting discount received by it because the other Initial Purchasers have repurchased the Notes sold by or for the account of that Initial Purchaser in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the Notes. Additionally, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. These transactions may be effected in the over-the-counter market or otherwise.

### **Other Relationships**

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. Some of the Initial Purchasers and their respective affiliates may also enter into hedging agreements with us in connection with this offering.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Selling Restrictions**

#### ***General***

No action has been or will be taken by us or the Initial Purchasers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this offering memorandum or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose possession this offering memorandum comes are required to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Notes or have in their possession or distribute this offering memorandum or any other offering material relating to the Notes.

#### ***United States***

The Notes have not been and will not be registered under the U.S. Securities Act. Each Initial Purchaser has agreed that it will offer and sell the Notes only to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. The Notes may not be offered, sold or delivered in the United States unless they are registered under the U.S. Securities Act or an exemption from the registration requirements thereof is available. Terms used above have the meanings given to them by Regulation S under the U.S. Securities Act. See “Notice to Investors.”

#### ***United Kingdom***

Each of the Initial Purchasers has represented, warranted and agreed that (i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company or the Note Guarantor and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

#### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act and are subject to the Special Taxation Measures Act. Each of the Initial Purchasers has represented and agreed

that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act; and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution, directly or indirectly offer or sell Notes to, or for the benefit of, any person other than a gross recipient or to others for re-offering or re-sale, directly or indirectly, to, or for the benefit of, any person other than a gross recipient. A “gross recipient” for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Company as described in Article 6, paragraph (4) of the Special Taxation Measures Act, (ii) a Japanese financial institution or financial instruments business operator as, designated in Article 3-2-2 paragraph (29) of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2 paragraph (2) of the Cabinet Order.

### ***Bahrain***

Each Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors.” For this purpose, an “accredited investor” means: (i) an individual holding financial assets (either singly or jointly with a spouse) of \$1,000,000 or more; (ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than \$1,000,000; or (iii) a government, supranational organization, central bank or other national monetary authority or a state organization whose main activity is to invest in financial instruments (such as a state pension fund).

### ***Dubai International Financial Centre***

Each Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is: (i) an “Exempt Offer” in accordance with the Markets Rules (MKT module) of the Dubai Financial Services Authority (the “DFSA”) and (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

### ***Qatar***

Each Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell or deliver, directly or indirectly, any Notes in the State of Qatar including the Qatar Financial Centre, except: (i) in compliance with all applicable laws and regulations of the State of Qatar including the Qatar Financial Centre and (ii) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

### ***Saudi Arabia***

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Notes. Any investor in Saudi Arabia or who is a Saudi person (a Saudi Investor) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the Offer of Securities Regulations as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the “KSA Regulations”), through a person authorised by the Capital Market Authority (the “CMA”) to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations. The Notes may thus not be advertised, offered or sold to any person in Saudi Arabia other than to “Sophisticated Investors” under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Lead Manager has represented and agreed that any offer of Notes will be made in compliance with the KSA Regulations.

Each offer of Notes shall not therefore constitute a public offer pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 10 and/or Article 11 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (i) the Notes are offered or sold to a Sophisticated Investor; (ii) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (iii) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

***United Arab Emirates (excluding the Dubai International Financial Centre)***

Each Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

## NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Note Guarantee have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the U.S. Securities Act) except pursuant to an exemption from or in a transaction not subject to the registration requirements of the U.S. Securities Act and such other securities laws. The Notes are being offered by this offering memorandum only outside the United States to persons other than U.S. persons as defined in Rule 902 under the U.S. Securities Act in offshore transactions in reliance upon Regulation S under the U.S. Securities Act.

Each purchaser of the Notes, by its acceptance of this offering memorandum, will be deemed to have acknowledged, represented to, and agreed with us and the Initial Purchasers as follows:

- (1) The purchaser understands and acknowledges that the Notes and the Note Guarantee have not been registered under the U.S. Securities Act or any other applicable securities law, the Notes are being offered for resale in offshore transactions not requiring registration under the U.S. Securities Act or any other securities laws in reliance on Regulation S under the U.S. Securities Act, and none of the Notes may be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption from such laws or in a transaction not subject to such laws, and in each case, in compliance with the conditions for transfer set forth in paragraphs (3), (4) and (5) below.
- (2) The purchaser is not a U.S. person (and is not purchasing for the account or benefit of a U.S. person) within the meaning of Regulation S under the U.S. Securities Act and is purchasing Notes in an offshore transaction in accordance with Regulation S.
- (3) The purchaser is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be, at all times, within its or their control and subject to its or their ability to resell such Notes pursuant to Regulation S or any exemption from registration available under the U.S. Securities Act.
- (4) The purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes and each subsequent holder of the Notes, by its acceptance of the Notes, to offer, sell or otherwise transfer such Notes prior to the end of the resale restriction periods described below only (a) to the Company, a Note Guarantor or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act, (c) pursuant to offers and sales to non-U.S. persons that occur in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act or (d) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws and any other applicable local laws and regulations. The purchaser will, and each subsequent purchaser is required to, notify any subsequent purchaser of the Notes from the purchaser or it of the resale restrictions referred to in the legend below. The foregoing restrictions on resale will apply from the closing date until the date that is 40 days after the later of the commencement of this offering and the Issue Date and will not apply after the applicable resale restriction period ends. Each purchaser acknowledges that we and the Trustee reserve the right prior to any offer, sale or other transfer pursuant to clauses (c) and (d) prior to the end of the applicable resale restriction period to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee.
- (5) The purchaser understands that the Notes will be represented by Dollar Global Notes or Euro Global Notes, as applicable, and that transfers of such Notes are restricted as described in this section and in the section entitled “*Book-Entry, Delivery and Form.*”



- (6) The purchaser acknowledges that each certificate representing a Note will contain a legend substantially to the following effect:

THE SECURITY EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), AND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THE SECURITY EVIDENCED HEREBY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" IN RELIANCE ON REGULATIONS UNDER THE U.S. SECURITIES ACT, AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE ISSUE DATE HEREOF, ONLY (A) TO THE COMPANY, THE NOTE GUARANTORS OR SUBSIDIARIES THEREOF (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR IN OFFSHORE TRANSACTIONS OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATIONS UNDER THE U.S. SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (C) OR (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (7) You acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act. The purchaser acknowledges that the Trustee will not be required to accept for registration of transfer of any Notes acquired by them, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth herein have been complied with.
- (8) The purchaser agrees that it will deliver to each person, to whom it transfers Notes, notice of any restrictions on the transfer of such securities.
- (9) The purchaser acknowledges that the Company, SoftBank Corp., the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations,

warranties and agreements and agrees that if any of the acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.

- (10) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Company, SoftBank Corp. or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Company, SoftBank Corp. or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth herein.
- (11) The purchaser acknowledges that none of the Company, SoftBank Corp., or the Initial Purchasers, nor any person representing any of them, has made any representation to such purchaser with respect to us or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to such purchaser and upon which such purchaser is relying in making its investment decision with respect to the Notes.
- (12) The purchaser acknowledges that neither the Initial Purchasers nor any person representing the initial purchasers make any representation or warranty as to the accuracy or completeness of this offering memorandum. The purchaser has had access to such financial and other information concerning us and the Notes as it has deemed necessary in connection with its decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

## **LEGAL MATTERS**

Certain legal matters in connection with the offering of the Notes will be passed upon for us by Sullivan & Cromwell LLP, with respect to matters of U.S. federal and New York state law, and by Mori Hamada & Matsumoto, with respect to certain matters of Japanese law, and for the Initial Purchasers by Latham & Watkins (London) LLP, with respect to matters of U.S. federal and New York state law, and by Latham & Watkins Gaikokuho Joint Enterprise, with respect to matters of Japanese law.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of SoftBank Group Corp. (which changed its name from SoftBank Corp. on July 1, 2015) as of and for the year ended March 31, 2015 with the corresponding figures presented as comparative information as of and for the year ended March 31, 2014 and, as of and for the year ended March 2014 with the corresponding figures presented as comparative information as of and for the year ended March 31, 2013 included in this offering memorandum have been audited by Deloitte Touche Tohmatsu LLC, independent auditors as stated in their report appearing herein. Because the audit report was issued before the corporate name change on July 1, 2015, the audited financial statements refer to the Company using its previous name.

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## GLOSSARY

|  |   |
|--|---|
| ADSL .....   | See asymmetric digital subscriber line.   |
| ARPU .....   | See average revenue per user.   |
| asymmetric digital subscriber line (ADSL) .....              | An internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone lines.  |
| average revenue per user (ARPU) ...                          | Measures the average monthly revenue generated per customer. The calculation of ARPU excludes revenues that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees. SoftBank Corp. calculates ARPU based on the number of its subscribers, excluding subscribers of communication modules. ARPU is one measure of operating performance.  |
| backbone .....   | High-bandwidth point-to-point or ring connections between central offices or other types of major hubs.   |
| broadband .....  | A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services (typically at speeds greater than 512 kbps).   |
| broadband wireless access (BWA) ..                           | A service providing access to bandwidths greater than 1 MHz by wireless means.  |
| central office .....   | A facility in a conventional telephone network where local switching gear is housed. The central office is the primary interconnection point between a caller and the rest of the network and is often referred to as the local exchange.   |
| churn .....  | The number of customers who terminate their service in any particular period.   |
| churn rate .....   | Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service (“churn”) relative to the total subscriber base for a given period.   |
| communication module .....                                   | A small communications terminal. Rather than being used in a stand-alone fashion for telephony or communications, communications modules are integrated into machines to give them networking capabilities  |
| digital subscriber line (DSL) .....                          | A technology for increasing the bandwidth of copper telephone lines. This is an important technology because it has allowed existing copper infrastructure to carry much more information than it was originally designed to handle. Several standards of upstream and downstream bandwidth have been created. These variants seek to trade off bandwidth against range and physical plant requirements to address a wide range of applications. However, the bandwidth DSL access of even the highest speed DSL connection is a small fraction of what can be carried by optical fiber. In addition, DSL connections are inherently vulnerable to electrical noise, including the noise produced by other DSL lines. |
| downstream .....   | Internet data flowing from the source such as an internet service provider to the end user.   |
| DC-HSDPA .....   | See high-speed packet access.   |
| dual-cell high-speed downlink packet access (DC-HSDPA) ..... | See high-speed packet access.   |
| DSL .....  | See digital subscriber line.  |
| FDD-LTE .....  | See long-term evolution.  |

|   |  |
|---|--|
| fiber-to-the-home (FTTH) . . . . .                  | An optical access network in which the optical network unit is on or within the customer's premises. Although the first-connected capacity of an FTTH network varies, the upgrade capacity of an FTTH network exceeds all other transmission media.  |
| FTTH . . . . .                                      | See fiber-to-the-home.   |
| high-speed packet access (HSPA) . . .               | An advanced wireless communication standard that is an accelerated version of the third-generation mobile phone system, W-CDMA. HSPA refers to the joint deployment of both HSDPA (high-speed downlink packet access) and HSUPA (high-speed uplink packet access) technologies, providing accelerated downlink (base station to handset) and uplink (handset to base station) communication speeds. HSPA+ and DC-HSDPA (dual-cell high-speed downlink packet access) are accelerated developments of HSPA. |
| HSPA . . . . .                                      | See high-speed packet access.  |
| HSPA+ . . . . .                                     | See high-speed packet access.  |
| high-speed downlink packet access (HSDPA) . . . . . | See high-speed packet access.  |
| high-speed uplink packet access (HSUPA) . . . . .   | See high-speed packet access.  |
| HSDPA . . . . .                                     | See high-speed packet access.  |
| HSUPA . . . . .                                     | See high-speed packet access.  |
| interconnect . . . . .                              | The connection of one telecommunications carrier's operator's network to another or of a piece of telephone equipment to the telephone network.  |
| interconnection charge . . . . .                    | The charge levied by one telecommunication's carrier to another for interconnection between their networks.  |
| internet . . . . .                                  | A public network based on a common communication protocol which supports communication through the World Wide Web.   |
| internet protocol (IP) . . . . .                    | In addition to governing the operation of the internet, IP is a set of rules for the interconnection of geographically dispersed users who may not be using a common data communication protocol. One important feature of IP is that it does not rely on the establishment of dedicated connections between users. This allows "idle" time between two users to be filled with other data, thereby increasing the utilization of the available bandwidth.   |
| internet service provider (ISP) . . . . .           | A company providing internet access.   |
| IP . . . . .  | See internet protocol.   |
| IP telecommunications . . . . .                     | The transmission of telephone calls over an IP network.  |
| ISP . . . . .                                       | See internet service provider.   |
| LAN . . . . .                                       | See local area network.  |
| local area network (LAN) . . . . .                  | A short distance data network used to link together computers through a main control center, enabling access to a centralized database.  |
| long-term evolution (LTE) . . . . .                 | An advanced wireless communications standard that achieves high-speed communications comparable to optic fiber. There are two LTE systems: FDD (frequency division duplex) and TDD (time division duplex). The FDD system assigns uplink and downlink communications to a pair of different frequency bandwidths, and is referred to as FDD-LTE. The TDD system uses the same frequency bandwidth for both uplink and downlink, and is referred to as TD-LTE.  |
| LTE . . . . .                                       | See long-term evolution.   |

|   |  |
|---|--|
|   | LTE-Advanced is a fourth generation (4G) high-speed wireless communication standard, capable of downlink speeds of more than 1 Gbps under certain system configurations.   |
| M2M .....   | See machine-to-machine.  |
| machine-to-machine .....                              | A technology which enables networked devices to exchange information and perform actions without the manual assistance of humans.  |
| Mbps .....  | Megabits per second.   |
| mobile virtual network operator (MVNO) .....          | A wireless communications services provider that does not own the radio spectrum or wireless network infrastructure over which it provides services but instead leases access to such spectrum or infrastructure from another operator.  |
| modem .....   | Modulates outgoing digital signals (from a computer or other digital device) to analogue signals for a conventional copper phone line. A modem then demodulates the incoming analogue signals and converts them to a digital signal for the digital device.  |
| MVNO .....  | See mobile virtual network operator.   |
| packet .....  | A unit of data in certain communications protocols such as Ethernet and IP. Typically the term “packet” is used for data units which can be of variable length. Packets allow some flexibility when packaging data for transmission by allowing more data to be sent without breaking it up into pieces and then reassembling it at the receiver. This, in turn, reduces the overhead. |
| personal handy-phone system (PHS) .....               | A mobile network system operating in the 1880-1930 MHz frequency band with cells that are generally smaller and typically measure tens or at most hundreds of meters as opposed to multi kilometer cells of more standard devices.   |
| PHS .....   | See personal handy-phone system.   |
| platinum band .....                                   | Radio frequency spectrum from 700 to 900 MHz, well suited to mobile communications applications in Japan.  |
| protocol .....  | A set of rules defining how data transmission equipment and/or software will communicate and interact.   |
| router .....  | A multi-port data communications device that transfers data packets from one port to another along networks.   |
| subscriber .....                                      | An account for any particular telecommunications service.  |
| TD-LTE .....  | See long-term evolution.   |
| traffic .....   | Calls or other transmissions being sent and received over a communications network.  |
| W-CDMA .....  | See wideband code division multiple access.  |
| wideband code division multiple access (W-CDMA) ..... | A third-generation mobile telephone network technology.  |

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SOFTBANK CORP.  
CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended March 31, 2014 and 2015

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SoftBank Corp.:

We have audited the accompanying consolidated statement of financial position of SoftBank Corp. and its subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Corp. and its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Convenience Translation

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

/s/ DELOITTE TOUCHE TOHMATSU LLC  
June 19, 2015

## Consolidated Financial Statements

### a. Consolidated Statement of Financial Position

|   |       | (Millions of yen)           |                            | (Thousands of U.S. dollars) |
|---|-------|-----------------------------|----------------------------|-----------------------------|
|   | Notes | As of<br>March 31,<br>2014* | As of<br>March 31,<br>2015 | As of<br>March 31,<br>2015  |
| <b>Assets</b>   |       |                             |                            |                             |
| <b>Current assets</b>                                     |       |                             |                            |                             |
| Cash and cash equivalents . . . . .                       | 8     | ¥ 1,963,490                 | ¥ 3,258,653                | \$ 27,117,026               |
| Trade and other receivables . . . . .                     | 9,26  | 1,669,545                   | 1,895,648                  | 15,774,719                  |
| Other financial assets . . . . .                          | 10,26 | 164,727                     | 197,068                    | 1,639,910                   |
| Inventories . . . . .                                     | 11    | 251,677                     | 351,152                    | 2,922,127                   |
| Other current assets . . . . .                            | 12    | 281,535                     | 255,399                    | 2,125,314                   |
| Total current assets . . . . .                            |       | 4,330,974                   | 5,957,920                  | 49,579,096                  |
| <b>Non-current assets</b>                                 |       |                             |                            |                             |
| Property, plant and equipment . . . . .                   | 13    | 3,586,327                   | 4,317,448                  | 35,927,836                  |
| Goodwill . . . . .  | 14    | 1,539,607                   | 1,663,363                  | 13,841,749                  |
| Intangible assets . . . . .                               | 14    | 6,177,701                   | 6,903,582                  | 57,448,465                  |
| Investments accounted for using the equity method . . . . | 17    | 304,318                     | 1,102,456                  | 9,174,137                   |
| Other financial assets . . . . .                          | 10,26 | 401,693                     | 662,463                    | 5,512,715                   |
| Deferred tax assets . . . . .                             | 19    | 182,246                     | 235,488                    | 1,959,624                   |
| Other non-current assets . . . . .                        | 12    | 167,261                     | 191,449                    | 1,593,151                   |
| Total non-current assets . . . . .                        |       | 12,359,153                  | 15,076,249                 | 125,457,677                 |
| <b>Total assets</b> . . . . .                             |       | ¥16,690,127                 | ¥21,034,169                | \$175,036,773               |

Note:

\* Retrospective adjustments are made in accordance with the adoption of IFRIC 21 "Levies." The details are described in "Note 4. Changes in accounting policies."

|   |       | (Millions of yen)           |                            | (Thousands of U.S. dollars) |
|---|-------|-----------------------------|----------------------------|-----------------------------|
|   | Notes | As of<br>March 31,<br>2014* | As of<br>March 31,<br>2015 | As of<br>March 31,<br>2015  |
| <b>Liabilities and equity</b>                               |       |                             |                            |                             |
| <b>Current liabilities</b>                                  |       |                             |                            |                             |
| Interest-bearing debt . . . . .                             | 20,26 | ¥ 1,147,899                 | ¥ 1,817,415                | \$ 15,123,700               |
| Trade and other payables . . . . .                          | 21,26 | 1,705,956                   | 1,863,480                  | 15,507,032                  |
| Other financial liabilities . . . . .                       | 22,26 | 5,847                       | 12,917                     | 107,489                     |
| Income taxes payables . . . . .                             |       | 246,013                     | 184,175                    | 1,532,620                   |
| Provisions . . . . .  | 24    | 93,115                      | 54,998                     | 457,668                     |
| Other current liabilities . . . . .                         | 23    | 568,366                     | 739,501                    | 6,153,791                   |
| Total current liabilities . . . . .                         |       | 3,767,196                   | 4,672,486                  | 38,882,300                  |
| <b>Non-current liabilities</b>                              |       |                             |                            |                             |
| Interest-bearing debt . . . . .                             | 20,26 | 8,022,154                   | 9,789,829                  | 81,466,497                  |
| Other financial liabilities . . . . .                       | 22,26 | 41,151                      | 27,142                     | 225,863                     |
| Defined benefit liabilities . . . . .                       | 25    | 77,041                      | 128,282                    | 1,067,504                   |
| Provisions . . . . .  | 24    | 136,920                     | 155,705                    | 1,295,706                   |
| Deferred tax liabilities . . . . .                          | 19    | 1,533,021                   | 2,052,615                  | 17,080,927                  |
| Other non-current liabilities . . . . .                     | 23    | 282,262                     | 354,933                    | 2,953,592                   |
| Total non-current liabilities . . . . .                     |       | 10,092,549                  | 12,508,506                 | 104,090,089                 |
| <b>Total liabilities</b> . . . . .                          |       | 13,859,745                  | 17,180,992                 | 142,972,389                 |
| <b>Equity</b>   |       |                             |                            |                             |
| <b>Equity attributable to owners of the parent</b>          |       |                             |                            |                             |
| Common stock . . . . .                                      | 31    | 238,772                     | 238,772                    | 1,986,952                   |
| Capital surplus . . . . .                                   | 31    | 405,045                     | 374,845                    | 3,119,289                   |
| Retained earnings . . . . .                                 | 31    | 1,168,266                   | 1,740,686                  | 14,485,196                  |
| Treasury stock . . . . .                                    | 31    | (51,492)                    | (48,383)                   | (402,621)                   |
| Accumulated other comprehensive income . . . . .            | 31    | 169,850                     | 540,386                    | 4,496,846                   |
| Total equity attributable to owners of the parent . . . . . |       | 1,930,441                   | 2,846,306                  | 23,685,662                  |
| <b>Non-controlling interests</b> . . . . .                  |       | 899,941                     | 1,006,871                  | 8,378,722                   |
| <b>Total equity</b> . . . . .                               |       | 2,830,382                   | 3,853,177                  | 32,064,384                  |
| <b>Total liabilities and equity</b> . . . . .               |       | ¥16,690,127                 | ¥21,034,169                | \$175,036,773               |

Note:

\* Retrospective adjustments are made in accordance with the adoption of IFRIC 21 "Levies." The details are described in "Note 4. Changes in accounting policies."

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

|  |       | (Millions of yen)                 |                                  | (Thousands of U.S. dollars)      |
|--|-------|-----------------------------------|----------------------------------|----------------------------------|
|  |       | Fiscal year ended March 31, 2014* | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
|  | Notes |                                   |                                  |                                  |
| <b>Net sales</b> .....   | 34    | ¥ 6,666,651                       | ¥ 8,670,221                      | \$ 72,149,630                    |
| Cost of sales .....  | 35    | (3,961,496)                       | (5,327,224)                      | (44,330,732)                     |
| <b>Gross profit</b> .....                                      |       | 2,705,155                         | 3,342,997                        | 27,818,898                       |
| Selling, general and administrative expenses .....             | 35    | (1,826,567)                       | (2,332,626)                      | (19,411,051)                     |
| Gain from remeasurement relating to business combination ..... | 6     | 253,886                           | —                                | —                                |
| Other operating loss .....                                     | 36    | (55,430)                          | (27,668)                         | (230,240)                        |
| <b>Operating income</b> .....                                  |       | 1,077,044                         | 982,703                          | 8,177,607                        |
| Finance cost .....   | 37    | (271,478)                         | (366,505)                        | (3,049,888)                      |
| Income on equity method investments .....                      | 17    | 74,402                            | 76,614                           | 637,547                          |
| Dilution gain from changes in equity interest .....            | 38    | 3,633                             | 599,815                          | 4,991,387                        |
| Other non-operating income (loss) .....                        | 39    | 40,448                            | (15,582)                         | (129,666)                        |
| <b>Income before income tax</b> .....                          |       | 924,049                           | 1,277,045                        | 10,626,987                       |
| Income taxes .....   | 19    | (345,798)                         | (513,363)                        | (4,271,973)                      |
| <b>Net income</b> .....  |       | ¥ 578,251                         | ¥ 763,682                        | \$ 6,355,014                     |
| <b>Net income attributable to</b>                              |       |                                   |                                  |                                  |
| Owners of the parent .....                                     |       | ¥ 520,250                         | ¥ 668,361                        | \$ 5,561,796                     |
| Non-controlling interests .....                                |       | 58,001                            | 95,321                           | 793,218                          |
|  |       | ¥ 578,251                         | ¥ 763,682                        | \$ 6,355,014                     |
|  |       | (Yen)                             | (U.S. dollars)                   |                                  |
|  |       | Fiscal year ended March 31, 2014* | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| <b>Earnings per share attributable to owners of the parent</b> |       |                                   |                                  |                                  |
| Basic .....  | 41    | ¥ 436.95                          | ¥ 562.20                         | \$ 4.68                          |
| Diluted .....  | 41    | 434.68                            | 558.75                           | 4.65                             |

Note:

\* Retrospective adjustments are made in accordance with the adoption of IFRIC 21 “Levies.” The details are described in “Note 4. Changes in accounting policies.”



## Consolidated Statement of Comprehensive Income

|   | Notes | (Millions of yen)                             |                                  | (Thousands of U.S. dollars)      |
|---|-------|---|----------------------------------|----------------------------------|
|   |       | Fiscal year ended March 31, 2014 <sup>1</sup> | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| <b>Net income</b> .....   |       | ¥ 578,251                                     | ¥ 763,682                        | \$6,355,014                      |
| <b>Other comprehensive income (loss), net of tax</b>                      |       |   |                                  |                                  |
| <b>Items that will not be reclassified to profit or loss</b>              |       |   |                                  |                                  |
| Remeasurements of defined benefit plan .....                              | 25,40 | 3,214   | (59,377)                         | (494,108)                        |
| Total items that will not be reclassified to profit or loss .....         |       | 3,214   | (59,377)                         | (494,108)                        |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |       |   |                                  |                                  |
| Available-for-sale financial assets .....                                 | 26,40 | (38,767)                                      | 3,726                            | 31,006                           |
| Cash flow hedges .....  | 26,40 | (134,002)                                     | 12,862                           | 107,031                          |
| Exchange differences on translating foreign operations .....              | 30,40 | 90,683  | 409,596                          | 3,408,471                        |
| Share of other comprehensive income of associates .....                   | 17,40 | 18,588  | (2,227)                          | (18,532)                         |
| Total items that may be reclassified subsequently to profit or loss ..... |       | (63,498)                                      | 423,957                          | 3,527,976                        |
| <b>Total other comprehensive income (loss), net of tax</b> .....          |       | (60,284)                                      | 364,580                          | 3,033,868                        |
| <b>Total comprehensive income</b> .....                                   |       | <u>¥ 517,967</u>                              | <u>¥1,128,262</u>                | <u>\$9,388,882</u>               |
| <b>Total comprehensive income attributable to</b>                         |       |   |                                  |                                  |
| Owners of the parent .....  |       | ¥ 444,615                                     | ¥ 991,671                        | \$8,252,234                      |
| Non-controlling interests .....   |       | 73,352  | 136,591                          | 1,136,648                        |
|   |       | <u>¥ 517,967</u>                              | <u>¥1,128,262</u>                | <u>\$9,388,882</u>               |

### Notes:

- Retrospective adjustments are made in accordance with the adoption of IFRIC 21 "Levies." The details are described in "Note 4. Changes in accounting policies."
- Income taxes related to the components of other comprehensive income are described in "Note 40. Other comprehensive income (loss)."

### c. Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2014\*

| (Millions of yen)   |       |   |                 |                   |                |
|---|-------|---|-----------------|-------------------|----------------|
|   | Notes | Equity attributable to owners of the parent |                 |                   |                |
|   |       | Common stock                                | Capital surplus | Retained earnings | Treasury stock |
| <b>As of April 1, 2013</b> . . . . .  |       | ¥238,772                                    | ¥436,704        | ¥ 712,088         | ¥(22,834)      |
| <b>Effect of retrospective adjustments</b> . . . . .                              |       | —   | —               | (18,315)          | —              |
| <b>As of April 1, 2013 (after adjustments)</b> . . . . .                          |       | 238,772                                     | 436,704         | 693,773           | (22,834)       |
| <b>Comprehensive income</b>   |       |   |                 |                   |                |
| Net income . . . . .  |       | —   | —               | 520,250           | —              |
| Other comprehensive loss . . . . .  |       | —   | —               | —                 | —              |
| <b>Total comprehensive income</b> . . . . .                                       |       | —   | —               | 520,250           | —              |
| <b>Transactions with owners and other transactions</b>                            |       |   |                 |                   |                |
| Cash dividends . . . . .  | 32    | —   | —               | (47,669)          | —              |
| Transfer of accumulated other comprehensive income to retained earnings . . . . . |       | —   | —               | 2,541             | —              |
| Purchase and disposal of treasury stock . . . . .                                 |       | —   | (13)            | (629)             | (28,658)       |
| Changes from business combination . . . . .                                       | 6     | —   | —               | —                 | —              |
| Acquisition of options to convert to subsidiaries' common stocks . . . . .        | 31    | —   | (10,323)        | —                 | —              |
| Changes in interests in subsidiaries . . . . .                                    |       | —   | (21,619)        | —                 | —              |
| Share-based payment transactions . . . . .  |       | —   | 296             | —                 | —              |
| Other . . . . .   |       | —   | —               | —                 | —              |
| <b>Total transactions with owners and other transactions</b> . . . . .            |       | —   | (31,659)        | (45,757)          | (28,658)       |
| <b>As of March 31, 2014</b> . . . . .   |       | ¥238,772                                    | ¥405,045        | ¥1,168,266        | ¥(51,492)      |

Note:

\* Retrospective adjustments are made in accordance with the adoption of IFRIC 21 "Levies." The details are described in "Note 4. Changes in accounting p

For the fiscal year ended March 31, 2015

| (Millions of yen)   |       |              |                 |                   |                |                                  |
|---|-------|--------------|-----------------|-------------------|----------------|----------------------------------|
| Equity attributable to owners of the parent                             |       |              |                 |                   |                |                                  |
|   | Notes | Common stock | Capital surplus | Retained earnings | Treasury stock | Accumulated comprehensive income |
| As of April 1, 2014   |       | ¥238,772     | ¥405,111        | ¥1,193,366        | ¥(51,492)      | ¥169,6                           |
| Effect of retrospective adjustments*                                    |       | —            | (66)            | (25,100)          | —              | 2                                |
| As of April 1, 2014 (after adjustments)                                 |       | 238,772      | 405,045         | 1,168,266         | (51,492)       | 169,8                            |
| Comprehensive income  |       |              |                 |                   |                |                                  |
| Net income  |       | —            | —               | 668,361           | —              | —                                |
| Other comprehensive income  |       | —            | —               | —                 | —              | 323,3                            |
| Total comprehensive income  |       | —            | —               | 668,361           | —              | 323,3                            |
| Transactions with owners and other transactions                         |       |              |                 |                   |                |                                  |
| Cash dividends  | 32    | —            | —               | (47,547)          | —              | —                                |
| Transfer of accumulated other comprehensive income to retained earnings |       | —            | —               | (47,226)          | —              | 47,2                             |
| Purchase and disposal of treasury stock                                 |       | —            | —               | (1,168)           | 3,109          | —                                |
| Changes from business combination                                       |       | —            | —               | —                 | —              | —                                |
| Changes in interests in subsidiaries                                    | 31    | —            | (33,162)        | —                 | —              | —                                |
| Share-based payment transactions  |       | —            | 2,962           | —                 | —              | —                                |
| Other   |       | —            | —               | —                 | —              | —                                |
| Total transactions with owners and other transactions                   |       | —            | (30,200)        | (95,941)          | 3,109          | 47,2                             |
| As of March 31, 2015  |       | ¥238,772     | ¥374,845        | ¥1,740,686        | ¥(48,383)      | ¥540,3                           |

Note:

\* Retrospective adjustments are made in accordance with the adoption of IFRIC 21 “Levies.” The details are described in “Note 4. Changes in accounting p

For the fiscal year ended March 31, 2015

| (Thousands of U.S. dollars)   |       |   |                 |                   |                |  |
|---|-------|---|-----------------|-------------------|----------------|--|
|   |       | Equity attributable to owners of the parent |                 |                   |                |  |
|   | Notes | Common stock                                | Capital surplus | Retained earnings | Treasury stock | Accumulated other comprehensive income |
| As of April 1, 2014   |       | \$1,986,952                                 | \$3,371,149     | \$ 9,930,648      | \$(428,493)    | \$1,411,477                            |
| Effect of retrospective adjustments*                                    |       | —   | (549)           | (208,871)         | —              | 1,940,000                              |
| As of April 1, 2014 (after adjustments)                                 |       | 1,986,952                                   | 3,370,600       | 9,721,777         | (428,493)      | 1,413,417                              |
| Comprehensive income  |       |   |                 |                   |                |  |
| Net income  |       | —   | —               | 5,561,796         | —              | —                                      |
| Other comprehensive income  |       | —   | —               | —                 | —              | 2,690,438                              |
| Total comprehensive income  |       | —   | —               | 5,561,796         | —              | 2,690,438                              |
| Transactions with owners and other transactions                         |       |   |                 |                   |                |  |
| Cash dividends  | 32    | —   | —               | (395,664)         | —              | —                                      |
| Transfer of accumulated other comprehensive income to retained earnings |       | —   | —               | (392,993)         | —              | 392,993                                |
| Purchase and disposal of treasury stock                                 |       | —   | —               | (9,720)           | 25,872         | —                                      |
| Changes from business combination                                       |       | —   | —               | —                 | —              | —                                      |
| Changes in interests in subsidiaries                                    | 31    | —   | (275,959)       | —                 | —              | —                                      |
| Share-based payment transactions  |       | —   | 24,648          | —                 | —              | —                                      |
| Other   |       | —   | —               | —                 | —              | —                                      |
| Total transactions with owners and other transactions                   |       | —   | (251,311)       | (798,377)         | 25,872         | 392,993                                |
| As of March 31, 2015  |       | \$1,986,952                                 | \$3,119,289     | \$14,485,196      | \$(402,621)    | \$4,496,840                            |

Note:

\* Retrospective adjustments are made in accordance with the adoption of IFRIC 21 “Levies.” The details are described in “Note 4. Changes in accounting p

#### d. Consolidated Statement of Cash Flows

|  |       | (Millions of yen)                 |                                  | (Thousands of U.S. dollars)      |
|--|-------|-----------------------------------|----------------------------------|----------------------------------|
|  | Notes | Fiscal year ended March 31, 2014* | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| <b>Cash flows from operating activities</b>  |       |                                   |                                  |                                  |
| Net income . . . . .   |       | ¥ 578,251                         | ¥ 763,682                        | \$ 6,355,014                     |
| Depreciation and amortization . . . . .  |       | 899,904                           | 1,122,531                        | 9,341,192                        |
| Gain from remeasurement relating to business combination . . . . .   |       | (253,886)                         | —                                | —                                |
| Finance cost . . . . .   |       | 271,478                           | 366,505                          | 3,049,888                        |
| Income on equity method investments . . . . .  |       | (74,402)                          | (76,614)                         | (637,547)                        |
| Dilution gain from changes in equity interest . . . .  |       | (3,633)                           | (599,815)                        | (4,991,387)                      |
| Other non-operating (income) loss . . . . .  |       | (40,448)                          | 15,582                           | 129,666                          |
| Income taxes . . . . .   |       | 345,798                           | 513,363                          | 4,271,973                        |
| Increase in trade and other receivables . . . . .  |       | (106,055)                         | (85,357)                         | (710,302)                        |
| Increase in trade and other payables . . . . .   |       | 21,375                            | 27,809                           | 231,414                          |
| Other . . . . .  |       | (163,609)                         | (84,815)                         | (705,793)                        |
| Subtotal . . . . .   |       | 1,474,773                         | 1,962,871                        | 16,334,118                       |
| Interest and dividends received . . . . .  |       | 7,546                             | 5,642                            | 46,950                           |
| Interest paid . . . . .  |       | (306,697)                         | (407,665)                        | (3,392,402)                      |
| Income taxes paid . . . . .  |       | (315,377)                         | (405,674)                        | (3,375,834)                      |
| Net cash provided by operating activities . . . . .  |       | 860,245                           | 1,155,174                        | 9,612,832                        |
| <b>Cash flows from investing activities</b>  |       |                                   |                                  |                                  |
| Purchase of property, plant and equipment, and intangible assets . . . . .                                       | 42    | (1,371,400)                       | (1,397,856)                      | (11,632,321)                     |
| Payments for acquisition of investments . . . . .  |       | (36,193)                          | (287,801)                        | (2,394,949)                      |
| Proceeds from sales/redemption of investments . . . . .  |       | 81,244                            | 133,888                          | 1,114,155                        |
| Decrease from acquisition of control over subsidiaries . . . . .   | 6     | (1,663,539)                       | (47,862)                         | (398,286)                        |
| Proceeds from settlement of foreign currency forward contract for acquisition of control of subsidiary . . . . . | 42    | 310,104                           | —                                | —                                |
| Payments for acquisition of marketable securities for short-term trading . . . . .                               |       | (172,129)                         | (281,620)                        | (2,343,513)                      |
| Proceeds from sales/redemption of marketable securities for short-term trading . . . . .                         |       | 179,545                           | 280,661                          | 2,335,533                        |
| Other . . . . .  |       | (45,820)                          | (66,681)                         | (554,889)                        |
| Net cash used in investing activities . . . . .  |       | (2,718,188)                       | (1,667,271)                      | (13,874,270)                     |
| <b>Cash flows from financing activities</b>  |       |                                   |                                  |                                  |
| (Decrease) increase in short-term interest-bearing debt, net . . . . .   | 20    | (201,794)                         | 108,541                          | 903,229                          |
| Proceeds from long-term interest-bearing debt . .  | 20,42 | 4,698,294                         | 2,715,501                        | 22,597,162                       |
| Repayment of long-term interest-bearing debt . .   | 20    | (1,971,594)                       | (984,783)                        | (8,194,916)                      |
| Payment for purchase of subsidiaries' equity from non-controlling interests . . . . .                            |       | (83,232)                          | (52,883)                         | (440,068)                        |
| Cash dividends paid . . . . .  |       | (47,600)                          | (47,519)                         | (395,431)                        |
| Cash dividends paid to non-controlling interests . . . . .   |       | (14,747)                          | (37,834)                         | (314,837)                        |
| Other . . . . .  |       | (19,952)                          | 18,900                           | 157,277                          |
| Net cash provided by financing activities . . . . .  |       | 2,359,375                         | 1,719,923                        | 14,312,416                       |
| <b>Effect of exchange rate changes on cash and cash equivalents . . . . .</b>                                    |       |                                   |                                  |                                  |
|  |       | 23,001                            | 87,337                           | 726,779                          |
| <b>Increase in cash and cash equivalents . . . . .</b>   |       |                                   |                                  |                                  |
|  |       | 524,433                           | 1,295,163                        | 10,777,757                       |
| <b>Cash and cash equivalents at the beginning of the year . . . . .</b>  |       |                                   |                                  |                                  |
|  | 8     | 1,439,057                         | 1,963,490                        | 16,339,269                       |
| <b>Cash and cash equivalents at the end of the year . .</b>  |       |                                   |                                  |                                  |
|  | 8     | ¥ 1,963,490                       | ¥ 3,258,653                      | \$ 27,117,026                    |

Note:

\* Retrospective adjustments are made in accordance with the adoption of IFRIC 21 "Levies." The details are described in "Note 4. Changes in accounting policies."



## Notes to Consolidated Financial Statements

### 1. Reporting entity

SoftBank Corp. is a corporation domiciled in Japan. The registered address of SoftBank Corp.'s head office is disclosed on our website (<http://www.softbank.jp/>). These consolidated financial statements are composed of SoftBank Corp. and its subsidiaries ("the Company"). The Company engages in various businesses in the information industry, with its base in the Mobile Communications segment, the Sprint segment, the Fixed-Line Telecommunications segment and the Internet segment. The details are described in "(1) Description of reportable segment" in "Note 7. Segment information."

### 2. Basis of preparation of consolidated financial statements

#### (1) Compliance with IFRSs

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

#### (2) Basis of measurement

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

#### (3) Presentation currency and unit of currency

These consolidated financial statements have been presented in Japanese yen, which is the currency of the primary economic environment of SoftBank Corp. ("functional currency"), and are rounded to the nearest million yen.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

#### (4) Changes in presentation

##### (Consolidated statement of income)

- a. "Dilution gain from changes in equity interest" which was included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2014 is separately presented for the fiscal year ended March 31, 2015 since the significance of the amount increased. In order to reflect the change, ¥3,633 million which was included in "Other non-operating income (loss)" in the consolidated statement of income for the fiscal year ended March 31, 2014, is reclassified as "Dilution gain from changes in equity interest."

##### (Consolidated statement of cash flows)

- a. "Dilution gain from changes in equity interest" which was included in "Other non-operating (income) loss" in net cash provided by operating activities for the fiscal year ended March 31, 2014 is separately presented for the fiscal year ended March 31, 2015 since the significance of the amount increased. In order to reflect the change, ¥3,633 million which was included in "Other non-operating (income) loss" in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2014, is reclassified as "Dilution gain from changes in equity interest."
- b. "Payments for acquisition of marketable securities for short-term trading" which were included in "Payments for acquisition of investments" and "Proceeds from sales/redemption of marketable securities for short-term trading" which were included in "Proceeds from sales/redemption of investments" in net cash used in investing activities for the fiscal year ended March 31, 2014 are separately presented for the fiscal year ended March 31, 2015 since the significance of the amounts increased. In order to reflect the changes, ¥172,129 million which was included in "Payments for acquisition of investments" and ¥179,545 million which was included in "Proceeds from sales/redemption of investments" in net cash used in investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2014, are reclassified as "Payments for acquisition of marketable securities for short-term trading" and as "Proceeds from sales/redemption of marketable securities for short-term trading," respectively.

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

New standards and interpretations which are newly established or amended before the approval date of the consolidated financial statements, not yet adopted by the Company and which may have potential impacts are as follows. The Company is currently evaluating the potential impacts.

| Standard / interpretation |                                       | Mandatory adoption<br>(From the year<br>beginning) | To be adopted by<br>the SoftBank<br>Group | Outline of the new / revised standards  |
|---------------------------|---------------------------------------|--|---|---|
| IFRS 9                    | Financial Instruments                 | January 1, 2018                                    | Not determined                            | IFRS 9 replaces a part of the previous IAS 39. Main revisions are:<br>to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement;<br>to revise the treatment of changes in fair values of financial liabilities measured at fair values;<br>to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge;<br>and<br>to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.                   |
| IFRS 15                   | Revenue from contracts with customers | January 1, 2017                                    | Not determined                            | IFRS 15 replaces a part of the previous IAS 11 and IAS 18. Main revisions are:<br>to require revenue recognition by the following five steps:<br>a. identify the contract with the customer<br>b. identify the performance obligations in the contract<br>c. determine the transaction price<br>d. allocate the transaction price to each performance obligation in the contract<br>e. recognise revenue when (or as) a performance obligation is satisfied<br>to revise the treatment for contract costs, license and guarantee of products, and<br>to increase the disclosure related to revenue recognition. |

(6) Definition of company name and abbreviation used in the notes

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

| Company name / Abbreviation  | Definition  |
|--|---|
| “SoftBank Corp.”   | SoftBank Corp. (stand-alone basis)                      |
| The “Company”  | SoftBank Corp. and its subsidiaries                     |
| *Each of the following abbreviations indicates the respective company, and its subsidiaries, if any. |   |
| “Sprint”   | Sprint Corporation (formerly Sprint Nextel Corporation) |
| “Sprint Communications”  | Sprint Communications, Inc.                             |
| “Clearwire”  | Clearwire Corporation                                   |
| “Alibaba”  | Alibaba Group Holding Limited                           |
| “GungHo”   | GungHo Online Entertainment, Inc.                       |
| “Supercell”  | Supercell Oy  |
| “Kahon 3”  | Kahon 3 Oy  |
| “SoftBank C&S”   | SoftBank Commerce & Service Corp.                       |
| “WCP”  | Wireless City Planning Inc.                             |

### 3. Significant accounting policies

Accounting policies the Company has adopted have been applied consistently to all periods presented in these consolidated financial statements.

(1) Basis of consolidation

a. Subsidiaries

A subsidiary is an entity that is controlled by SoftBank Corp.

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

The subsidiaries’ financial statements are consolidated from the date when control is acquired (“acquisition date”) until the date when the control is lost.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

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

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

All intragroup balances and transactions and unrealized gain or loss arising from intragroup transactions are eliminated on consolidation.

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

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

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

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the net carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary when a control is lost.

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

b. Associates

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

Investments in associates are accounted for using the equity method and initially recognized at cost. The investment is adjusted thereafter to recognize the Company's interest of the profit or loss and other comprehensive income from the date of acquisition to the date of loss of significant influence.

However, regarding preferred stock investment in associates, when the feature of preferred stock is substantively different from common stock, it is not accounted for using the equity method, and it is designated as financial assets at fair value through profit or loss ("financial assets at FVTPL"). Please refer to "(4) Financial instruments" under "Note 3. Significant accounting policies" for details.

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

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

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

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

The Company applies the equity method to the financial statements of Alibaba, an associate of the Company, on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba due to the contract with Alibaba. Adjustments are made for significant transactions or events that occurred during the intervening period and which were publicly announced by Alibaba.

## (2) Business combinations

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

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefits are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- assets or disposal groups that are classified as held for sale are measured in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

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

On an acquisition-by-acquisition basis, the Company chooses a measurement basis of non-controlling interests at either fair value or by the proportionate share of the non-controlling interests in the recognized amounts of the acquiree's identifiable net assets. When a business combination is achieved in stages, the Company's previously held interest in the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss.

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

If the initial accounting for a business combination is incomplete by the end of the fiscal year, the Company reports in its consolidated financial statements provisional amounts for the items for which the

accounting is incomplete. The Company retrospectively adjusts the provisional amounts recognized at the acquisition date as an adjustment during the measurement period when new information about facts and circumstances that existed as of the acquisition date and, if known, would have affected the recognized amounts for the business combination. The measurement period shall not exceed one year from the acquisition date.

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

### (3) Foreign currency translation

#### a. Transactions denominated in foreign currencies

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

Monetary items denominated in foreign currencies are translated into the functional currency at the rates prevailing at the end of the fiscal year. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was measured.

Exchange differences arising from translation are recognized in profit or loss, except for exchange differences arising from non-monetary available-for-sale financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

#### b. Foreign operations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company’s foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) are translated into Japanese yen using exchange rates prevailing at the end of the fiscal year.

Income, expenses and cash flows are translated into Japanese yen by using the average exchange rates for each quarter. When the translated amounts do not approximate the amounts translated by the exchange rates at the dates of the transactions, the exchange rates at the transaction dates are used for the translation.

The exchange rates used in the translation are described in “Note 30. Foreign exchange rate.”

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income and cumulative differences are included in accumulated other comprehensive income.

These cumulative differences are reclassified from equity to profit or loss when the Company loses control or significant influence over the foreign operation.

### (4) Financial instruments

#### a. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract provision of the instrument.

Financial assets and financial liabilities are measured at fair value at initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities other than financial assets at FVTPL and financial liabilities at fair value through profit or loss (“financial liabilities at FVTPL”) are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of 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 into “financial assets at FVTPL,” “held-to-maturity investments,” “loans and receivables,” and “available-for-sale financial assets.” The classification depends on the nature and purpose of the financial assets and is determined at initial recognition.

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



(a) Financial assets at FVTPL

Financial assets are classified as “financial assets at FVTPL” when they are held for trading purposes or designated as financial assets at FVTPL.

Financial assets other than derivatives, which are mainly acquired to be sold in the short term, are classified as held for trading purposes.

The Company designates a financial asset as a financial asset at FVTPL upon initial recognition, if:

- the financial assets are managed in accordance with the Company’s documented risk management policy or investment strategy; and
- its performance is reviewed on the fair value basis by the Company’s management to make decisions about the investment plan.

Also, if the Company is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated and accounted for as financial assets at FVTPL.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Gains or losses arising from changes in fair value, dividend income and interest income are recognized in profit or loss. Fair value of financial assets at FVTPL is measured in the manner described in “(1) Categorization within the level of the fair value hierarchy” in “Note 27. Fair value of financial instruments.”

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. Fair value of available-for-sale financial assets is measured in the manner described in “(1) Categorization within the level of the fair value hierarchy” in “Note 27. Fair value of financial instruments.” Exchange differences arising on monetary financial assets classified as available-for-sale financial assets, interest income calculated using the effective interest method relating to available-for-sale financial assets and dividends received are recognized in profit or loss.

(e) Impairment of financial assets

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

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

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

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

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

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

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

#### (f) Derecognition of financial assets

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

#### c. Non-derivative financial liabilities

The Company's non-derivative financial liabilities include interest-bearing debt and trade and other payables. These financial liabilities are measured at amortized cost using the effective interest method, subsequent to initial recognition.

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

#### d. Derivatives and hedge accounting

##### (a) Derivatives

The Company is engaged in derivative transactions, including foreign currency forward contracts and interest rate swaps in order to manage its exposure to foreign exchange rate and interest rate risks.

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

##### (b) Hedge accounting

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualifying as cash flow hedges is recognized in other comprehensive income and accumulated in equity. Accumulated other comprehensive income is transferred to profit or loss through a line item relating to the hedged item in the consolidated statement of income, in the periods when the cash flows from the hedged item affect profit or loss. Any ineffective portion of changes in fair value of derivatives is recognized immediately in profit or loss.

When the hedged forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Company removes the associated gains or losses previously recognized in accumulated other comprehensive income and includes them in the initial amount of the cost of the non-financial asset or non-financial liability (basis adjustment).

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised or when hedge no longer meets the criteria for hedge accounting.

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remains in equity and is reclassified to profit or loss when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gains or losses recognized in accumulated other comprehensive income are reclassified immediately to profit or loss.

#### (c) Embedded derivatives

Derivatives embedded in non-derivative host contracts ("embedded derivatives") are separated from the host contracts and accounted for as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the whole financial instruments, including embedded derivatives, are not measured at FVTPL. If the Company is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated and accounted for as financial assets at FVTPL.

#### e. Offsetting financial assets and financial liabilities

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

#### (5) Cash and cash equivalents

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

#### (6) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories mainly consist of mobile handsets and accessories. Their costs comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs are mainly calculated by the moving-average method.

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

#### (7) Property, plant and equipment

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

Property, plant and equipment are depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset, less its residual value. Land and construction in progress are not depreciated.

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

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

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

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

#### (8) Goodwill

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

Goodwill is not amortized, and is tested for impairment when there is an indication of impairment in cash-generating units or groups of cash-generating units to which goodwill has been allocated, and annually regardless of any indication of impairment. Impairment is described in “(11) Impairment of property, plant and equipment, intangible assets and goodwill” in “Note 3. Significant accounting policies.”

The Company’s policy for goodwill arising from the acquisition of an associate is described in “(1) Basis of consolidation” in “Note 3. Significant accounting policies.”

#### (9) Intangible assets

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

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

There are intangible assets with finite useful lives and intangible assets with indefinite useful lives.

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

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

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

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

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

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

Intangible assets with indefinite useful lives are as follows:

- Licenses using specific frequency spectrum granted by the U.S. Federal Communications Commission (“FCC licenses”)
- Trademarks (with indefinite useful lives)

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

The Company determined that “Sprint,” “Boost Mobile” and other trademarks have indefinite useful lives as they can be legally used continuously as long as the business continues and management’s current plans are to offer service under these trademarks for the foreseeable future.

The intangible assets with indefinite useful lives and the intangible assets that are not yet available for use are not amortized. The impairment of these assets is described in “(11) Impairment of tangible assets, intangible assets and goodwill” in “Note 3. Significant accounting policies.”

#### (10) Leases

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

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

##### a. Finance leases

(The Company as lessee)

At inception, the Company initially recognizes finance leases as assets and the lease obligation at the amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

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

##### b. Operating leases

(The Company as lessee)

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

(The Company as lessor)

Gross operating lease incomes are recognized as revenues on a straight-line basis over the relevant lease terms.

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

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

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



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

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

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

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

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

#### b. Impairment of goodwill

At the end of the fiscal year and at the end of each quarter, the Company determines whether there is any indication that goodwill may be impaired.

Goodwill is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies arising from the business combination, and it is tested for impairment annually regardless of any indication of impairment, and when there is an indication that the cash-generating unit or groups of cash-generating units may be impaired. If, at the time of the impairment test, the recoverable amount of the cash-generating unit or groups of cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or groups of cash-generating units and then to the other assets pro rata based on the carrying amount of each asset in the unit or groups of cash-generating units.

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

### (12) Retirement benefits

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

The Company primarily adopts defined contribution pension plans.

SoftBank Mobile Corp. and SoftBank Telecom Corp. have frozen their defined benefit lump-sum plans since March 2006 and 2007, respectively. Liabilities for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until they are paid in the form of a lump sum at the time of future retirement of employees.

Sprint has frozen its defined benefit pension plans since December 2005. Liabilities for the defined benefit pension plans are recognized as defined benefit liabilities until they are paid as pensions after the time of retirement of employees.

#### a. Defined contribution plans

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

#### b. Defined benefit plans

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

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

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and re-measurements of the net defined benefit liability (asset). Service cost and net interest are recognized in net profit or loss. Net interest is determined using the discount rate described above.

The liabilities for the frozen defined benefit plans are calculated on the basis of retirement benefits vested at the time the plans were frozen. Therefore, service cost is not incurred for those defined benefit plans.

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

### (13) Provisions

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

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

The Company recognizes asset retirement obligations, restructuring provision, provision for loss on interest repayment, and provision for onerous contract as provisions.

Restructuring provisions are recognized when the Company has a detailed formal plan for the restructuring and has raised a valid expectation to those who will be affected that the Company will carry out the restructuring by starting to implement the plan or announcing the main features of the plan.

Restructuring provisions are mainly related to network shutdown and backhaul access contracts. The details of the restructuring provision are described in "Note 24. Provisions."

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

### (14) Treasury stock

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

### (15) Share-based payments

The Company grants stock options and restricted stock unit awards as equity-settled share-based compensation and cash-settled share-based compensation.

Equity-settled share-based compensation is measured at fair value at the grant date. The fair value of stock options is calculated using the Black-Scholes model and other, and the fair value of restricted stock units is calculated using the share price at the date of grant.

The fair value determined at the grant date is expensed over the vesting period, based on the estimate of stock options or restricted stock units that will eventually vest, with a corresponding increase in equity.

The Company regularly reviews the assumptions made and revises estimates of the number of stock options or restricted stock units that are expected to vest, when necessary.

Cash-settled share-based compensation is accounted for as liabilities and is measured initially at the fair value of the award. The fair value of the liabilities is remeasured on each closing date and the settlement date, and changes in fair values are recognized in profit or loss.

## (16) Revenue

The Company's accounting policy for revenue recognition by major categories is as follows:

### a. Mobile Communications service and sales of mobile handsets

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

In the Mobile Communications service, revenues are mainly generated from basic monthly charges, telecom service ("revenues from the mobile telecommunications service") and other fees. Also, revenues from the sale of mobile handsets ("revenues from the sale of mobile handsets") are generated from the sale of mobile handsets and accessories to subscribers or dealers.

The business flow of the above transactions consists of "Indirect sales", where the Company sells mobile handsets to dealers and enters into telecommunications services contracts with subscribers through dealers, and "Direct sales", where the Company sells mobile handsets to subscribers and enters into telecommunications services contracts directly with subscribers. The revenues are recognized respectively as follows:

#### (a) Indirect sales

Revenues from the sale of mobile handsets are recognized when mobile handsets are delivered to dealers, which is when risk and economic value are deemed to be transferred. Commission fees paid to dealers related to the sales of mobile handsets are deducted from revenues.

The mobile telecommunications services are recognized as revenue when services are provided to subscribers. Discounts are deducted from revenues from monthly mobile telecommunications services as a discount of mobile telecommunications charges.

Activation fees are deferred upon entering into the contract and recognized as revenues over the estimated average contract period. Upgrade fees are recognized as revenues over the estimated average usage period of handsets with the subscribers. Direct costs related to activation are deferred to the extent of the activation fees and upgrade fees and are amortized over the respective same period.

#### (b) Direct sales

In direct transactions, as the revenue from the sales of mobile handsets and the mobile telecommunications services, including the fees, are considered to be one transaction, the total amount of revenues is allocated to mobile handsets and telecommunications service on the basis of fair value ratio.

When handsets are sold in installments, revenue from the sales of mobile handsets is recognized based on the fair value ratio when handsets are delivered to the subscribers. When handsets are sold in lump-sum payment, the maximum amount of revenues to be recognized by the sale of mobile handsets is set by the amounts to be received from subscribers at the sales of mobile handsets. The amount of revenue allocated to the mobile telecommunication services is recognized when the service is provided to the subscribers.

The previous point program operated by the Company has been transferred to the point program operated by a third party since July 2014. In the previous point program, points were granted to subscribers based on the billing amount from mobile telecommunications services revenue from both direct and indirect sales. The fair values of benefits to be exchanged based on the estimated point utilization rate were deferred and recognized as revenues when subscribers utilized the points.

In the point program operated by the third party, the fair values of the points are deferred when the services are provided to subscribers in both direct and indirect sales. Points are granted to subscribers based on the mobile telecommunications services revenues and recognized as revenues when payments from the mobile telecommunications services revenues are made.

### b. Sales of game items

In games that the Company provides for mobile devices, the Company sells items that are usable in games. The revenue from the sales of those items is deferred at the time of sales, and recognized as revenue when they are actually used by the customers or over the estimated usage period, based on the characteristics of the items.

### c. Fixed-line Telecommunications service

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

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

d. Internet service

In the Internet service, revenues are generated mainly from sponsored search advertising, display advertising, e-commerce related commission fees, and revenue from membership.

Sponsored search advertising revenue is recognized when a visitor of the website clicks the advertisement. Display advertising comprises premium advertising, Yahoo! Display Ad Network (“YDN”) and other. Revenue from premium advertising is recognized over a period in which related advertisement is displayed. Revenue from YDN is recognized when a visitor of the website clicks the advertisement on the page with the related content. Revenue from e-commerce-related commission fees is recognized when the transaction occurs. Revenue from membership fees is recognized over an effective period of the membership.

(17) Sales commission fees

The Company pays sales commission fees when dealers sell the Company’s mobile handsets to subscribers or acquire and retain engagement of telecommunications service between the Company and subscribers. Commission fees related to the sales of mobile handsets are deducted from the revenues from the sales of mobile handsets. Commission fees related to the acquisition and retention of engagement of telecommunications service are recognized as selling, general and administrative expenses.

(18) Income tax

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

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

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized. The recoverability of deferred tax assets is reassessed at the end of the fiscal year.

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

Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will reverse in the foreseeable future and when there will be sufficient taxable profits against which the temporary differences can be utilized.

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

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

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

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

(19) Earnings per share

Basic earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted-average number of ordinary shares (after adjusting for treasury stocks) outstanding for the period.

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

#### 4. Changes in accounting policies

The following standards are applied by the Company effective for the fiscal year ended March 31, 2015.

| Standard               |  | Outline of the new / revised standards   |
|------------------------|--|--|
| IAS 32<br>(Amendments) | Financial Instruments:<br>Presentation | To clarify the requirements of net presentation of financial assets and liabilities  |
| IFRIC 21               | Levies                                 | To clarify the timing of recognition of liabilities related to the payment of levies |

IFRIC 21 is applied retrospectively in accordance with its transition method. Consolidated financial statements for the fiscal ended March 31, 2014 are presented after the retrospective application.

Effects of the above adoption on the consolidated financial statements are as follows.

(Consolidated statement of financial position)

|   | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|---|-------------------------|-------------------------|-----------------------------|
|   | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Decrease in other current assets .....                              | ¥(11,686)               | ¥ (7,308)               | \$ (60,814)                 |
| Increase in goodwill .....  | 7,302                   | 8,343                   | 69,427                      |
| Increase in deferred tax assets .....                               | 9,514                   | 8,681                   | 72,239                      |
| Increase in total assets .....                                      | ¥ 5,130                 | ¥ 9,716                 | \$ 80,852                   |
| Increase in other current liabilities .....                         | ¥ 33,418                | ¥ 38,009                | \$ 316,294                  |
| Increase in total liabilities .....                                 | ¥ 33,418                | ¥ 38,009                | \$ 316,294                  |
| Decrease in capital surplus .....                                   | ¥ (66)                  | ¥ (66)                  | \$ (549)                    |
| Decrease in retained earnings .....                                 | (25,100)                | (23,433)                | (194,998)                   |
| Increase (decrease) in accumulated other comprehensive income ..... | 233                     | (403)                   | (3,354)                     |
| Decrease in non-controlling interests .....                         | (3,355)                 | (4,391)                 | (36,540)                    |
| Decrease in total equity .....                                      | ¥(28,288)               | ¥(28,293)               | \$(235,441)                 |

(Consolidated statement of income)

|   | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| (Increase) decrease in cost of sales .....                                | ¥(8,326)                            | ¥1,997                              | \$16,619                            |
| (Increase) decrease in selling, general and administrative expenses ..... | 8                                   | (8)                                 | (67)                                |
| (Increase) decrease in income taxes .....                                 | 420                                 | (833)                               | (6,932)                             |
| Increase (decrease) in net income .....                                   | ¥(7,898)                            | ¥1,156                              | \$ 9,620                            |
|   | (Yen)                               |                                     | (U.S. cent)                         |
| Earnings per share attributable to owners of the parent                   |                                     |                                     |                                     |
| Increase (decrease) in earnings per share-basic .....                     | ¥ (5.69)                            | ¥ 1.40                              | ¢ 1.17                              |
| Increase (decrease) in earnings per share-diluted .....                   | (5.69)                              | 1.40                                | 1.17                                |



(Consolidated statement of comprehensive income)

|   | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|---|----------------------------------|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Increase (decrease) in net income . . . . .   | ¥(7,898)                         | ¥1,156                           | \$ 9,620                         |
| Increase (decrease) in exchange differences on translating foreign operations . . . . . | 295                              | (885)                            | (7,365)                          |
| Increase (decrease) in total comprehensive income . . . . .                             | <u>¥(7,603)</u>                  | <u>¥ 271</u>                     | <u>\$ 2,255</u>                  |

(Consolidated statement of cash flows)

|   | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|---|----------------------------------|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Cash flows from operating activities                          |                                  |                                  |                                  |
| (Decrease) increase in net income . . . . .                   | ¥(7,898)                         | ¥ 1,156                          | \$ 9,620                         |
| (Decrease) increase in income taxes . . . . .                 | (420)                            | 833                              | 6,932                            |
| Increase (decrease) in other . . . . .                        | 8,318                            | (1,989)                          | (16,552)                         |
| Net cash provided by (used in) operating activities . . . . . | <u>¥ —</u>                       | <u>¥ —</u>                       | <u>\$ —</u>                      |

There are no significant effects on the Company due to the adoption of other new standards and interpretations.

## 5. Significant judgments and estimates

In preparing consolidated financial statements under IFRSs, management makes judgments, estimates, and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue, and expenses. These estimates and underlying assumptions are based on the management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of its estimates or assumptions, however, actual results in the future may differ from those estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in the future periods. Significant judgments, estimates and assumptions that affect the amounts recognized in the Company's consolidated financial statements are as follows:

- judgments of whether an entity is controlled by the Company in the decision making on the scope of consolidation ((1) in "Note 3. Significant accounting policies" and "Note 16. Major subsidiaries");
- estimates for impairment of investments accounted for using the equity method ((1) in "Note 3. Significant accounting policies" and "Note 39. Other non-operating income and loss");
- estimates of fair value of assets acquired and the liabilities assumed in a business combination ((2) in "Note 3. Significant accounting policies" and "Note 6. Business combinations");
- fair value measurement of financial assets at FVTPL and available-for-sale financial assets ((4) in "Note 3. Significant accounting policies" and (1) (2) in "Note 27. Fair value of financial instruments");
- estimates of forecasted transactions related to hedge accounting ((4) in "Note 3. Significant accounting policies");
- estimates for amortization period and impairment of financial assets measured at amortized cost ((4) in "Note 3. Significant accounting policies" and "Note 39. Other non-operating income and loss");
- fair value measurement of derivatives (including embedded derivatives) ((4) in "Note 3. Significant accounting policies," (1) (2) in "Note 27. Fair value of financial instruments," and "Note 39. Other non-operating income and loss");
- estimates of residual value and useful life of property, plant and equipment and intangible assets ((7) and (9) in "Note 3. Significant accounting policies");
- judgments and estimates for accounting treatment of contracts including leases ((10) in "Note 3. Significant accounting policies" and "Note 15. Leases");

- estimates for impairment of property, plant and equipment, intangible assets and goodwill ((11) in “Note 3. Significant accounting policies,” “Note 14. Goodwill and intangible assets” and “Note 36. Other operating income and loss”);
- measurement of defined benefit obligation ((12) in “Note 3. Significant accounting policies” and (2) in “Note 25. Retirement benefits”);
- judgments and estimates for recognition and measurement on provisions ((13) in “Note 3. Significant accounting policies” and “Note 24. Provisions”); and
- assessment of recoverability of deferred tax assets ((18) in “Note 3. Significant accounting policies” and (4) in “Note 19. Income taxes”).

When estimating the value of returned inventory, Sprint evaluates many factors and obtains information to support the estimated value of used devices and the useful lives.

Recently, Sprint has observed sustained value and extended useful lives for handsets leading to an increase in the estimated value for returned inventory. As a result, Sprint revised its methodology and assumptions used in estimating the value for returned handsets. The change in estimate was accounted for on a prospective basis effective October 1, 2014.

The effect of the change in estimate, which was included in “Cost of sales” in the Company’s consolidated statement of income, reduced the Company’s operating loss by approximately ¥9,048 million (approximately \$80 million) for the fiscal year ended March 31, 2015. In addition, this change resulted in an increase in “Inventories” on the consolidated statement of financial position of approximately ¥9,614 million (approximately \$80 million) as of March 31, 2015.

## 6. Business combinations

### (1) GungHo Online Entertainment, Inc.

#### a. Overview of consolidation

Masayoshi Son, chairman and CEO of the SoftBank Corp., has entered into a Memorandum of Understanding on Exercise of Voting Rights for Deferment of Execution of Pledges (the “MOU”) with respect to the shares of GungHo on April 1, 2013, with Heartis G.K. (“Heartis”; percentage of voting interest: 18.5%), which is the second largest shareholder of GungHo and Taizo Son’s asset management company and of which Taizo Son, chairman of GungHo, is the representative director. Under the MOU, in order to have Son Holdings Inc., of which Masayoshi Son is a director and which is Masayoshi Son’s asset management company, defer the execution of pledges over the shares of GungHo held by Heartis, Heartis has agreed, effective as of April 1, 2013, to the effect that at the shareholders meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son’s directions. Also, a subsidiary of the Company, SoftBank Mobile Corp., undertook the Tender Offer from April 1, 2013 to April 26, 2013 and acquired 6.37% of GungHo shares (purchase price: ¥24,976 million). The Company and Heartis together came to represent the majority of the voting rights in GungHo’s shares (percentage of voting interest: 58.50%) and GungHo Online Entertainment changed from an equity method associate to a subsidiary of the Company.

With this transaction, the Company expects that it will be able to enhance mobile content, and to improve the efficiency in operation of the mobile communications business and profitability competitiveness by combining smartphone-focused development capability and infrastructure held by the Company, and planning and creating capabilities in the smartphone game industry held by GungHo.

#### (Business description of GungHo)

- (a) Planning, development, operation and distribution of online games
- (b) Planning, development and sales of mobile content
- (c) Planning, development and sales of character goods
- (d) Planning, development and distribution of other entertainment content

#### (Acquisition date)

April 1, 2013

b. Consideration transferred and its components

|   |   | (Millions of yen)                   |
|---|---|-------------------------------------|
|   |   | Acquisition date<br>(April 1, 2013) |
| Payment by cash . . . . .   |   | ¥ 24,976                            |
| Fair value of equity interest in GungHo already held at the time of the acquisition . . . . . |   | 153,620                             |
| Total consideration transferred . . . . .   | A | <u>¥178,596</u>                     |

Acquisition-related costs of ¥109 million arising from the business combinations are recognized in “Selling, general and administrative expenses” for the fiscal year ended March 31, 2014.

As a result of the reevaluation of 33.63% in equity interest already held at the time of the acquisition of control by the Company in GungHo at fair value on the acquisition date, the Company recognized a gain on the step acquisition of ¥150,120 million. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

c. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  |             | (Millions of yen)                   |
|--|-------------|-------------------------------------|
|  |             | Acquisition date<br>(April 1, 2013) |
| Current assets . . . . .                         |             | ¥ 36,903                            |
| Intangible assets <sup>1</sup> . . . . .         |             | 80,814                              |
| Other non-current assets . . . . .               |             | 4,511                               |
| Total assets . . . . .                           |             | 122,228                             |
| Current liabilities . . . . .                    |             | 10,897                              |
| Non-current liabilities . . . . .                |             | 29,949                              |
| Total liabilities . . . . .                      |             | 40,846                              |
| Net assets . . . . .                             | B           | 81,382                              |
| Non-controlling interests <sup>2</sup> . . . . . | C           | 48,818                              |
| Goodwill <sup>3</sup> . . . . .                  | A – (B – C) | <u>¥146,032</u>                     |

Notes:

- Intangible assets  
The components are described in “Note 14. Goodwill and intangible assets.”
- Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured based on the proportionate interests at acquisition date in the identifiable net assets of the acquiree at acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development and assembled workforce for game development and other, and the synergy with existing businesses.

d. Payment for acquisition of control over subsidiaries

|  | (Millions of yen)                   |
|--|-------------------------------------|
|  | Acquisition date<br>(April 1, 2013) |
| Payment for the acquisition by cash . . . . .  | ¥(24,976)                           |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . | 11,025                              |
| Payment for the acquisition of control over the subsidiary by cash . . . . .               | <u>¥(13,951)</u>                    |

e. Sales and net income of the acquiree

The amounts of the acquiree’s sales and net income before elimination of inter-company transactions and after the acquisition date are ¥181,056 million and ¥42,857 million, respectively, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

## (2) Sprint

### a. Overview of consolidation

On October 15, 2012, the Company and Sprint entered into a series of definitive agreements under which the Company will invest in Sprint. After the completion of negotiations, the Company and Sprint agreed to amend a portion of the transaction on June 11, 2013.

On July 10, 2013, SoftBank Corp. capitalized, through a wholly owned subsidiary, Starburst I, Inc., Sprint with an additional \$18.5 billion and the total investment of SoftBank Corp. amounted to \$21.6 billion, including \$3.1 billion of corporate bonds with stock acquisition rights issued by Sprint Nextel Corporation (the “Bond”) invested by Starburst II, Inc. on October 22, 2012. Of the invested amounts of \$21.6 billion, \$16.6 billion was distributed to Sprint’s existing individual shareholders and \$5 billion was used to strengthen Sprint. The Bond held by Starburst II, Inc. was converted into shares.

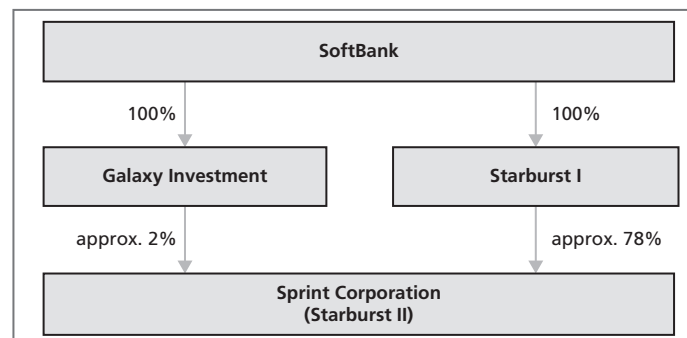
Through the transaction, approximately 72% of Sprint Nextel Corporation shares were acquired for \$7.65 per share in cash, and the remaining shares were converted into Sprint shares on a one-to-one basis, which succeeded Sprint Nextel Corporation and became listed on the New York Stock Exchange.

As a result of the transaction, Starburst I, Inc. owns approximately 78% of the shares of Sprint and Sprint became a subsidiary of SoftBank Corp.

Prior to the transaction, Clearwire, a company providing high-speed wireless communication services in the U.S., became a wholly owned subsidiary of Sprint on July 9, 2013.

From August 1, 2013 to September 16, 2013, SoftBank Corp., through Galaxy Investment Holdings, Inc., a wholly-owned subsidiary in the U.S., additionally purchased approximately 2% of the shares of Sprint (purchase price: \$500 million). As a result, the Company’s ownership in the outstanding Sprint common stock became approximately 80% as of March 31, 2014.

### Structure after completion of the transaction



### b. Purposes of consolidation

- (a) Enables the Company to establish an operating base as one of the largest mobile Internet companies in the world. The combined subscriber base will be one of the largest between the U.S. and Japan\*.
- (b) Enables the Company to leverage its deep expertise in smartphones and next-generation mobile networks, and its track record of success in competing in mature markets with large incumbents, to enhance competitiveness of Sprint in the U.S.
- (c) Provides Sprint \$5 billion of new capital for its mobile network, strategic investments, and balance sheet as part of its continued efforts to fortify its operating base towards future growth.

Note:

\* Based on Telecommunications Carriers Association (“TCA”) data and disclosed material by relevant companies as of the end of June 2013.

c. Summary of Sprint

| Name                             | Sprint Corporation   |
|----------------------------------|--|
| Address                          | 6200 Sprint Parkway, Overland Park, Kansas   |
| Name and title of representative | Marcelo Claure, Chief Executive Officer and Director<br>(Assumed the post on August 11, 2014)  |
| Business description             | Holding company<br>Provision of telecommunications services through its operating subsidiaries   |
| Note                             | The Chairman of the Board and the Vice Chairman of the Board were assumed by Masayoshi Son, the Chairman & CEO of SoftBank Corp. and Ronald Fisher, Director of SoftBank Corp., respectively.<br>Adm. Mike Mullen, former Chairman of the Joint Chiefs of Staff, has been appointed as the Director in charge of security. |
| Consolidated sales               | \$35,493 million (For the fiscal year ended December 31, 2013, US GAAP)  |

d. Acquisition date

July 10, 2013

e. Consideration transferred and its components

|   | (Millions of yen)                   |
|---|-------------------------------------|
|   | Acquisition date<br>(July 10, 2013) |
| Payment by cash . . . . .   | ¥1,875,149                          |
| Conversion of corporate bonds with stock acquisition rights held at the time of acquisition . . . . . | 313,534                             |
| Total consideration transferred . . . . . A   | <u>¥2,188,683</u>                   |

Acquisition-related costs of ¥12,106 million arising from the business combination are recognized in “Selling, general and administrative expenses,” with ¥3,751 million for the fiscal year ended March 31, 2013, and ¥8,355 million for the fiscal year ended March 31, 2014.

f. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date<sup>1</sup>

|  | (Millions of yen)                   |
|--|-------------------------------------|
|  | Acquisition date<br>(July 10, 2013) |
| Current assets                             |                                     |
| Cash and cash equivalents                  | ¥ 447,873                           |
| Trade and other receivables <sup>2</sup>   | 332,553                             |
| Other financial assets                     | 111,764                             |
| Inventories                                | 105,318                             |
| Other current assets                       | 43,236                              |
| Total current assets                       | 1,040,744                           |
| Non-current assets                         |                                     |
| Property, plant and equipment <sup>3</sup> | 1,291,364                           |
| Intangible assets <sup>3</sup>             | 5,305,965                           |
| Other financial assets                     | 23,938                              |
| Other non-current assets                   | 14,139                              |
| Total non-current assets                   | 6,635,406                           |
| Total assets                               | 7,676,150                           |
| Current liabilities                        |                                     |
| Interest-bearing debt <sup>4</sup>         | 86,961                              |
| Trade and other payables                   | 634,371                             |
| Income taxes payables                      | 4,553                               |
| Provisions <sup>5</sup>                    | 101,404                             |
| Other current liabilities                  | 291,398                             |
| Total current liabilities                  | 1,118,687                           |
| Non-current liabilities                    |                                     |
| Interest-bearing debt <sup>4</sup>         | 2,668,163                           |
| Other financial liabilities                | 5,662                               |
| Defined benefit liabilities                | 65,763                              |
| Provisions <sup>5</sup>                    | 146,492                             |
| Deferred tax liabilities <sup>6</sup>      | 1,422,965                           |
| Other non-current liabilities              | 184,107                             |
| Total non-current liabilities              | 4,493,152                           |
| Total liabilities                          | 5,611,839                           |
| Net assets                                 | B 2,064,311                         |
| Non-controlling interests <sup>7</sup>     | C 466,735                           |
| Basis adjustment <sup>8</sup>              | D 311,659                           |
| Goodwill <sup>9</sup>                      | A – (B – C) – D ¥ 279,448           |

The above JPY amount is translated at the exchange rate (USD = JPY101.14) as of the acquisition date.

Notes:

- Adjustment of the provisional amount  
Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Allocation of the consideration transferred was completed during the three-month period ended June 30, 2014. The details of the adjustments from the initial provisional amounts are as follows. Due to the additional analysis performed by Sprint management on the fair value of FCC licenses, intangible assets increased by ¥30,342 million and non-controlling interests increased by ¥29,029 million. As a result, goodwill decreased by ¥14,970 million.
- Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected  
As for the fair value of ¥332,553 million of acquired receivables and other receivables (mainly sales receivables), the total amount of contracts is ¥353,388 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥20,835 million.
- Property, plant and equipment and intangible assets  
The components are described in “Note 13. Property, plant and equipment” and “Note 14. Goodwill and intangible assets.”



4. Interest-bearing debt  
The components of the carrying amounts are as follows:  
(Interest-bearing debt)

|   | (Millions of yen)                   |
|---|-------------------------------------|
|   | Acquisition date<br>(July 10, 2013) |
| Current                                 |                                     |
| Current portion of long-term borrowings | ¥ 13,380                            |
| Current portion of corporate bonds      | 63,317                              |
| Current portion of lease obligations    | 10,264                              |
| Total                                   | ¥ 86,961                            |
| Non-current                             |                                     |
| Long-term borrowings                    | ¥ 34,854                            |
| Corporate bonds                         | 2,590,208                           |
| Lease obligations                       | 43,101                              |
| Total                                   | ¥2,668,163                          |

5. Provisions  
Provisions recognized by the business combination are mainly asset retirement obligations, lease exit costs related to the shutdown of the Nextel Platform, and exit costs related to payments that will continue to be made under Sprint's backhaul access contracts for which it will no longer be receiving any economic benefit. Backhaul is an intermediary network which connects the cell towers to the local switching center.
6. Deferred tax liabilities  
Deferred tax liabilities recognized by this business combination are mainly temporary differences related to FCC licenses, and trademarks with indefinite useful lives.
7. Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests in the identifiable net assets of the acquiree at the acquisition date.
8. Basis adjustment  
The Company entered into a foreign currency forward contract to hedge exchange risks resulting from the investment in Sprint. This scheduled transaction was designated as a cash flow hedge. ¥311,659 million, the fair value of the hedging instruments at the acquisition date, was deducted from the initial amount of goodwill which was recognized from the acquisition.
9. Goodwill  
Goodwill reflects excess earning power expected from the future business development and the synergy with existing businesses.

g. Payment for acquisition of control over subsidiary

|  | (Millions of yen)                   |
|--|-------------------------------------|
|  | Acquisition date<br>(July 10, 2013) |
| Payment for the acquisition by cash  | ¥(1,875,149)                        |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control                   | 447,873                             |
| Payment for the acquisition of control over the subsidiary by cash                                     | (1,427,276)                         |
| Proceeds from settlement of foreign currency forward contract for acquisition of control of subsidiary | 310,104                             |
| Payment for the acquisition of control over the subsidiary by cash, net                                | ¥(1,117,172)                        |

h. Purchase commitments

Purchase commitments that increased through the business combination were ¥2,555,706 million at the acquisition date. These mainly arose from outstanding contracts relating to purchase of telecommunications equipment, purchase of mobile handsets, and connection with the other telecommunications carriers.

i. Sales and net loss of the acquiree

The amounts of the acquiree's sales and net loss before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥2,601,031 million and ¥193,299 million, respectively.

In addition, the above net loss includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

(3) WILLCOM, Inc.

a. Overview of consolidation

SoftBank Corp. owns 100% of shares issued by WILLCOM, Inc. However, WILLCOM, Inc. was in the process of rehabilitation under the Corporate Reorganization Act and the Company did not have effective control over WILLCOM, Inc. Therefore, WILLCOM, Inc. was not treated as a subsidiary.

WILLCOM, Inc. made prepayments of rehabilitation claims and rehabilitation security interests in June 2013, and filed a petition with the Tokyo District Court for the termination of its rehabilitation proceedings. WILLCOM, Inc. received an order of termination of rehabilitation proceedings from the Tokyo District Court on July 1, 2013. Consequently, WILLCOM, Inc. became a subsidiary of SoftBank Corp.

WILLCOM, Inc. conducted an absorption type merger with eAccess Ltd., eAccess Ltd. being the surviving company and WILLCOM, Inc. being the dissolving company, on June 1, 2014 and changed its company name to Ymobile Corporation on July 1, 2014.

(Business description of WILLCOM, Inc.)

Telecommunication business

(Acquisition date)

July 1, 2013

b. Consideration transferred and its components

|  |   | (Millions of yen)                  |
|--|---|------------------------------------|
|  |   | Acquisition date<br>(July 1, 2013) |
| Fair value of equity interest in WILLCOM, Inc. already held at the time of the acquisition |   | ¥104,070                           |
| Total consideration transferred  | A | ¥104,070                           |

As a result of the reevaluation of 100% equity interest already held by the Company at the time of the acquisition of control in WILLCOM, Inc. at fair value, the Company recognized a gain of ¥103,766 million for the fiscal year ended March 31, 2014. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

c. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  |             | (Millions of yen)                  |
|--|-------------|------------------------------------|
|  |             | Acquisition date<br>(July 1, 2013) |
| Current assets                         |             | ¥ 79,754                           |
| Property, plant and equipment          |             | 46,026                             |
| Intangible assets <sup>1</sup>         |             | 43,639                             |
| Other non-current assets               |             | 14,883                             |
| Total assets                           |             | 184,302                            |
| Current liabilities                    |             | 83,958                             |
| Non-current liabilities                |             | 16,284                             |
| Total liabilities                      |             | 100,242                            |
| Net assets                             | B           | 84,060                             |
| Non-controlling interests <sup>2</sup> | C           | 222                                |
| Goodwill <sup>3</sup>                  | A – (B – C) | ¥ 20,232                           |

Notes:

- Intangible assets  
The components are described in “Note 14. Goodwill and intangible assets.”
- Non-controlling interests  
Non-controlling interests are from WILLCOM OKINAWA, Inc. (proportionate interest held by the Company is 80%), a subsidiary of WILLCOM, Inc., and are measured based on the proportionate interests after the acquisition in the identifiable net assets of the acquiree at the acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development, assembled workforce and the synergy with existing business.

- d. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

The main components of acquired trade and other receivables are installment receivables and the fair value is ¥31,039 million. The total amount of contractual receivables is ¥31,328 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥289 million.

- e. Proceeds from acquisition of control over subsidiaries

|  | (Millions of yen)                                |
|--|--|
|  | <u>Acquisition date</u><br><u>(July 1, 2013)</u> |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . . . | ¥14,043  |
| Proceeds in cash from the acquisition of control over the subsidiary . . . . .                 | <u>¥14,043</u>                                   |

- f. Sales and net loss of the acquiree

The amounts of the acquiree's sales and net loss before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥124,068 million and ¥4,316 million, respectively.

In addition, the above net loss includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

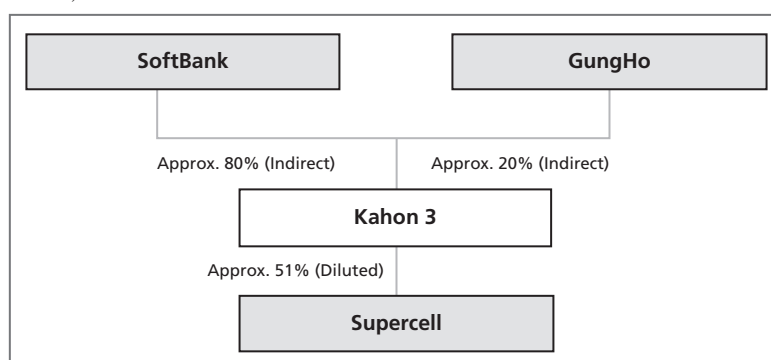
#### (4) Supercell Oy

- a. Overview of consolidation

SoftBank Corp. and GungHo, a subsidiary of SoftBank Corp., communally established Kahon 3, a special purpose company in Finland, SoftBank Corp. indirectly investing \$1,224 million (investing ratio of approximately 80%) and GungHo indirectly investing approximately \$306 million (investing ratio of approximately 20%). Through Kahon 3, the special purpose company, SoftBank Corp. and GungHo acquired approximately 51% (diluted) of voting stock of Supercell, with a total of \$1.53 billion (¥150,720 million) on October 31, 2013. Accordingly, Supercell, a mobile game company headquartered in Finland, became a subsidiary of SoftBank Corp.

SoftBank Corp. acquired all interests of Kahon 3 held indirectly by GungHo on August 26, 2014.

Structure as of October 31, 2013



- b. Purpose of consolidation

Supercell is a mobile game company headquartered in Finland. This new strategic partnership with SoftBank Corp. and GungHo will help accelerate Supercell's goal of becoming "the first truly global games company."

GungHo started its online game business in 2002, and it has since accumulated significant expertise and produced notable results in the development and operation of online games. Through the transaction, GungHo will leverage Supercell's position among the apps in the Games category of the App Store and marketing power abroad to enhance its global expansion.

c. Summary of Supercell

| Name                             | Supercell Oy   |
|----------------------------------|--|
| Address                          | Itämerenkatu 11-13 00180 Helsinki Finland                                  |
| Name and title of representative | Ilkka Paananen, Chief Executive Officer                                    |
| Business description             | Mobile/Social interactive entertainment                                    |
| Common stock                     | €2,500   |
| Date of foundation               | May 14, 2010   |
| Consolidated sales               | €519,093 thousands (For the fiscal year ended December 2013, Finnish GAAP) |

d. Acquisition date

October 31, 2013

e. Consideration transferred and its components

|   | (Millions of yen)                      |
|---|--|
|   | Acquisition date<br>(October 31, 2013) |
| Payment by cash . . . . .                   | ¥140,397                               |
| Total consideration transferred . . . . . A | <u>¥140,397</u>                        |

Acquisition-related costs of ¥3,114 million arising from the business combination are recognized in “Selling, general and administrative expenses” for the fiscal year ended March 31, 2014.

Kahon 3 acquired common and preferred stocks of Supercell and options, which can convert the preferred stocks to common stocks (“conversion options”), for a total of ¥150,720 million. The consideration transferred for the business combination is ¥140,397 million, deducting the fair value of ¥10,323 million for the preferred stocks and the conversion options from the total amount of ¥150,720 million to acquire Supercell.

The fair value of ¥10,323 million for the preferred stocks and the conversion option is deducted from capital surplus as “Acquisition of options to convert to subsidiaries’ common stocks” in the consolidated statement of changes in equity.

f. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  | (Millions of yen)                      |
|--|--|
|  | Acquisition date<br>(October 31, 2013) |
| Current assets . . . . .                           | ¥ 22,123                               |
| Intangible assets <sup>1</sup> . . . . .           | 119,204                                |
| Other non-current assets . . . . .                 | <u>73</u>                              |
| Total assets . . . . .                             | 141,400                                |
| Current liabilities . . . . .                      | 22,518                                 |
| Non-current liabilities . . . . .                  | <u>23,993</u>                          |
| Total liabilities . . . . .                        | 46,511                                 |
| Net assets . . . . . B                             | <u>94,889</u>                          |
| Non-controlling interests <sup>2</sup> . . . . . C | <u>53,295</u>                          |
| Goodwill <sup>3</sup> . . . . . A – (B – C)        | <u>¥ 98,803</u>                        |

Notes:

- Intangible assets  
The components are described in “Note 14. Goodwill and intangible assets.”
- Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured based on the proportionate interests at acquisition date in the identifiable net assets of the acquiree at acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development and assembled workforce for game development and other, and the synergy with existing businesses.

g. Payment for the acquisition of control over subsidiaries

|  | (Millions of yen)                                    |
|--|--|
|  | <u>Acquisition date</u><br><u>(October 31, 2013)</u> |
| Payment for the acquisition by cash . . . . .  | ¥(140,397)   |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . . . | 2,495  |
| Payment for the acquisition of control over the subsidiary by cash . . . . .                   | <u>¥(137,902)</u>                                    |

h. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥54,841 million and ¥3,799 million, respectively.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

(5) Brightstar Corp.

a. Overview of consolidation

The Company completed the acquisition of all common and preferred stocks of Brightstar Corp., a mobile device distributor in the United States, and the establishment of the organizational structure related to the transaction on January 30, 2014. Accordingly, Brightstar Corp. became a subsidiary of the Company. At the completion of the transaction, the Company owns approximately 57% of the voting rights of Brightstar Global Group Inc., which owns 100% of Brightstar Corp.

In the transaction, SoftBank Corp. invested a total of \$1.26 billion (¥128.4 billion) into Brightstar Global Group Inc., of which SoftBank Corp. owns all the interests. SoftBank Corp. received newly-issued common stocks of Brightstar Global Group Inc., newly-issued non-voting preferred stocks of Brightstar Global Group Inc. that have an aggregate liquidation preference of \$860 million, and a warrant that provides SoftBank Corp. with the rights to acquire a number of common stocks of Brightstar Global Group Inc. for de minimis value. Brightstar Global Group Inc. acquired all common and preferred stocks (including payment of accrued dividends) of Brightstar Corp. from existing shareholders for consideration of \$1.11 billion and newly issued common stocks of Brightstar Global Group Inc. representing approximately 43% of the common stocks issued.

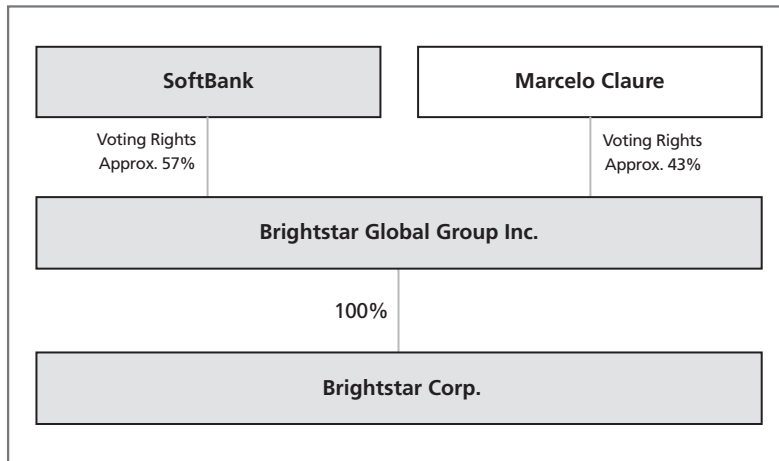
As a result of the transaction, SoftBank Corp. owns approximately 57% of the voting rights and common stocks of the Brightstar Global Group Inc., which owns 100% of Brightstar Corp., and Marcelo Claure, the former Chairman and CEO of Brightstar Corp. (resigned on August 11, 2014), owns approximately 43%. Accordingly, Brightstar Corp. became a subsidiary of SoftBank Corp. (please refer to (a) structure below). The Company accounts for Brightstar Global Group Inc. as an acquiree.

The Company used \$1.11 billion out of the total investment of \$1.26 billion to complete the Brightstar Corp. share purchases, and the remaining \$0.15 billion of SoftBank Corp.'s investment was contributed to Brightstar Corp. in order to fund, among other, ongoing corporate activities.

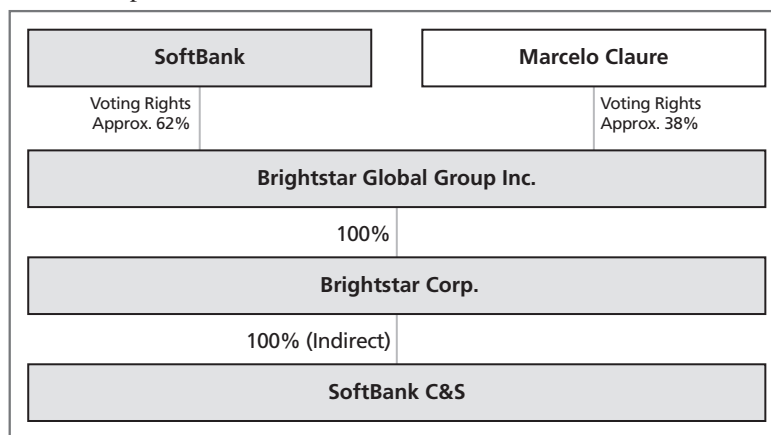
SoftBank BB Corp., a subsidiary of SoftBank Corp., divided its commerce and service business and newly established SoftBank C&S on April 1, 2014. All shares of SoftBank C&S held by SoftBank Corp. were transferred to SB C&S Holdings G.K., a wholly-owned subsidiary of Brightstar Corp., and SoftBank Corp. acquired additional common stocks of Brightstar Global Group Inc. on the same date. As a result, the Company's ownership share of the voting rights and common stocks of Brightstar Global Group Inc. became approximately 62% on April 1, 2014 (please refer to (b) structure below).

SoftBank Corp. acquired all remaining interests of Brightstar Global Group Inc. held by Marcelo Claure on August 6, 2014 and Brightstar Global Group Inc. became a wholly owned subsidiary of SoftBank Corp. (please refer to (c) structure below).

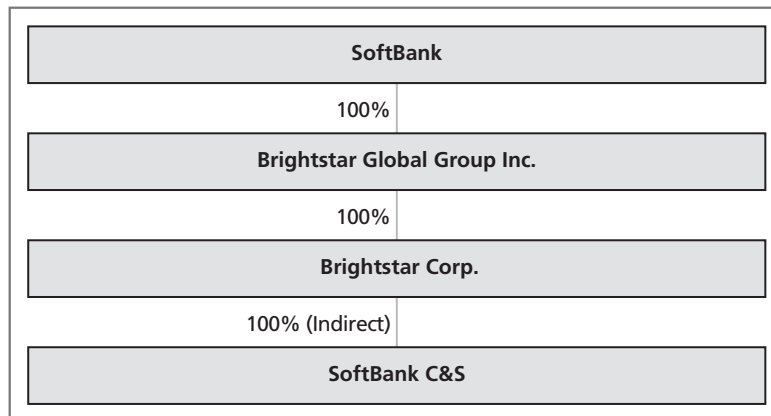
(a) Structure as of March 31, 2014



(b) Structure as of April 1, 2014



(c) Structure as of August 6, 2014



b. Purpose of consolidation

Brightstar Corp. is one of the world's largest specialized wireless distributors and a leading provider of diversified services focused on enhancing the performance and results of the key participants in the wireless device value chain: manufacturers, operators and retailers. Its services include Supply Chain Solutions, Handset Protection & Insurance, Buyback and Trade-in Solutions, Multi-Channel Retail Solutions, and Financial Services. Today, Brightstar Corp. provides services in over 125 countries and has a local presence in over 50 countries.

The Company acquired Sprint in July 2013, expanding its business operations from Japan to the U.S. With Brightstar Corp. becoming a subsidiary, the Company aims to strengthen its purchasing scale for mobile devices and further increase competitiveness both in Japan and the U.S.



c. Summary of Brightstar Corp.

| <u>Name</u>                      | <u>Brightstar Corp.</u>   |
|----------------------------------|---|
| Address                          | 9725 NW 117th Ave, #300 Miami, Florida, U.S.A.  |
| Name and title of representative | Jaymin Patel, President and Chief Executive Officer<br>(Assumed the post on March 30, 2015) |
| Business description             | Mobile device distribution  |
| Common stock                     | \$2,000   |
| Date of foundation               | September 23, 1997  |
| Consolidated sales               | \$7,227,879 thousand (For the fiscal year ended<br>December 31, 2013, US GAAP)              |

d. Acquisition date

January 30, 2014

e. Consideration transferred and its components

|                                       |   | (Millions of yen)                                    |
|---------------------------------------|---|--|
|                                       |   | <u>Acquisition date</u><br><u>(January 30, 2014)</u> |
| Payment by cash .....                 |   | ¥128,378   |
| Total consideration transferred ..... | A | <u>¥128,378</u>                                      |

Acquisition-related costs of ¥1,190 million arising from the business combination are recognized in “Selling, general and administrative expenses” for the fiscal year ended March 31, 2014.

f. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date<sup>1</sup>

|  |             | (Millions of yen)                                    |
|--|-------------|--|
|  |             | <u>Acquisition date</u><br><u>(January 30, 2014)</u> |
| Current assets .....                         |             | ¥308,188   |
| Intangible assets .....                      |             | <u>67,962</u>  |
| Total assets .....                           |             | 376,150  |
| Current liabilities .....                    |             | 248,198  |
| Non-current liabilities .....                |             | <u>75,134</u>  |
| Total liabilities .....                      |             | <u>323,332</u>                                       |
| Net assets .....                             | B           | 52,818   |
| Non-controlling interests <sup>2</sup> ..... | C           | <u>4,901</u>   |
| Goodwill <sup>3</sup> .....                  | A – (B – C) | <u>¥ 80,461</u>                                      |

Notes:

- Adjustment of the provisional amount  
Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Allocation of the consideration transferred was completed during the fiscal year ended March 31, 2015. The details of the adjustments from the initial provisional amounts are as follows. Due to the additional analysis performed by Brightstar Corp. management, current assets decreased by ¥32,456 million and current liabilities decreased by ¥12,320 million. As a result, goodwill increased by ¥20,604 million.
- Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at acquisition date in the identifiable net assets of the acquiree at acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development and the synergy with existing businesses.

g. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

As for fair value of ¥156,897 million of acquired receivables and other receivables (mainly sales receivables), the total amount of contracts is ¥159,633 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥2,736 million.

#### h. Payment for acquisition of control over subsidiaries

|  | (Millions of yen)                                    |
|--|--|
|  | <u>Acquisition date</u><br><u>(January 30, 2014)</u> |
| Payment for the acquisition by cash . . . . .  | ¥(128,378)   |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . . . | 41,428   |
| Payment for the acquisition of control over the subsidiary by cash . . . . .                   | <u>¥ (86,950)</u>                                    |

#### i. Sales and net loss of the acquiree

The amounts of the acquiree's sales and net loss before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥137,534 million and ¥1,704 million, respectively.

In addition, the above net loss includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

- (6) Consolidated net sales and consolidated net income and loss assuming that the business combination was completed at the beginning of the fiscal year

For the fiscal year ended March 31, 2014

The following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2014, assuming that the business combinations of WILLCOM, Inc., Supercell and Brightstar Corp. were completed and controls were acquired as of April 1, 2013.

|                                  | (Millions of yen)                                 |
|----------------------------------|---|
|                                  | <u>Fiscal year ended</u><br><u>March 31, 2014</u> |
| Sales (pro forma) . . . . .      | ¥8,291,358  |
| Net income (pro forma) . . . . . | 460,446   |

## 7. Segment information

### (1) Description of reportable segments

The Company's reportable segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by the Company's board of directors in order to make decisions about the allocation of the resources and assess its performance.

The Company has four reportable segments, the Mobile Communications segment, the Sprint segment, the Fixed-line Telecommunications segment, and the Internet segment.

The Mobile Communications segment provides, mainly through SoftBank Mobile Corp., mobile communication services, and sale of mobile handsets and accessories, in addition, online games for smartphones and other devices are produced and distributed through GungHo and Supercell.

The Sprint segment provides, through Sprint, mobile communication services, sale of mobile handsets and accessories accompanying the mobile communication services, and the fixed-line telecommunication services in the U.S.

The Fixed-line Telecommunications segment provides, mainly through SoftBank Telecom Corp., telecommunication services such as data communication and fixed-line telephone services for corporate customers. It also provides, mainly through SoftBank BB Corp., broadband service for individual customers.

The Internet segment provides, mainly through Yahoo Japan Corporation, Internet-based advertising operations.

### (2) Net sales and income of reportable segments

Accounting policies for reportable segments are the same as the policies described in "Note 3. Significant accounting policies."

Income of reportable segments is based on income excluding "Gain from remeasurement relating to business combination" and "Other operating income (loss)" from operating income as follows:

Segment income = (net sales – cost of sales – selling, general and administrative expenses) in each segment

Intersegment transaction prices are determined under the same general business conditions as applied for external customers.

The following is the information about the Company's net sales and income by reportable segments. The Company also discloses depreciation and amortization by reportable segments.

For the fiscal year ended March 31, 2014

| (Millions of yen)  |                       |                     |                               |                 |                   |
|--|-----------------------|---------------------|-------------------------------|-----------------|-------------------|
|  | Reportable segments   |                     |                               |                 |                   |
|  | Mobile Communications | Sprint <sup>1</sup> | Fixed-line Telecommunications | Internet        | Other             |
| Net sales  |                       |                     |                               |                 |                   |
| Customers .....  | ¥3,142,663            | ¥2,600,743          | ¥442,152                      | ¥396,554        | ¥6,741,100        |
| Intersegment .....   | 22,855                | 288                 | 105,938                       | 3,315           | 1,000             |
| Total .....  | <u>¥3,165,518</u>     | <u>¥2,601,031</u>   | <u>¥548,090</u>               | <u>¥399,869</u> | <u>¥6,742,100</u> |
| EBITDA .....   | ¥1,000,829            | ¥ 412,342           | ¥170,379                      | ¥204,318        | ¥1,787,868        |
| Depreciation and amortization .....                            | (394,984)             | (418,461)           | (62,077)                      | (15,369)        | (870,891)         |
| Segment income (loss) .....                                    | <u>¥ 605,845</u>      | <u>¥ (6,119)</u>    | <u>¥108,302</u>               | <u>¥188,949</u> | <u>¥ 916,977</u>  |
| Gain from remeasurement relating to business combination ..... |                       |                     |                               |                 |                   |
| Other operating loss .....                                     |                       |                     |                               |                 |                   |
| Operating income .....   |                       |                     |                               |                 |                   |
| Finance cost .....   |                       |                     |                               |                 |                   |
| Income on equity method investments .....                      |                       |                     |                               |                 |                   |
| Dilution gain from changes in equity interests .....           |                       |                     |                               |                 |                   |
| Other non-operating income .....                               |                       |                     |                               |                 |                   |
| Income before income tax .....                                 |                       |                     |                               |                 |                   |

For the fiscal year ended March 31, 2015

| (Millions of yen)   |                          |                   |                                  |                 |              |
|---|--------------------------|-------------------|----------------------------------|-----------------|--------------|
|   | Reportable segments      |                   |                                  |                 |              |
|   | Mobile<br>Communications | Sprint            | Fixed-line<br>Telecommunications | Internet        | T            |
| Net sales   |                          |                   |                                  |                 |              |
| Customers .....   | ¥4,143,653               | ¥3,594,167        | ¥436,015                         | ¥415,521        | ¥ 8,5        |
| Intersegment .....  | 45,860                   | 205,854           | 105,041                          | 3,613           | 3            |
| Total .....   | <u>¥4,189,513</u>        | <u>¥3,800,021</u> | <u>¥541,056</u>                  | <u>¥419,134</u> | <u>¥ 8,9</u> |
| EBITDA .....  | ¥1,149,610               | ¥ 653,040         | ¥160,335                         | ¥204,898        | ¥ 2,1        |
| Depreciation and amortization .....                               | (454,323)                | (579,152)         | (60,072)                         | (17,897)        | (1,1         |
| Segment income .....  | <u>¥ 695,287</u>         | <u>¥ 73,888</u>   | <u>¥100,263</u>                  | <u>¥187,001</u> | <u>¥ 1,0</u> |
| Gain from remeasurement relating to business<br>combination ..... |                          |                   |                                  |                 |              |
| Other operating loss .....  |                          |                   |                                  |                 |              |
| Operating income .....  |                          |                   |                                  |                 |              |
| Finance cost .....  |                          |                   |                                  |                 |              |
| Income on equity method investments .....                         |                          |                   |                                  |                 |              |
| Dilution gain from changes in equity interests .....              |                          |                   |                                  |                 |              |
| Other non-operating loss .....                                    |                          |                   |                                  |                 |              |
| Income before income tax .....                                    |                          |                   |                                  |                 |              |

| (Thousands of U.S. dollars)                                       |                          |                     |                                  |                    |                     |
|---|--------------------------|---------------------|----------------------------------|--------------------|---------------------|
|   | Reportable segments      |                     |                                  |                    |                     |
|   | Mobile<br>Communications | Sprint              | Fixed-line<br>Telecommunications | Internet           | Total               |
| Net sales   |                          |                     |                                  |                    |                     |
| Customers .....   | \$34,481,593             | \$29,909,021        | \$3,628,318                      | \$3,457,776        | \$71,477,628        |
| Intersegment .....  | 381,626                  | 1,713,023           | 874,103                          | 30,066             | 2,998,818           |
| Total .....   | <u>\$34,863,219</u>      | <u>\$31,622,044</u> | <u>\$4,502,421</u>               | <u>\$3,487,842</u> | <u>\$74,477,628</u> |
| EBITDA .....  | \$ 9,566,531             | \$ 5,434,301        | \$1,334,235                      | \$1,705,068        | \$18,040,135        |
| Depreciation and amortization .....                               | (3,780,669)              | (4,819,439)         | (499,892)                        | (148,931)          | (9,208,931)         |
| Segment income .....  | <u>\$ 5,785,862</u>      | <u>\$ 614,862</u>   | <u>\$ 834,343</u>                | <u>\$1,556,137</u> | <u>\$ 8,795,002</u> |
| Gain from remeasurement relating to business<br>combination ..... |                          |                     |                                  |                    |                     |
| Other operating loss .....  |                          |                     |                                  |                    |                     |
| Operating income .....  |                          |                     |                                  |                    |                     |
| Finance cost .....  |                          |                     |                                  |                    |                     |
| Income on equity method investments .....                         |                          |                     |                                  |                    |                     |
| Dilution gain from changes in equity interests .....              |                          |                     |                                  |                    |                     |
| Other non-operating loss .....                                    |                          |                     |                                  |                    |                     |
| Income before income tax .....                                    |                          |                     |                                  |                    |                     |

## Notes:

1. The Sprint segment includes the results of Sprint after the acquisition date.
2. "Other" includes Fukuoka SoftBank HAWKS-related business.
3. "Reconciliations" includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment.

(3) Geographical information

a. Net sales to customers

|             | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|-------------|----------------------------------|----------------------------------|----------------------------------|
|             | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Japan ..... | ¥3,828,104                       | ¥3,848,752                       | \$32,027,561                     |
| U.S. ....   | 2,680,486                        | 4,050,716                        | 33,708,213                       |
| Other ..... | 158,061                          | 770,753                          | 6,413,856                        |
| Total ..... | <u>¥6,666,651</u>                | <u>¥8,670,221</u>                | <u>\$72,149,630</u>              |

Sales are categorized based on the location of customers.

b. Non-current assets (excluding financial assets and deferred tax assets)

|             | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|-------------|----------------------|----------------------|-----------------------------|
|             | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Japan ..... | ¥ 4,042,550          | ¥ 4,174,037          | \$ 34,734,435               |
| U.S. ....   | 7,159,492            | 8,661,261            | 72,075,069                  |
| Other ..... | 268,854              | 240,544              | 2,001,697                   |
| Total ..... | <u>¥11,470,896</u>   | <u>¥13,075,842</u>   | <u>\$108,811,201</u>        |

8. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

|   | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|---|----------------------|----------------------|-----------------------------|
|   | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Cash and demand deposits .....                          | ¥1,203,146           | ¥2,214,440           | \$18,427,561                |
| Time deposits (maturities of three-month or less) ..... | 509,115              | 850,899              | 7,080,794                   |
| MMF .....   | 193,104              | 130,054              | 1,082,250                   |
| Other .....   | 58,125               | 63,260               | 526,421                     |
| Total .....   | <u>¥1,963,490</u>    | <u>¥3,258,653</u>    | <u>\$27,117,026</u>         |

The government of Argentina has imposed foreign exchange restrictions for both purchasing foreign currency and overseas remittance in Argentina. The government of Argentina requires authorization to be obtained before carrying out foreign exchange transactions with the Central Bank. Our Argentine subsidiaries have cash and cash equivalents of ¥6,781 million (\$56,428 thousand) as of March 31, 2015 (March 31, 2014: ¥8,874 million).

The amount of cash and cash equivalents pledged as collateral for interest-bearing debt or other is described in “(4) Assets pledged as collateral” in “Note 20. Interest-bearing debt.”

9. Trade and other receivables

The components of trade and other receivables are as follows:

|                                       | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|---------------------------------------|----------------------|----------------------|-----------------------------|
|                                       | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Trade receivables .....               | ¥1,176,453           | ¥1,355,325           | \$11,278,397                |
| Installment receivables .....         | 438,521              | 473,945              | 3,943,954                   |
| Other .....                           | 94,533               | 128,996              | 1,073,446                   |
| Allowance for doubtful accounts ..... | (39,962)             | (62,618)             | (521,078)                   |
| Total .....                           | <u>¥1,669,545</u>    | <u>¥1,895,648</u>    | <u>\$15,774,719</u>         |



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

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

## 10. Other financial assets

The components of other financial assets are as follows:

|  | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|--|-------------------------|-------------------------|-----------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Current  |                         |                         |                             |
| Marketable securities . . . . .                                    | ¥109,935                | ¥124,520                | \$1,036,199                 |
| Time deposits (maturities of three-month over) and other . . . . . | 37,342                  | 41,254                  | 343,297                     |
| Derivative financial assets . . . . .                              | 13,975                  | 17,341                  | 144,304                     |
| Other . . . . .  | 3,475                   | 13,953                  | 116,110                     |
| Total . . . . .  | <u>¥164,727</u>         | <u>¥197,068</u>         | <u>\$1,639,910</u>          |
| Non-current  |                         |                         |                             |
| Installment receivables . . . . .                                  | ¥147,355                | ¥169,408                | \$1,409,736                 |
| Investment securities . . . . .                                    | 108,171                 | 319,758                 | 2,660,880                   |
| Derivative financial assets . . . . .                              | 28,876                  | 56,892                  | 473,429                     |
| Other . . . . .  | 127,815                 | 135,972                 | 1,131,498                   |
| Allowance for doubtful accounts . . . . .                          | (10,524)                | (19,567)                | (162,828)                   |
| Total . . . . .  | <u>¥401,693</u>         | <u>¥662,463</u>         | <u>\$5,512,715</u>          |

Installment receivables are described in "Note 9. Trade and other receivables."

## 11. Inventories

The components of inventories are as follows:

|   | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|---|-------------------------|-------------------------|-----------------------------|
|   | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Merchandise and finished products . . . . . | ¥243,864                | ¥329,688                | \$2,743,513                 |
| Other . . . . .                             | 7,813                   | 21,464                  | 178,614                     |
| Total . . . . .                             | <u>¥251,677</u>         | <u>¥351,152</u>         | <u>\$2,922,127</u>          |

The amount of inventories pledged as collateral for interest-bearing debt or other is described in "(4) Assets pledged as collateral" in "Note 20. Interest-bearing debt."

Write-downs of inventories recognized as an expense during the fiscal year are as follows:

|                                      | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                      | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Write-downs of inventories . . . . . | <u>¥11,144</u>                      | <u>¥14,579</u>                      | <u>\$121,320</u>                    |

## 12. Other current assets and other non-current assets

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

|  | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|--|-------------------------|-------------------------|-----------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Current                                    |                         |                         |                             |
| Prepaid expense .....                      | ¥133,444                | ¥173,463                | \$1,443,480                 |
| Consumption tax receivable and other ..... | 98,374                  | 44,660                  | 371,640                     |
| Other .....                                | 49,717                  | 37,276                  | 310,194                     |
| Total .....                                | <u>¥281,535</u>         | <u>¥255,399</u>         | <u>\$2,125,314</u>          |
| Non-current                                |                         |                         |                             |
| Long-term prepaid expense .....            | ¥152,080                | ¥177,192                | \$1,474,511                 |
| Other .....                                | 15,181                  | 14,257                  | 118,640                     |
| Total .....                                | <u>¥167,261</u>         | <u>¥191,449</u>         | <u>\$1,593,151</u>          |

## 13. Property, plant and equipment

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

| Historical cost            | (Millions of yen)           |                                 |  |                |                             |                |                   |
|----------------------------|-----------------------------|---------------------------------|--|----------------|-----------------------------|----------------|-------------------|
|                            | Buildings and<br>structures | Telecommunications<br>equipment | Furniture,<br>fixtures, and<br>equipment | Land           | Construction<br>in progress | Other          | Total             |
| As of April 1, 2013 .....  | ¥207,389                    | ¥2,626,654                      | ¥180,900                                 | ¥73,936        | ¥ 153,538                   | ¥ 8,151        | ¥3,250,568        |
| Purchase .....             | 6,237                       | 31,786                          | 6,565                                    | —              | 918,906                     | 5,761          | 969,255           |
| Business combinations ..   | 141,548                     | 833,751                         | 38,978                                   | 18,369         | 305,734                     | 6,233          | 1,344,613         |
| Disposals .....            | (4,890)                     | (179,404)                       | (31,926)                                 | (111)          | (12,825)                    | (5,869)        | (235,025)         |
| Transfer of accounts ....  | 16,507                      | 1,009,932                       | 71,263                                   | 34             | (1,100,586)                 | 2,337          | (513)             |
| Exchange differences ...   | 2,499                       | 26,200                          | 915                                      | 323            | 2,363                       | 299            | 32,599            |
| Other .....                | 1,806                       | (1,653)                         | (3,772)                                  | —              | (607)                       | (186)          | (4,412)           |
| As of March 31, 2014 ..... | <u>371,096</u>              | <u>4,347,266</u>                | <u>262,923</u>                           | <u>92,551</u>  | <u>266,523</u>              | <u>16,726</u>  | <u>5,357,085</u>  |
| Purchase .....             | 5,864                       | 20,572                          | 91,123                                   | —              | 885,005                     | 9,663          | 1,012,227         |
| Disposals .....            | (2,436)                     | (145,492)                       | (33,061)                                 | (300)          | (5,593)                     | (6,077)        | (192,959)         |
| Transfer of accounts ....  | 19,161                      | 759,610                         | 207,622                                  | 162            | (868,725)                   | 3,887          | 121,717           |
| Exchange differences ...   | 25,728                      | 249,613                         | 17,023                                   | 3,118          | 40,848                      | 1,860          | 338,190           |
| Other .....                | (6,870)                     | 377                             | 1,192                                    | 1,817          | 674                         | (1,056)        | (3,866)           |
| As of March 31, 2015 ..... | <u>¥412,543</u>             | <u>¥5,231,946</u>               | <u>¥546,822</u>                          | <u>¥97,348</u> | <u>¥ 318,732</u>            | <u>¥25,003</u> | <u>¥6,632,394</u> |

| Historical cost            | (Thousands of U.S. dollars) |                                     |  |                  |                             |                  |                     |
|----------------------------|-----------------------------|-------------------------------------|--|------------------|-----------------------------|------------------|---------------------|
|                            | Buildings and<br>structures | Telecommu-<br>ications<br>equipment | Furniture,<br>fixtures, and<br>equipment | Land             | Construction<br>in progress | Other            | Total               |
| As of March 31, 2014 ..... | \$3,088,092                 | \$36,175,968                        | \$2,187,926                              | \$770,167        | \$ 2,217,883                | \$139,185        | \$44,579,221        |
| Purchase .....             | 48,798                      | 171,191                             | 758,284                                  | —                | 7,364,608                   | 80,411           | 8,423,292           |
| Disposals .....            | (20,272)                    | (1,210,718)                         | (275,119)                                | (2,496)          | (46,542)                    | (50,570)         | (1,605,717)         |
| Transfer of accounts ..... | 159,449                     | 6,321,128                           | 1,727,738                                | 1,348            | (7,229,135)                 | 32,346           | 1,012,874           |
| Exchange differences ..... | 214,097                     | 2,077,164                           | 141,658                                  | 25,947           | 339,919                     | 15,478           | 2,814,263           |
| Other .....                | (57,169)                    | 3,137                               | 9,917                                    | 15,120           | 5,610                       | (8,786)          | (32,171)            |
| As of March 31, 2015 ..... | <u>\$3,432,995</u>          | <u>\$43,537,870</u>                 | <u>\$4,550,404</u>                       | <u>\$810,086</u> | <u>\$ 2,652,343</u>         | <u>\$208,064</u> | <u>\$55,191,762</u> |

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

| (Millions of yen)                              |                          |                              |                                    |      |                          |          |              |
|--|--------------------------|------------------------------|------------------------------------|------|--------------------------|----------|--------------|
| Accumulated depreciation and impairment losses | Buildings and structures | Telecommunications equipment | Furniture, fixtures, and equipment | Land | Construction in progress | Other    | Total        |
| As of April 1, 2013                            | ¥ (89,105)               | ¥(1,214,074)                 | ¥(113,482)                         | ¥(6) | ¥ (272)                  | ¥(3,014) | ¥(1,419,953) |
| Depreciation                                   | (27,896)                 | (444,070)                    | (56,559)                           | —    | —                        | (2,337)  | (530,862)    |
| Impairment loss                                | —                        | (3,961)                      | —                                  | —    | (5,594)                  | —        | (9,555)      |
| Disposals                                      | 4,532                    | 148,963                      | 31,653                             | —    | 5,611                    | 1,027    | 191,786      |
| Exchange differences                           | (312)                    | (4,321)                      | (302)                              | —    | —                        | (92)     | (5,027)      |
| Other  | 322                      | (2,739)                      | 5,105                              | —    | (132)                    | 297      | 2,853        |
| As of March 31, 2014                           | (112,459)                | (1,520,202)                  | (133,585)                          | (6)  | (387)                    | (4,119)  | (1,770,758)  |
| Depreciation                                   | (30,067)                 | (538,826)                    | (84,510)                           | —    | —                        | (4,822)  | (658,225)    |
| Disposals                                      | 2,202                    | 133,599                      | 32,542                             | —    | 8                        | 1,176    | 169,527      |
| Exchange differences                           | (4,713)                  | (51,989)                     | (3,872)                            | —    | —                        | (414)    | (60,988)     |
| Other  | 127                      | (2,855)                      | 7,908                              | —    | (8)                      | 326      | 5,498        |
| As of March 31, 2015                           | ¥(144,910)               | ¥(1,980,273)                 | ¥(181,517)                         | ¥(6) | ¥ (387)                  | ¥(7,853) | ¥(2,314,946) |

| (Thousands of U.S. dollars)                    |                          |                              |                                    |        |                          |            |                |
|--|--------------------------|------------------------------|------------------------------------|--------|--------------------------|------------|----------------|
| Accumulated depreciation and impairment losses | Buildings and structures | Telecommunications equipment | Furniture, fixtures, and equipment | Land   | Construction in progress | Other      | Total          |
| As of March 31, 2014                           | \$ (935,833)             | \$(12,650,429)               | \$(1,111,634)                      | \$(50) | \$(3,220)                | \$(34,275) | \$(14,735,441) |
| Depreciation                                   | (250,204)                | (4,483,865)                  | (703,254)                          | —      | —                        | (40,126)   | (5,477,449)    |
| Disposals                                      | 18,324                   | 1,111,750                    | 270,800                            | —      | 67                       | 9,785      | 1,410,726      |
| Exchange differences                           | (39,219)                 | (432,629)                    | (32,221)                           | —      | —                        | (3,445)    | (507,514)      |
| Other  | 1,057                    | (23,757)                     | 65,807                             | —      | (67)                     | 2,712      | 45,752         |
| As of March 31, 2015                           | \$(1,205,875)            | \$(16,478,930)               | \$(1,510,502)                      | \$(50) | \$(3,220)                | \$(65,349) | \$(19,263,926) |

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

| (Millions of yen)    |                          |                              |                                    |          |                          |          |             |
|----------------------|--------------------------|------------------------------|------------------------------------|----------|--------------------------|----------|-------------|
| Carrying amounts     | Buildings and structures | Telecommunications equipment | Furniture, fixtures, and equipment | Land     | Construction in progress | Other    | Total       |
| As of March 31, 2014 | ¥ 258,637                | ¥ 2,827,064                  | ¥ 129,338                          | ¥ 92,545 | ¥ 266,136                | ¥ 12,607 | ¥ 3,586,327 |
| As of March 31, 2015 | 267,633                  | 3,251,673                    | 365,305                            | 97,342   | 318,345                  | 17,150   | 4,317,448   |

| (Thousands of U.S. dollars) |                          |                              |                                    |           |                          |           |              |
|-----------------------------|--------------------------|------------------------------|------------------------------------|-----------|--------------------------|-----------|--------------|
| Carrying amounts            | Buildings and structures | Telecommunications equipment | Furniture, fixtures, and equipment | Land      | Construction in progress | Other     | Total        |
| As of March 31, 2015        | \$2,227,120              | \$27,058,940                 | \$3,039,902                        | \$810,036 | \$2,649,123              | \$142,715 | \$35,927,836 |

“Furniture, fixtures, and equipment” which was included in “Other” for the fiscal year ended March 31, 2014 is separately presented since the significance of the amount increased because Sprint introduced its device leasing program in September 2014. The detail of the device leasing program is described in “(2) Operating lease” in “Note 15. Lease.”

The costs of leased devices included in “Furniture, fixtures, and equipment” as of March 31, 2014 and March 31, 2015 are ¥62,544 million and ¥313,667 million (\$2,610,194 thousand), respectively. Also, accumulated depreciation and impairment losses of those are ¥(29,224) million and ¥(57,000) million (\$ (474,328) thousand), respectively. The amount of “Transfer of accounts” in Furniture, fixtures, and equipment is mainly comprised of a reclassification of leased devices from “Inventories” in current assets.

The increase resulting from “Business combinations” for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The components of the carrying amounts of property, plant and equipment recognized as a result of the consolidation of Sprint in July 2013 are as follows. The details of the acquisition are described in “(2) Sprint” in “Note 6. Business combinations.”

|                                    | (Millions of yen)                   |
|------------------------------------|-------------------------------------|
|                                    | Acquisition date<br>(July 10, 2013) |
| Buildings and structures .....     | ¥ 140,270                           |
| Telecommunications equipment ..... | 794,524                             |
| Land .....                         | 18,362                              |
| Construction in progress .....     | 298,928                             |
| Other .....                        | 39,280                              |
| Total .....                        | <u>¥1,291,364</u>                   |

Impairment loss is included in “Other operating income” in the consolidated statement of income. The detail of the impairment loss is described in “Note 36. Other operating income and loss.”

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

|  | (Millions of yen)       |                         | (Thousands of<br>U.S. dollars) |
|--|-------------------------|-------------------------|--------------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015        |
| Buildings and structures .....           | ¥ 41,367                | ¥ 43,401                | \$ 361,163                     |
| Telecommunications equipment .....       | 731,858                 | 909,126                 | 7,565,332                      |
| Furniture, fixtures, and equipment ..... | 43,820                  | 57,991                  | 482,575                        |
| Land .....                               | 49,360                  | 49,360                  | 410,751                        |
| Construction in progress .....           | 1,569                   | 862                     | 7,173                          |
| Other .....                              | 432                     | 89                      | 742                            |
| Total .....                              | <u>¥868,406</u>         | <u>¥1,060,829</u>       | <u>\$8,827,736</u>             |

Finance lease obligations of the Company are pledged through the lessor’s retaining the property right of lease assets.

The amount of property, plant and equipment pledged as collateral for interest-bearing debt or other is described in “(4) Assets pledged as collateral” in “Note 20. Interest-bearing debt.”

Assets with limited property rights due to installment purchases are described in “(5) Assets with limited property rights” in “Note 20. Interest-bearing debt.”

## 14. Goodwill and intangible assets

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

|                       |            | (Millions of yen)                              |            |            |  |                           |            |  |
|-----------------------|------------|--|------------|------------|--|---------------------------|------------|--|
|                       |            | Intangible assets with indefinite useful lives |            |            | Intangible assets with finite useful lives |                           |            |  |
| Historical cost       | Goodwill   | FCC licenses                                   | Trademarks | Software   | Customer relationships                     | Favorable lease contracts | Game title |  |
| As of April 1, 2013   | ¥ 928,516  | ¥ —  | ¥ 3,790    | ¥ 760,646  | ¥ 89,394                                   | ¥ —                       | ¥ —        |  |
| Purchase              | —          | 30,146   | —          | 46,081     | —  | —                         | —          |  |
| Internal development  | —          | —  | —          | 3,838      | —  | —                         | —          |  |
| Business combinations | 609,693    | 3,612,994                                      | 616,000    | 154,536    | 747,689                                    | 148,979                   | 196,895    |  |
| Disposals             | —          | (47)   | —          | (40,415)   | —  | —                         | —          |  |
| Transfer of accounts  | —          | 2,430  | —          | 182,529    | —  | (64)                      | —          |  |
| Exchange differences  | 11,315     | 64,003   | 10,589     | 4,163      | 12,370                                     | 2,620                     | 5,617      |  |
| Other                 | (129)      | —  | —          | (281)      | —  | —                         | —          |  |
| As of March 31, 2014  | 1,549,395  | 3,709,526                                      | 630,379    | 1,111,097  | 849,453                                    | 151,535                   | 202,512    |  |
| Purchase              | —          | 17,923   | —          | 77,893     | 4,650                                      | —                         | —          |  |
| Internal development  | —          | —  | —          | 3,820      | —  | —                         | —          |  |
| Business combinations | 30,090     | —  | —          | —          | —  | —                         | —          |  |
| Disposals             | —          | (30,641)                                       | —          | (69,967)   | —  | —                         | —          |  |
| Transfer of accounts  | —          | —  | —          | 195,210    | —  | —                         | —          |  |
| Exchange differences  | 56,539     | 618,769  | 104,217    | 42,703     | 122,650                                    | 25,398                    | (9,976)    |  |
| Other                 | 37,127     | 4,719  | 59         | 3,184      | 3,107                                      | —                         | —          |  |
| As of March 31, 2015  | ¥1,673,151 | ¥4,320,296                                     | ¥734,655   | ¥1,363,940 | ¥979,860                                   | ¥176,933                  | ¥192,536   |  |

(Thousands of U.S. dollars)

| Historical cost       | Intangible assets with indefinite useful lives |                     |                    |                     | Intangible assets with finite useful lives |                           |                    |
|-----------------------|--|---------------------|--------------------|---------------------|--|---------------------------|--------------------|
|                       | Goodwill                                       | FCC licenses        | Trademarks         | Software            | Customer relationships                     | Favorable lease contracts | Game titles        |
| As of March 31, 2014  | \$12,893,359                                   | \$30,868,986        | \$5,245,727        | \$ 9,246,043        | \$7,068,761                                | \$1,261,005               | \$1,685,212        |
| Purchase              | —  | 149,147             | —                  | 648,190             | 38,696                                     | —                         | —                  |
| Internal development  | —  | —                   | —                  | 31,788              | —  | —                         | —                  |
| Business combinations | 250,395  | —                   | —                  | —                   | —  | —                         | —                  |
| Disposals             | —  | (254,981)           | —                  | (582,234)           | —  | —                         | —                  |
| Transfer of accounts  | —  | —                   | —                  | 1,624,449           | —  | —                         | —                  |
| Exchange differences  | 470,492  | 5,149,114           | 867,246            | 355,355             | 1,020,637                                  | 211,351                   | (83,015)           |
| Other                 | 308,954  | 39,269              | 491                | 26,496              | 25,855                                     | —                         | —                  |
| As of March 31, 2015  | <u>\$13,923,200</u>                            | <u>\$35,951,535</u> | <u>\$6,113,464</u> | <u>\$11,350,087</u> | <u>\$8,153,949</u>                         | <u>\$1,472,356</u>        | <u>\$1,602,197</u> |

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

(Millions of yen)

| Accumulated amortization and impairment losses | Intangible assets with indefinite useful lives |              |                 |                   | Intangible assets with finite useful lives |                           |                  |
|--|--|--------------|-----------------|-------------------|--|---------------------------|------------------|
|  | Goodwill                                       | FCC licenses | Trademarks      | Software          | Customer relationships                     | Favorable lease contracts | Game titles      |
| As of April 1, 2013                            | ¥(3,543)                                       | ¥—           | ¥ —             | ¥(349,361)        | ¥ (5,518)                                  | ¥ —                       | ¥ —              |
| Amortization                                   | —  | —            | —               | (152,269)         | (155,017)                                  | —                         | (35,880)         |
| Impairment loss                                | (5,822)  | —            | (7,404)         | (654)             | (8,655)                                    | —                         | —                |
| Disposals                                      | —  | —            | —               | 39,165            | —  | —                         | —                |
| Exchange differences                           | (552)  | —            | —               | (869)             | (2,769)                                    | (227)                     | (110)            |
| Other  | 129  | —            | —               | 277               | —  | (11,091)                  | —                |
| As of March 31, 2014                           | <u>(9,788)</u>                                 | <u>—</u>     | <u>(7,404)</u>  | <u>(463,711)</u>  | <u>(171,959)</u>                           | <u>(11,318)</u>           | <u>(35,990)</u>  |
| Amortization                                   | —  | —            | —               | (196,838)         | (187,557)                                  | —                         | (49,647)         |
| Disposals                                      | —  | —            | —               | 67,706            | —  | —                         | —                |
| Exchange differences                           | —  | —            | —               | (12,197)          | (38,121)                                   | (3,406)                   | 2,312            |
| Other  | —  | —            | —               | (1,034)           | —  | (17,018)                  | —                |
| As of March 31, 2015                           | <u>¥(9,788)</u>                                | <u>¥—</u>    | <u>¥(7,404)</u> | <u>¥(606,074)</u> | <u>¥(397,637)</u>                          | <u>¥(31,742)</u>          | <u>¥(83,325)</u> |



(Thousands of U.S. dollars)

|   | Intangible assets with indefinite useful lives |              |            | Intangible assets with finite useful lives |                        |                           |             |
|---|--|--------------|------------|--|------------------------|---------------------------|-------------|
|   | Goodwill                                       | FCC licenses | Trademarks | Software                                   | Customer relationships | Favorable lease contracts | Game title  |
| <b>Accumulated amortization and impairment losses</b> |  |              |            |  |                        |                           |             |
| As of March 31, 2014                                  | \$(81,451)                                     | \$—          | \$(61,613) | \$(3,858,792)                              | \$(1,430,965)          | \$ (94,183)               | \$(299,492) |
| Amortization  | —  | —            | —          | (1,637,996)                                | (1,560,764)            | —                         | (413,140)   |
| Disposals   | —  | —            | —          | 563,418                                    | —                      | —                         | —           |
| Exchange differences                                  | —  | —            | —          | (101,497)                                  | (317,225)              | (28,343)                  | 19,239      |
| Other   | —  | —            | —          | (8,604)                                    | —                      | (141,616)                 | —           |
| As of March 31, 2015                                  | \$(81,451)                                     | \$—          | \$(61,613) | \$(5,043,471)                              | \$(3,308,954)          | \$(264,142)               | \$(693,393) |

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

(Millions of yen)

|                         | Intangible assets with indefinite useful lives |              |            | Intangible assets with finite useful lives |                        |                           |            |
|-------------------------|--|--------------|------------|--|------------------------|---------------------------|------------|
|                         | Goodwill                                       | FCC licenses | Trademarks | Software                                   | Customer relationships | Favorable lease contracts | Game title |
| <b>Carrying amounts</b> |  |              |            |  |                        |                           |            |
| As of March 31, 2014    | ¥ 1,539,607                                    | ¥ 3,709,526  | ¥ 622,975  | ¥ 647,386                                  | ¥ 677,494              | ¥ 140,217                 | ¥166,522   |
| As of March 31, 2015    | 1,663,363                                      | 4,320,296    | 727,251    | 757,866                                    | 582,223                | 145,191                   | 109,211    |

(Thousands of U.S. dollars)

|                         | Intangible assets with indefinite useful lives |              |             | Intangible assets with finite useful lives |                        |                           |            |
|-------------------------|--|--------------|-------------|--|------------------------|---------------------------|------------|
|                         | Goodwill                                       | FCC licenses | Trademarks  | Software                                   | Customer relationships | Favorable lease contracts | Game title |
| <b>Carrying amounts</b> |  |              |             |  |                        |                           |            |
| As of March 31, 2015    | \$13,841,749                                   | \$35,951,535 | \$6,051,851 | \$6,306,616                                | \$4,844,995            | \$1,208,214               | \$908,804  |

Increase due to “Business combinations” for the fiscal year ended March 31, 2014 is as follows:

- As a result of consolidating GungHo as a subsidiary in April 2013, the Company recognized game titles of ¥77,796 million. The details of the acquisition are described in “(1) GungHo Online Entertainment, Inc.” in “Note 6. Business combinations.”
- The components of the carrying amounts of intangible assets recognized as a result of consolidating Sprint as a subsidiary in July 2013 are as follows. The details of the acquisition are described in “(2) Sprint” in “Note 6. Business combinations.”

|  | (Millions of yen)                                 |
|--|---|
|  | <u>Acquisition date</u><br><u>(July 10, 2013)</u> |
| Intangible assets with finite useful lives     |   |
| Software                                       | ¥ 138,330   |
| Customer relationships                         | 700,192   |
| Favorable lease contracts                      | 148,979   |
| Trademarks                                     | 52,593  |
| Other  | 47,928  |
| Intangible assets with indefinite useful lives |   |
| FCC licenses                                   | 3,617,677   |
| Trademarks                                     | 600,266   |
| Total  | <u>¥5,305,965</u>                                 |

- As a result of consolidating WILLCOM, Inc. as a subsidiary, in July 2013, the Company recognized customer relationships of ¥25,004 million. The details of the acquisition are described in “(3) WILLCOM, Inc.” in “Note 6. Business Combination.”
- As a result of consolidating Supercell Oy as a subsidiary in October 2013, the Company recognized game title of ¥119,099 million. The details of the acquisition are described in “(4) Supercell Oy” in “Note 6. Business Combination.”
- As a result of consolidating Brightstar Corp. as a subsidiary in January 2014, the Company recognized customer relationships of ¥22,493 million and trademarks (intangible assets with indefinite useful lives) of ¥12,120 million. The details of the acquisition are described in “(5) Brightstar Corp.” in “Note 6. Business Combination.”

“FCC licenses” are licenses to use specific frequency spectrum granted by the U.S. Federal Communications Commission (“FCC”). As long as the Company acts within the requirements of regulatory authorities, the renewal and extension of FCC licenses are reasonably certain at minimal cost. Therefore, it is determined that FCC licenses have indefinite useful lives.

The Company determined that “Sprint” and “Boost Mobile” trademarks have indefinite useful lives as they can be legally used continuously as long as the business continues and management’s current plans are to offer service under these trademarks for the foreseeable future.

Customer relationships reflect excessive earning capacity in the future expected from the existing customers of the acquiree at the time of business combinations.

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

Game titles reflect excessive earning capacity in the future expected from the existing game titles of the acquiree at the time of the business combinations.

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

Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses are included in “Other operating income and loss” in the consolidated statement of income. The details of the impairment loss are described in “Note 36. Other operating income and loss.”

The carrying amount of internally generated intangible assets included in the intangible assets is as follows:

|                | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|----------------|----------------------|----------------------|-----------------------------|
|                | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Software ..... | <u>¥47,604</u>       | <u>¥57,488</u>       | <u>\$478,389</u>            |

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

|                | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|----------------|----------------------|----------------------|-----------------------------|
|                | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Software ..... | <u>¥207,713</u>      | <u>¥226,407</u>      | <u>\$1,884,056</u>          |

The Company's finance lease obligations are secured by the lessor retaining the property rights of the leased assets.

The amounts of intangible assets pledged as collateral for interest-bearing debt are described in “(4) Assets pledged as collateral” in “Note 20. Interest-bearing debt.”

The intangible assets with limited property rights due to installment purchase are described in “(5) Assets with limited property rights” in “Note 20. Interest-bearing debt.”

Research and development costs included in “Cost of sales” and “Selling, general and administrative expenses” are as follows:

|                                      | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|--------------------------------------|----------------------------------|----------------------------------|----------------------------------|
|                                      | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Research and development costs ..... | <u>¥3,507</u>                    | <u>¥10,775</u>                   | <u>\$89,665</u>                  |

Goodwill acquired as a part of business combinations is allocated to cash generating units or cash generating unit groups that are expected to benefit from the synergies arising from the combination.

Amounts of goodwill and intangible assets with indefinite useful lives allocated to cash generating units or cash generating unit groups are as follows:

|                               |   | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|-------------------------------|---|----------------------|----------------------|-----------------------------|
|                               |   | Goodwill             |                      |                             |
| Reportable segments           | Cash generating unit or Cash generating unit groups | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
|                               |   |                      |                      |                             |
| Mobile Communications         | SoftBank Mobile and other* . . . .                  | ¥ 883,485            | ¥ 883,485            | \$ 7,351,960                |
|                               | GungHo .....  | 146,032              | 146,032              | 1,215,212                   |
|                               | Supercell .....                                     | 103,463              | 95,187               | 792,103                     |
|                               | Brightstar Global Group .....                       | 59,979               | 96,537               | 803,336                     |
|                               | Total .....   | 1,192,959            | 1,221,241            | 10,162,611                  |
| Sprint                        | Sprint .....  | 286,258              | 353,867              | 2,944,720                   |
| Fixed-line Telecommunications | SoftBank Telecom Corp. ....                         | 27,920               | 27,920               | 232,338                     |
| Internet                      | Yahoo .....   | 31,050               | 47,245               | 393,151                     |
| —                             | Other .....   | 1,420                | 13,090               | 108,929                     |
| Total .....                   |   | <u>¥1,539,607</u>    | <u>¥1,663,363</u>    | <u>\$13,841,749</u>         |

| Reportable segments   | Cash generating unit                                 | (Millions of yen)                              |                         | (Thousands of U.S. dollars) |
|-----------------------|--|--|-------------------------|-----------------------------|
|                       |  | Intangible assets with indefinite useful lives |                         |                             |
|                       |  | As of<br>March 31, 2014                        | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Mobile Communications | Brightstar Corp. US•Canada . . . .                   | ¥ 2,779  | ¥ 3,245                 | \$ 27,003                   |
|                       | Brightstar Corp. Latin America . . . . .             | 4,528  | 5,230                   | 43,522                      |
|                       | Brightstar Corp. Asia, Africa, and Oceania . . . . . | 4,323  | 4,989                   | 41,516                      |
|                       | Brightstar Corp. Europe . . . . .                    | 515  | 578                     | 4,810                       |
|                       | Total . . . . .                                      | 12,145   | 14,042                  | 116,851                     |
| Sprint                | Sprint . . . . .                                     | 4,320,356                                      | 5,033,505               | 41,886,536                  |
| Total . . . . .       |  | ¥4,332,501                                     | ¥5,047,547              | \$42,003,387                |

Note:

\* SoftBank Mobile and other is comprised of SoftBank Mobile Corp., Ymobile Corporation., and WCP.

The recoverable amount of each cash generating unit or cash generating unit group is measured as follows:

Value in use: SoftBank Mobile and other, Supercell, Brightstar Global Group, SoftBank Telecom Corp., and Yahoo

Fair value less disposal cost: GungHo and Sprint

Value in use is mainly assessed by discounting to the present value the estimated cash flows in the next five years based on the financial budget approved by the management, which reflects past experience and external information, using the pretax weighted average cost of capital of 5.03%-21.08% of the cash generating unit or cash generating unit groups (fiscal year ended March 31, 2014: 6.77%-23.56%). The cash flows from after five years are assumed on the basis of the growth rate of 0%-2.43%.

The fair value less disposal cost is measured based on active market price.

As a result of an impairment test of goodwill and intangible assets with indefinite useful lives, no impairment loss is recognized for the fiscal year ended March 31, 2015 (fiscal year ended March 31, 2014: impairment loss of ¥5,822 million recognized for goodwill allocated to cash generating units or cash generating unit groups of Other).

As for goodwill allocated to Brightstar Global Group the value in use of the cash generating units to which the goodwill is allocated is higher than the carrying amount. However there is a possibility that the impairment loss will be recognized if the pretax weighted average cost of capital used in the calculation of the value in use increases by approximately 3.1%.

The Company determined that for significant cash generating units or cash generating unit groups other than the above, the recoverable amount is unlikely to fall below the carrying value, even if major assumptions used in the impairment test change to a reasonably foreseeable extent.

## 15. Leases

### (1) Finance leases

#### (As lessee)

The Company has leased assets, including the FUKUOKA YAFUOKU! DOME, wireless equipment, switching equipment, power supply systems and transmission facilities.

The components of finance lease obligations are as follows:

|  | (Millions of yen)          |                            | (Thousands of U.S. dollars) |
|--|----------------------------|----------------------------|-----------------------------|
|  | As of<br>March 31,<br>2014 | As of<br>March 31,<br>2015 | As of<br>March 31,<br>2015  |
| The total minimum lease payments           |                            |                            |                             |
| Within 1 year                              | ¥ 281,641                  | ¥ 431,271                  | \$ 3,588,841                |
| 1 to 5 years                               | 742,615                    | 761,440                    | 6,336,357                   |
| Over 5 years                               | 15,715                     | 11,572                     | 96,297                      |
| Total                                      | 1,039,971                  | 1,204,283                  | 10,021,495                  |
| Deduction—future financial expense         | (44,761)                   | (47,919)                   | (398,761)                   |
| Present value of finance lease obligations | ¥ 995,210                  | ¥1,156,364                 | \$ 9,622,734                |

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

|               | (Millions of yen)          |                            | (Thousands of U.S. dollars) |
|---------------|----------------------------|----------------------------|-----------------------------|
|               | As of<br>March 31,<br>2014 | As of<br>March 31,<br>2015 | As of<br>March 31,<br>2015  |
| Within 1 year | ¥264,295                   | ¥ 411,453                  | \$3,423,924                 |
| 1 to 5 years  | 716,679                    | 734,085                    | 6,108,721                   |
| Over 5 years  | 14,236                     | 10,826                     | 90,089                      |
| Total         | ¥995,210                   | ¥1,156,364                 | \$9,622,734                 |

The outstanding balance by maturity year of financial lease obligations is described in “(2) Financial risk management (c) Liquidity risk” in “Note 26. Financial instrument.”

Certain lease contracts have financial covenants. Major contents are described in “(2) Financial covenants” in “Note 20. Interest-bearing debt.”

### (2) Operating leases

#### (As lessee)

The Company leases towers, land and buildings for the placement of telecommunications equipment, frequency spectrum, and telecommunication lines under operating leases. Certain operating lease contracts have automatic renewal option and escalation clauses.

In addition to non-cancelable period, automatic renewal option is included in the lease term to the extent, at the inception of the lease, it is reasonably certain that the option will be exercised. For operating leases with escalation clauses or a portion of which is free of charge, the total lease payment amount is amortized over the lease term by the straight line method.

#### Cell sites leases

Cell site leases in the U.S. are generally provided by the cell phone tower operators who provide tower and ground space to place Sprint-owned antennae, radio, and related equipment. The contract terms generally provide for an initial non-cancelable term of 5 to 12 years with up to five renewal options for five years each. At the establishment of the cell sites leases, it is assumed that at least one renewal option is exercised for contracts less than 10 years.

Cell sites leases in Japan contain only land or buildings for the placement of cell sites. Most of the contract terms are 10 years or 20 years. At the establishment of the cell sites leases, it is reasonably certain that they will be used until the contract term expires.

## Spectrum leases (U.S.)

U.S. leased spectrum agreements have renewal options. For those contracts, it is reasonably certain that, at the inception of the transaction, all the renewal options will be used and terms including renewal terms are up to 30 years.

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

|                         | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|-------------------------|----------------------|----------------------|-----------------------------|
|                         | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Within 1 year . . . . . | ¥ 339,417            | ¥ 376,134            | \$ 3,130,016                |
| 1 to 5 years . . . . .  | 1,098,640            | 1,259,983            | 10,485,005                  |
| Over 5 years . . . . .  | 1,413,650            | 1,435,562            | 11,946,092                  |
| Total . . . . .         | <u>¥2,851,707</u>    | <u>¥3,071,679</u>    | <u>\$25,561,113</u>         |

Operating lease payments recognized as expenses for the fiscal year ended March 31, 2015 totaled ¥431,238 million (\$3,588,566 thousand) (fiscal year ended March 31, 2014: ¥339,961 million).

## (As lessor)

In September 2014, Sprint introduced a device leasing program to its qualifying subscribers. As of March 31, 2015, substantially all transactions have been classified as operating leases along with the “device rental service” provided to corporate customers by SoftBank Telecom Corp. The lease term of the device leasing program at Sprint is typically 2 years. At the end of the lease term, the subscriber has the option to turn in their device, continue leasing their device, or purchase the device. Since device leases are provided on the condition that subscribers maintain telecommunication services with the Company, the amount of revenue from these transactions are separated into the amount of payments to be received for device leases and other elements based on the fair value of telecommunication service and lease.

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

|                         | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|-------------------------|----------------------|----------------------|-----------------------------|
|                         | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Within 1 year . . . . . | ¥14,140              | ¥104,551             | \$ 870,026                  |
| 1 to 5 years . . . . .  | 11,418               | 74,074               | 616,410                     |
| Over 5 years . . . . .  | 1,957                | 2,470                | 20,554                      |
| Total . . . . .         | <u>¥27,515</u>       | <u>¥181,095</u>      | <u>\$1,506,990</u>          |



## 16. Major subsidiaries

### (1) Organizational structure

The Company's major subsidiaries are as follows:

| Company Name  | Reportable segments              | Location       | Ownership percentage of voting rights (%) |                         |
|---|----------------------------------|----------------|---|-------------------------|
|   |                                  |                | As of<br>March 31, 2014                   | As of<br>March 31, 2015 |
| SoftBank Mobile Corp. <sup>1</sup> . . . . .  | Mobile Communications            | Tokyo          | 100                                       | 100                     |
| BB Mobile Corp. . . . .   | Mobile Communications            | Tokyo          | 100                                       | 100                     |
| Ymobile Corporation <sup>1,2</sup> . . . . .  | Mobile Communications            | Tokyo          | 33.3                                      | 99.7                    |
| WILLCOM, Inc. <sup>2</sup> . . . . .  | Mobile Communications            | Tokyo          | 100                                       | —                       |
| GungHo Online Entertainment,<br>Inc. <sup>3</sup> . . . . .   | Mobile Communications            | Tokyo          | 40.2                                      | 40.2                    |
| Wireless City Planning Inc. <sup>4</sup> . . .  | Mobile Communications            | Tokyo          | 33.3                                      | 33.3                    |
| SoftBank Commerce & Service<br>Corp. <sup>5</sup> . . . . .   | Mobile Communications            | Tokyo          | —   | 100                     |
| Brightstar Global Group Inc. <sup>6</sup> . .   | Mobile Communications            | U.S.A          | 57.2                                      | 100                     |
| Brightstar Corp. . . . .  | Mobile Communications            | U.S.A          | 100                                       | 100                     |
| GRAVITY Co., Ltd. . . . .   | Mobile Communications            | South<br>Korea | 59.3                                      | 59.3                    |
| Supercell Oy . . . . .  | Mobile Communications            | Finland        | 54.9                                      | 53.7                    |
| Sprint Corporation . . . . .  | Sprint                           | U.S.A          | 79.9                                      | 79.5                    |
| Sprint Communications, Inc. . . .   | Sprint                           | U.S.A          | 100                                       | 100                     |
| SoftBank BB Corp. <sup>1</sup> . . . . .  | Fixed-line<br>Telecommunications | Tokyo          | 100                                       | 100                     |
| SoftBank Telecom Corp. <sup>1</sup> . . . . .   | Fixed-line<br>Telecommunications | Tokyo          | 100                                       | 100                     |
| Yahoo Japan Corporation <sup>7</sup> . . . . .  | Internet                         | Tokyo          | 42.9                                      | 43.0                    |
| IDC Frontier Inc. . . . .   | Internet                         | Tokyo          | 100                                       | 100                     |
| ValueCommerce Co., Ltd. . . . .   | Internet                         | Tokyo          | 50.6                                      | 50.6                    |
| Mobiletech Corporation . . . . .  | Other                            | Tokyo          | 100                                       | 100                     |
| SB Energy Corp. . . . .   | Other                            | Tokyo          | 100                                       | 100                     |
| SoftBank Payment Service<br>Corp. . . . .   | Other                            | Tokyo          | 100                                       | 100                     |
| Fukuoka SoftBank HAWKS<br>Corp. . . . .   | Other                            | Fukuoka        | 100                                       | 100                     |
| SoftBank Robotics Holdings<br>Corp. <sup>8</sup><br>(Formerly Amuse Three<br>Corporation) . . . . . | Other                            | Tokyo          | 100                                       | 100                     |
| SBBM Corporation . . . . .  | Other                            | Tokyo          | 100                                       | 100                     |
| ITmedia Inc. . . . .  | Other                            | Tokyo          | 59.1                                      | 57.9                    |
| SoftBank Technology Corp. . . .   | Other                            | Tokyo          | 55.5                                      | 55.4                    |
| Vector Inc. . . . .   | Other                            | Tokyo          | 52.4                                      | 52.4                    |
| SFJ Capital Limited . . . . .   | Other                            | Cayman         | 100                                       | 100                     |
| SB Group US Inc. . . . .  | Other                            | U.S.A          | —   | 100                     |
| SB CHINA HOLDINGS PTE<br>LTD . . . . .  | Other                            | Singapore      | 100                                       | 100                     |
| SoftBank Ventures Korea<br>Corp. . . . .  | Other                            | South<br>Korea | 100                                       | 100                     |
| SoftBank Korea Corp. . . . .  | Other                            | South<br>Korea | 100                                       | 100                     |
| Starburst I, Inc. . . . .   | Other                            | U.S.A          | 100                                       | 100                     |
| SoftBank Holdings Inc. . . . .  | Other                            | U.S.A          | 100                                       | 100                     |
| SoftBank America Inc. . . . .   | Other                            | U.S.A          | 100                                       | 100                     |
| SoftBank Ranger Venture<br>Investment Partnership . . . . .   | Other                            | South<br>Korea | 100                                       | 100                     |

| Company Name                     | Reportable segments | Location   | Ownership percentage of voting rights (%) |                         |
|----------------------------------|---------------------|------------|---|-------------------------|
|                                  |                     |            | As of<br>March 31, 2014                   | As of<br>March 31, 2015 |
| SoftBank Capital Fund' 10        |                     |            |   |                         |
| L.P. . . . .                     | Other               | U.S.A      | 98.0                                      | 98.0                    |
| STARFISH I PTE. LTD. . . . .     | Other               | Singapore  | —   | 100                     |
| SB Pan Pacific Corporation . . . | Other               | Micronesia | 100                                       | 100                     |
| Hayate Corporation . . . . .     | Other               | Micronesia | —   | 100                     |

Notes:

1. SoftBank Mobile Corp., Ymobile Corporation, SoftBank BB Corp., and SoftBank Telecom Corp. conducted an absorption type merger with SoftBank Mobile Corp. being the surviving company, effective on April 1, 2015.
2. eAccess Ltd., merged with WILLCOM, Inc. on June 1, 2014 and changed its company name to Ymobile Corporation on July 1 2014. On February 24, 2015, SoftBank Corp. requested Ymobile Corporation to exchange 342,777 shares of Ymobile Corporation's Class A share (without voting rights) owned by SoftBank Corp., with 342,777 shares of Ymobile Corporation's Class B share (with voting rights). As a result, the Company holds 99.7% of Ymobile Corporation's voting rights.
3. The Company does not own the majority of voting rights in GungHo. However, Heartis, which owns 18.50% of the voting rights in GungHo, has agreed, effective as of April 1, 2013, to the effect that it will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son's directions. The Company and Heartis together represent the majority of the voting rights in GungHo's shares. As a result, the Company determined that it has control over GungHo and included it into the scope of consolidation. Furthermore, as a result of the completion of the tender offer for share of GungHo, which was resolved at GungHo's board of directors' meeting held on April 28, 2015, the Company holds 23.7% of GungHo's voting rights and GungHo became an associate accounted for using the equity method as of the date of issuance of these consolidated financial statement.
4. The Company does not own the majority of WCP's voting rights. However, the Company determined that it has control over WCP and included it into the scope of consolidation, considering the fact that SoftBank Corp.'s directors constitute the majority of the members of WCP's board of directors and that WCP's business activities significantly depend on the Company.
5. On April 1, 2014, former SoftBank BB Corp. spun off its Commerce and Service business and newly established SoftBank Commerce and Service Corp. SoftBank Corp. transferred all of its shares of SoftBank Commerce and Service Corp. to a wholly owned subsidiary of Brightstar Corp.
6. On August 6, 2014, the Company acquired all of the common stock of Brightstar Global Group held by, former chairman and CEO, Marcelo Claire (which was 37.7% of its outstanding common stocks) and Brightstar Global Group became a wholly owned subsidiary of the Company.
7. The Company does not own the majority of Yahoo Japan Corporation's voting rights. However, the Company determined that it has control over Yahoo Japan Corporation and included it into the scope of consolidation, considering the fact that the Company holds 43.0% of the voting rights of Yahoo Japan Corporation and SoftBank Corp.'s directors constitute the majority of the members of Yahoo Japan Corporation's board of directors.
8. Amuse Three Corporation changed its company name to SoftBank Robotics Holdings Corp., on August 27, 2014.

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

a. Sprint (Sprint Corporation and its group companies)

(a) General information

|  | As of March 31, 2014                | As of March 31, 2015                |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Ownership ratio of the non-controlling interests (%) . . . . .                                     | 20.1                                | 20.5                                |                                     |
|  | (Millions of yen)                   | (Thousands of U.S. dollars)         |                                     |
|  | As of<br>March 31, 2014             | As of<br>March 31, 2015             | As of<br>March 31, 2015             |
| Accumulated amount attributable to the non-controlling interests of the subsidiary group . . . . . | ¥403,115                            | ¥415,887                            | \$3,460,822                         |
|  | (Millions of yen)                   | (Thousands of U.S. dollars)         |                                     |
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net loss allocated to the non-controlling interests of subsidiary group . . . . .                  | ¥(39,564)                           | ¥(37,285)                           | \$(310,269)                         |

(b) Summarized consolidated financial information

|                                   | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|-----------------------------------|-------------------------|-------------------------|-----------------------------|
|                                   | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Current assets . . . . .          | ¥1,178,581              | ¥1,229,754              | \$10,233,453                |
| Non-current assets . . . . .      | 7,139,707               | 8,592,854               | 71,505,817                  |
| Current liabilities . . . . .     | 1,031,865               | 1,406,378               | 11,703,237                  |
| Non-current liabilities . . . . . | 5,084,260               | 6,098,000               | 50,744,778                  |
| Net assets . . . . .              | <u>¥2,202,163</u>       | <u>¥2,318,230</u>       | <u>\$19,291,255</u>         |

|                                    | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                    | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net sales . . . . .                | ¥2,601,031                          | ¥3,800,021                          | \$31,622,044                        |
| Net loss . . . . .                 | (192,371)                           | (183,237)                           | (1,524,815)                         |
| Total comprehensive loss . . . . . | <u>¥ (187,239)</u>                  | <u>¥ (127,653)</u>                  | <u>\$ (1,062,270)</u>               |

Fiscal year ended March 31, 2014 is the net sales, net loss and total comprehensive income of Sprint after the acquisition date.

No dividends were paid to the non-controlling interests by Sprint after the acquisition date.

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net cash provided by operating activities . . . . .                    | ¥ 24,999                            | ¥ 191,167                           | \$ 1,590,805                        |
| Net cash used in investing activities . . . . .                        | (564,880)                           | (517,815)                           | (4,309,021)                         |
| Net cash provided by financing activities . . . . .                    | 586,912                             | 229,807                             | 1,912,349                           |
| Effect of exchange rate changes on cash and cash equivalents . . . . . | <u>16,658</u>                       | <u>67,170</u>                       | <u>558,958</u>                      |
| Increase (decrease) in cash and cash equivalents . .                   | <u>¥ 63,689</u>                     | <u>¥ (29,671)</u>                   | <u>\$ (246,909)</u>                 |

Fiscal year ended March 31, 2014 is the cash flows of Sprint after the acquisition date.

b. Yahoo (Yahoo Japan Corporation and its group companies)

(a) General information

|  | As of March 31, 2014 | As of March 31, 2015 |
|--|----------------------|----------------------|
| Ownership ratio of the non-controlling interests (%) . . . . . | 57.1                 | 57.0                 |

|  | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|--|-------------------------|-------------------------|-----------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Accumulated amount attributable to the non-controlling interests of subsidiary group . . . . . | ¥356,740                | ¥416,402                | \$3,465,108                 |

|   | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net income allocated to the non-controlling interests of subsidiary group . . . . . | ¥73,318                             | ¥76,768                             | \$638,828                           |

(b) Summarized consolidated financial information

|                               | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|-------------------------------|-------------------------|-------------------------|-----------------------------|
|                               | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Current assets .....          | ¥658,706                | ¥741,828                | \$6,173,155                 |
| Non-current assets .....      | 210,890                 | 284,355                 | 2,366,273                   |
| Current liabilities .....     | 218,335                 | 239,772                 | 1,995,274                   |
| Non-current liabilities ..... | 3,934                   | 27,276                  | 226,978                     |
| Net assets .....              | ¥647,327                | ¥759,135                | \$6,317,176                 |

|                                  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net sales .....                  | ¥408,515                            | ¥428,487                            | \$3,565,674                         |
| Net income .....                 | 129,566                             | 133,933                             | 1,114,529                           |
| Total comprehensive income ..... | ¥135,030                            | ¥135,877                            | \$1,130,706                         |

Dividends paid to the non-controlling interests by Yahoo Japan Corporation for the fiscal year ended March 31, 2015 is ¥14,371 million (\$119,589 thousand) (fiscal year ended March 31, 2014: ¥13,229 million).

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net cash provided by operating activities .....                    | ¥134,572                            | ¥127,627                            | \$1,062,054                         |
| Net cash used in investing activities .....                        | (9,053)                             | (69,252)                            | (576,284)                           |
| Net cash used in financing activities .....                        | (53,129)                            | (37,166)                            | (309,279)                           |
| Effect of exchange rate changes on cash and cash equivalents ..... | 359                                 | 391                                 | 3,254                               |
| Increase in cash and cash equivalents .....                        | ¥ 72,749                            | ¥ 21,600                            | \$ 179,745                          |

## 17. Investments accounted for using the equity method

### (1) Summarized consolidated financial information and other of the significant associates

#### Alibaba Group Holding Limited

##### a. General information

Alibaba (registered in Cayman) operates online marketplaces “Taobao Marketplace,” “Tmall,” “Alibaba.com” and others through its group company.

b. Summarized consolidated financial information

IFRS summarized consolidated financial information for Alibaba is as follows.

The Company applies the equity method to the consolidated financial statements of Alibaba on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba to that of the Company due to the contract with Alibaba. Also, this note discloses the summarized consolidated financial information of Alibaba on a three-month time lag. Adjustments are made for significant transactions or events which occurred during the intervening period and which were publicly announced by Alibaba.

|   | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|---|-------------------------|-------------------------|-----------------------------|
|   | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Current assets                                    | ¥1,178,723              | ¥3,294,995              | \$27,419,447                |
| Non-current assets                                | 672,785                 | 1,840,071               | 15,312,233                  |
| Current liabilities                               | 680,910                 | 1,221,616               | 10,165,732                  |
| Non-current liabilities                           | 790,289                 | 1,112,290               | 9,255,970                   |
| Equity  |                         |                         |                             |
| Total equity attributable to owners of the parent | 363,226                 | 2,720,661               | 22,640,102                  |
| Non-controlling interests                         | ¥ 17,083                | ¥ 80,499                | \$ 669,876                  |

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net sales                              | ¥801,093                            | ¥1,281,836                          | \$10,666,855                        |
| Net income                             | 323,923                             | 191,607                             | 1,594,466                           |
| Other comprehensive income, net of tax | 22,433                              | 820                                 | 6,824                               |
| Total comprehensive income             | ¥346,356                            | ¥ 192,427                           | \$ 1,601,290                        |

|   | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net income attributable to owners of the parent                             | ¥323,306                            | ¥188,906                            | \$1,571,990                         |
| Other comprehensive income attributable to owners of the parent, net of tax | 22,183                              | 708                                 | 5,891                               |
| Total comprehensive income attributable to owners of the parent             | ¥345,489                            | ¥189,614                            | \$1,577,881                         |

There was no dividend received from Alibaba for the fiscal years ended March 31, 2014 and 2015.

The reconciliation between total equity attributable to owners of the parent based on the summarized consolidated financial information above and the carrying amount of the interests in Alibaba is as follows:

|   | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|---|-------------------------|-------------------------|-----------------------------|
|   | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Total equity attributable to owners of the parent                             | ¥363,226                | ¥2,720,661              | \$22,640,102                |
| Interest ratio (%)  | 36.26                   | 32.54                   | 32.54                       |
| Interests of the Company  | 131,706                 | 885,303                 | 7,367,089                   |
| Goodwill  | 58,521                  | 63,533                  | 528,693                     |
| Accumulated amortization of goodwill on the IFRS transition date <sup>1</sup> | (8,624)                 | (8,878)                 | (73,879)                    |
| Other <sup>2</sup>  | (50,485)                | (70,141)                | (583,682)                   |
| Carrying amount of the interests in Alibaba <sup>3</sup>                      | ¥131,118                | ¥ 869,817               | \$ 7,238,221                |

Notes:

- Goodwill recorded by Alibaba from business combinations before the IFRS transition date was amortized over the periods in which economic benefits were reasonably expected to be realized, when the Company applied the equity method to the investment in Alibaba under previous accounting principles (JGAAP). The adjustment amount above reflects the accumulated amortization of goodwill at the date of transition to IFRSs.

2. Other relates to adjustments mainly related to organization restructurings such as the transfer of Taobao shares in 2005 and the purchase of treasury stocks by Alibaba from Yahoo! Inc. in the U.S. in 2012.
3. Dilution gain from changes in equity interest of ¥599,668 million (\$4,990,164 thousand) related to Alibaba is recognized for the year ended March 31, 2015. The detail is described in "Note 38. Dilution gain from changes in equity interest."

c. Fair value of investment in Alibaba

Alibaba listed on the New York Stock Exchange on September 19, 2014. The fair value of the investment in Alibaba based on market price is ¥7,979,784 million (\$66,404,127 thousand) as of March 31, 2015.

(2) Aggregated information on investment in insignificant associates

The aggregated information of insignificant investments accounted for using the equity method, other than (1) above (total amount of the Company's interests), is as follows:

|  | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|--|----------------------------------|----------------------------------|----------------------------------|
|  | As of March 31, 2014             | As of March 31, 2015             | As of March 31, 2015             |
| Carrying amount of the interests related to associates . . . . . | ¥173,200                         | ¥232,639                         | \$1,935,916                      |
|  |                                  |                                  | (Thousands of U.S. dollars)      |
|  | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|  | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Net income . . . . .   | ¥ 7,622                          | ¥ 9,154                          | \$ 76,175                        |
| Other comprehensive income (loss), net of tax . . . . .          | 9,108                            | (4,841)                          | (40,285)                         |
| Total comprehensive income . . . . .                             | ¥16,730                          | ¥ 4,313                          | \$ 35,890                        |

## 18. Structured entities

(1) Consolidated structured entities

The Company owns investment funds which are structured entities consolidated by the Company. These funds are structured as venture funds in the form of partnerships and limited partnerships for investment, and designed so that the voting rights or similar rights are not determinant in evaluating control. The Company evaluated that it controls the operation of those structured entities.

The Company is engaged in investment commitment contracts with certain consolidated structured entities.

The Company has not provided, nor intends to provide, any significant financial support or other significant support to the consolidated structured entities without contractual obligation.

(2) Unconsolidated structured entities

SoftBank Corp. and its subsidiaries own some investment funds, which are structured entities unconsolidated by the Company. These funds are structured as venture funds in the form of partnerships, limited partnerships for investment and investment trusts, and designed so that the voting rights or similar rights are not determinant in evaluating control. The third party controls the operation of these structured entities. The funds are financed by the subscription by its partners.

The scale of the unconsolidated structured entities, the carrying amount of the investment in the entities by the Company, and the potential maximum loss exposure of the Company are as follows:

|   | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|---|----------------------|----------------------|-----------------------------|
|   | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Total assets of the unconsolidated structured entities (aggregate amount) . . . . . | ¥359,396             | ¥452,567             | \$3,766,056                 |
| The maximum loss exposure of the Company  |                      |                      |                             |
| The carrying amount of the investment recognized by the Company . . . . .           | 63,352               | 71,707               | 596,713                     |
| Commitment contracts related to additional investment . . . . .                     | 16,445               | 16,502               | 137,322                     |
| Total . . . . .   | ¥ 79,797             | ¥ 88,209             | \$ 734,035                  |



The investment recognized by the Company is included in “Investments accounted for using the equity method” or “Other financial assets (non-current)” in the consolidated statement of financial position. There is no liability to recognize for the Company related to unconsolidated structured entities.

The potential maximum loss exposure incurred from the involvement with the structured entities is limited to the total of the carrying amount of the Company’s investment and commitment regarding additional investment.

The Company’s maximum loss exposure represents the potential maximum loss amount, and does not indicate any estimated loss amount by being involved with structured entities.

The Company has not provided, nor intends to provide any financial support or other significant support to the unconsolidated structured entities above without contractual obligation.

## 19. Income taxes

### (1) Tax expenses

The components of income tax expenses are as follows:

|                             | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|-----------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                             | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Current tax expenses .....  | ¥(343,333)                          | ¥(351,279)                          | \$(2,923,184)                       |
| Deferred tax expenses ..... | (2,465)                             | (162,084)                           | (1,348,789)                         |
| Total .....                 | <u>¥(345,798)</u>                   | <u>¥(513,363)</u>                   | <u>\$(4,271,973)</u>                |

Deferred tax expenses include expense arising from the written-down of a deferred tax asset or reversal of a previously written-down deferred tax asset. The amount of tax expenses related to these changes was decreased by ¥61,568 million (\$512,341 thousand) for the year ended March 31, 2015 (fiscal year ended March 31, 2014: increased by ¥3,957 million).

In Japan, the Act on the Partial Revision of the Income Tax Act (Article 9, 2015) and the Local Tax Law (Article 2, 2015) were issued on March 31, 2015, and the Company’s statutory effective tax rate, used to measure the deferred tax assets and liabilities for the fiscal year ended March 31, 2015, was changed. The effective tax rate for the temporary differences for which the timing of the recovery or settlement of the related temporary difference is expected during the fiscal year ending March 31, 2016 is changed from 35.6% to 33.3%, and to 32.4% for those whose timing is expected on April 1, 2016 and thereafter.

### (2) Reconciliation of statutory effective tax rate and actual tax rate

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

|  | (Unit: %)                           |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 |
| Statutory effective tax rate .....                                 | 38.0                                | 35.6                                |
| Effect from evaluating recoverability of deferred tax assets . . . | 11.7                                | 2.9                                 |
| Impairment loss on equity method associates .....                  | —                                   | 0.9                                 |
| Income on equity method investments .....                          | (2.7)                               | (0.1)                               |
| Gain from remeasurement relating to business combination . . .     | (10.4)                              | —                                   |
| Other .....  | <u>0.8</u>                          | <u>0.9</u>                          |
| Actual tax rate .....  | <u>37.4</u>                         | <u>40.2</u>                         |

The Company is subject to income taxes, residence taxes and deductible enterprise tax. The statutory effective tax rate for the fiscal year ended March 31, 2015 based on these taxes is 35.6% (fiscal year ended March 31, 2014: 38.0%), except for foreign subsidiaries that are subject to income taxes at their respective locations.

In Japan, the Act on the Partial Revision of the Income Tax Act (Article 10, 2014) was issued on March 31, 2014, and the special corporation tax for reconstruction will not be imposed from fiscal years starting on or after April 1, 2014. Consequently the statutory effective tax rate was changed.

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

The movement of deferred tax assets and deferred tax liabilities is as follows:

For the fiscal year ended March 31, 2014

|  |                            |                                 | (M)   |
|--|----------------------------|---------------------------------|---|
|  | As of<br>March 31,<br>2013 | Recognized in<br>profit or loss | Recognized in<br>other<br>comprehensive<br>income |
| Deferred tax assets  |                            |                                 |   |
| Property, plant and equipment . . . . .  | ¥ 81,434                   | ¥(25,124)                       | ¥ —   |
| Accrued expenses and other liabilities . . . . .   | 87,206                     | (68,579)                        | 71  |
| Net operating loss carryforwards and tax credit carryforwards . . . . .                  | 7,467                      | 20,340                          | —   |
| Other . . . . .  | 43,168                     | 3,494                           | (1)   |
| Total . . . . .  | <u>219,275</u>             | <u>(69,869)</u>                 | <u>70</u>   |
| Deferred tax liabilities   |                            |                                 |   |
| FCC licenses . . . . .   | —                          | (16,305)                        | —   |
| Customer relationships . . . . .   | (30,753)                   | 62,683                          | —   |
| Trademarks . . . . .   | (1,351)                    | 1,739                           | —   |
| Temporary difference associated with investment in subsidiaries and associates . . . . . | —                          | (5,483)                         | —   |
| Available-for-sale financial assets . . . . .  | (27,886)                   | —                               | 22,381  |
| Cash flow hedges . . . . .   | (72,059)                   | —                               | 72,029  |
| Other . . . . .  | (24,388)                   | 24,770                          | —   |
| Total . . . . .  | <u>(156,437)</u>           | <u>67,404</u>                   | <u>94,410</u>                                     |
| Net . . . . .  | <u>¥ 62,838</u>            | <u>¥ (2,465)</u>                | <u>¥94,480</u>                                    |

Note:

\* The increase resulting from “Business combinations” is mainly due to the consolidation of Sprint as a subsidiary. The details of the acquisition are described in Note 1.

For the fiscal year ended March 31, 2015

|   |                            |                                 | (Millions of yen)                                 |
|---|----------------------------|---------------------------------|---|
|   | As of<br>March 31,<br>2014 | Recognized in<br>profit or loss | Recognized in<br>other<br>comprehensive<br>income |
| Deferred tax assets   |                            |                                 |   |
| Property, plant and equipment   | ¥ 94,278                   | ¥ (20,632)                      | ¥ —   |
| Accrued expenses and other liabilities  | 266,422                    | (36,626)                        | 83  |
| Net operating loss carryforwards and tax credit carryforwards <sup>1</sup>                  | 74,780                     | 40,651                          | —   |
| Other   | 96,712                     | (5,917)                         | (64)  |
| Total   | 532,192                    | (22,524)                        | 19  |
| Deferred tax liabilities  |                            |                                 |   |
| FCC licenses  | (1,251,761)                | (3,174)                         | —   |
| Customer relationships  | (257,947)                  | 71,746                          | —   |
| Trademarks  | (259,258)                  | 2,599                           | —   |
| Temporary difference associated with investment in subsidiaries and associates <sup>2</sup> | (5,875)                    | (222,111)                       | (28,649)  |
| Available-for-sale financial assets   | (5,900)                    | —                               | 239   |
| Cash flow hedges  | (30)                       | —                               | (210)   |
| Other   | (102,196)                  | 11,380                          | —   |
| Total   | (1,882,967)                | (139,560)                       | (28,620)  |
| Net   | ¥(1,350,775)               | ¥(162,084)                      | ¥(28,601)   |

| (Thousands of U.S. dollars)   |                            |                                 |   |                         |
|---|----------------------------|---------------------------------|---|-------------------------|
|   | As of<br>March 31,<br>2014 | Recognized in<br>profit or loss | Recognized in<br>other<br>comprehensive<br>income | Business<br>combination |
| Deferred tax assets   |                            |                                 |   |                         |
| Property, plant and equipment   | \$ 784,539                 | \$ (171,690)                    | \$ —  | \$ —                    |
| Accrued expenses and other liabilities  | 2,217,043                  | (304,785)                       | 691   | 8                       |
| Net operating loss carryforwards and tax credit carryforwards <sup>1</sup>                  | 622,285                    | 338,279                         | —   | —                       |
| Other   | 804,793                    | (49,239)                        | (533)   | —                       |
| Total   | 4,428,660                  | (187,435)                       | 158   | 9                       |
| Deferred tax liabilities  |                            |                                 |   |                         |
| FCC licenses  | (10,416,585)               | (26,413)                        | —   | —                       |
| Customer relationships  | (2,146,517)                | 597,038                         | —   | (1)                     |
| Trademarks  | (2,157,427)                | 21,628                          | —   | —                       |
| Temporary difference associated with investment in subsidiaries and associates <sup>2</sup> | (48,889)                   | (1,848,306)                     | (238,405)   | —                       |
| Available-for-sale financial assets   | (49,097)                   | —                               | 1,989   | —                       |
| Cash flow hedges  | (250)                      | —                               | (1,747)   | —                       |
| Other   | (850,429)                  | 94,699                          | —   | (3)                     |
| Total   | (15,669,194)               | (1,161,354)                     | (238,163)   | (4)                     |
| Net   | <u>\$(11,240,534)</u>      | <u>\$(1,348,789)</u>            | <u>\$(238,005)</u>                                | <u>\$ 4</u>             |

## Notes:

- The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2014 or 2015, in the amount of ¥1,976 million ended March 31, 2015 (March 31, 2014: ¥1,976 million). This is mainly from the recognition of deferred tax assets as of March 31, 2015 related to net operating loss carryforwards considering the fact that SoftBank Mobile Corp., SoftBank BB Corp., SoftBank Telecom Corp., and Ymobile Corporation conducted an absorption type merger with the Company, effective on April 1, 2015.
- The increase in deferred tax liabilities from "Temporary difference associated with investment in subsidiaries and associates" is mainly due to the recognition of deferred tax liability on investment which mainly arose from dilution gain from changes in equity interest and equity income related to Alibaba. The amount of deferred tax liability is \$(1,984,256 thousands).

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

|                                | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|--------------------------------|----------------------|----------------------|-----------------------------|
|                                | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Deferred tax assets .....      | ¥ 182,246            | ¥ 235,488            | \$ 1,959,624                |
| Deferred tax liabilities ..... | (1,533,021)          | (2,052,615)          | (17,080,927)                |
| Net .....                      | <u>¥(1,350,775)</u>  | <u>¥(1,817,127)</u>  | <u>\$ (15,121,303)</u>      |

- (4) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

Deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards unaccompanied by the recognition of deferred tax assets are as follows. The amounts below are on a tax basis.

|  | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|--|----------------------|----------------------|-----------------------------|
|  | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Deductible temporary differences ..... | ¥187,687             | ¥ 180,647            | \$ 1,503,262                |
| Net operating loss carryforwards ..... | 783,219              | 1,001,667            | 8,335,416                   |
| Tax credit carryforwards .....         | 26,584               | 34,850               | 290,006                     |
| Total .....                            | <u>¥997,490</u>      | <u>¥1,217,164</u>    | <u>\$10,128,684</u>         |

Expiration of net operating loss carryforwards, and tax credit carryforwards unaccompanied by recognition of deferred tax assets is as follows. There is no deductible temporary difference with an expiry date.

|   | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|---|----------------------|----------------------|-----------------------------|
|   | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| <u>Net operating loss carryforwards (tax basis)</u> |                      |                      |                             |
| 1st year .....                                      | ¥ 8,520              | ¥ 10,097             | \$ 84,023                   |
| 2nd year .....                                      | 4,218                | 19,902               | 165,615                     |
| 3rd year .....                                      | 16,268               | 15,835               | 131,772                     |
| 4th year .....                                      | 23,566               | 9,542                | 79,404                      |
| 5th year and thereafter and no expiry date .....    | 730,647              | 946,291              | 7,874,602                   |
| Total .....   | <u>¥783,219</u>      | <u>¥1,001,667</u>    | <u>\$8,335,416</u>          |

|  | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|--|----------------------|----------------------|-----------------------------|
|  | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| <u>Tax credit carryforwards (tax basis)</u>      |                      |                      |                             |
| 1st year .....                                   | ¥ 861                | ¥ 2,284              | \$ 19,006                   |
| 2nd year .....                                   | 36                   | 255                  | 2,122                       |
| 3rd year .....                                   | 210                  | 8,635                | 71,857                      |
| 4th year .....                                   | 7,388                | 1,268                | 10,552                      |
| 5th year and thereafter and no expiry date ..... | 18,089               | 22,408               | 186,469                     |
| Total .....                                      | <u>¥26,584</u>       | <u>¥34,850</u>       | <u>\$290,006</u>            |

In addition to the above, total deductible temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax assets related to the investment in subsidiaries and associates as of March 31, 2015 are ¥600,209 million (\$4,994,666 thousand) (March 31, 2014: ¥115,338 million).

- (5) Taxable temporary differences unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries

Total taxable temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries as of March 31, 2015 are ¥1,303,644 million (\$10,848,332 thousand) (March 31, 2014: ¥642,305 million).

## 20. Interest-bearing debt

### (1) Components of interest-bearing debt

The components of interest-bearing debt are as follows:

|   | (Millions of yen)    |                      | (Thousands of U.S. dollars) | Average interest rate (%) | Maturity              |
|---|----------------------|----------------------|-----------------------------|---------------------------|-----------------------|
|   | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |                           |                       |
| Current   |                      |                      |                             |                           |                       |
| Short-term borrowings . . . . .                   | ¥ 270,529            | ¥ 413,846            | \$ 3,443,838                | 1.53                      | —                     |
| Commercial paper . . . . .                        | 32,000               | 32,000               | 266,289                     | 0.14                      | —                     |
| Current portion of long-term borrowings . . . . . | 393,566              | 525,898              | 4,376,284                   | 0.84                      | —                     |
| Current portion of corporate bonds . . . . .      | 139,300              | 183,557              | 1,527,478                   | 4.26                      | —                     |
| Current portion of lease obligations . . . . .    | 264,295              | 411,453              | 3,423,924                   | 2.14                      | —                     |
| Current portion of preferred securities . . . . . | —                    | 200,000              | 1,664,309                   | 2.04                      | —                     |
| Current portion of installment payables . . . . . | 48,209               | 50,661               | 421,578                     | 1.71                      | —                     |
| Total . . . . .                                   | <u>1,147,899</u>     | <u>1,817,415</u>     | <u>15,123,700</u>           |                           |                       |
| Non-current                                       |                      |                      |                             |                           |                       |
| Long-term borrowings . . . . .                    | 2,243,855            | 2,116,498            | 17,612,532                  | 1.31                      | Apr. 2016 - Dec. 2020 |
| Corporate bonds . . . . .                         | 4,743,073            | 6,825,868            | 56,801,764                  | 5.24                      | Jun. 2016 - Dec. 2040 |
| Lease obligations . . . . .                       | 730,915              | 744,911              | 6,198,810                   | 2.15                      | Apr. 2016 - Sep. 2023 |
| Preferred securities . . . . .                    | 199,156              | —                    | —                           | —                         | —                     |
| Installment payables . . . . .                    | 105,155              | 102,552              | 853,391                     | 1.92                      | Apr. 2016 - Mar. 2020 |
| Total . . . . .                                   | <u>¥8,022,154</u>    | <u>¥9,789,829</u>    | <u>\$81,466,497</u>         |                           |                       |

Notes:

1. Average interest rate represents the weighted average interest rate to the balance as of March 31, 2015.
2. Maturity represents the maturity of the outstanding balance as of March 31, 2015.



3. A summary of the issuance condition of bonds is as follows:

| Company name / Name of bond                                 |       | Date of<br>issuance | Balance of<br>issue amount | As of March 31,<br>2014<br>(Millions of yen) | As of<br>(Milli |
|---|-------|---------------------|----------------------------|--|-----------------|
| SoftBank Corp.  |       |                     |                            |  |                 |
| 36 <sup>th</sup> Unsecured Straight Bond                    | ..... | Jun. 17, 2011       | ¥100,000 million           | 99,772                                       |                 |
| 39 <sup>th</sup> Unsecured Straight Bond                    | ..... | Sep. 24, 2012       | ¥100,000 million           | 99,644                                       |                 |
| 41 <sup>st</sup> Unsecured Straight Bond                    | ..... | Mar. 12, 2013       | ¥300,000 million           | 296,681                                      | 2               |
| 42 <sup>nd</sup> Unsecured Straight Bond                    | ..... | Mar. 1, 2013        | ¥ 70,000 million           | 69,801                                       |                 |
| 43 <sup>rd</sup> Unsecured Straight Bond                    | ..... | Jun. 20, 2013       | ¥400,000 million           | 395,759                                      | 3               |
| 45 <sup>th</sup> Unsecured Straight Bond                    | ..... | May. 30, 2014       | ¥300,000 million           | —  | 2               |
| 46 <sup>th</sup> Unsecured Straight Bond                    | ..... | Sep. 12, 2014       | ¥400,000 million           | —  | 3               |
| USD-denominated Senior Notes due 2020                       | ..... | Apr. 23, 2013       | \$ 2,485 million           | 252,084                                      | 2               |
| Euro-denominated Senior Notes due 2020                      | ..... | Apr. 23, 2013       | € 625 million              | 87,098                                       |                 |
| 1 <sup>st</sup> Unsecured Subordinated Corporate Bond       | ..... | Dec. 19, 2014       | ¥400,000 million           | —  | 3               |
| 2 <sup>nd</sup> Unsecured Subordinated Corporate Bond       | ..... | Feb. 9, 2015        | ¥450,000 million           | —  | 4               |
|   |       | Jun. 19, 2007-      |                            | 214,497                                      | 1               |
| Other   | ..... | Nov. 29, 2013       | ¥140,000 million           | (74,867)                                     | 0               |
|   |       |                     |                            | 1,515,336                                    | 3,0             |
| Subtotal  | ..... |                     |                            | (74,867)                                     | 0               |
| Sprint Corporation  |       |                     |                            |  |                 |
| 7.25% Notes due 2021  | ..... | Sep. 11, 2013       | \$ 2,250 million           | 228,195                                      | 2               |
| 7.875% Notes due 2023                                       | ..... | Sep. 11, 2013       | \$ 4,250 million           | 430,955                                      | 5               |
| 7.125% Notes due 2024                                       | ..... | Dec. 12, 2013       | \$ 2,500 million           | 253,422                                      | 2               |
| 7.625% Notes due 2025                                       | ..... | Feb. 24, 2015       | \$ 1,500 million           | —  | 1               |
| Subtotal  | ..... |                     |                            | 912,572                                      | 1,2             |
| Sprint Communications, Inc <sup>6</sup>                     |       |                     |                            |  |                 |
| Export Development Canada Facility (Tranche 2) <sup>7</sup> | ..... | Jan. 20, 2011       | \$ 500 million             | 51,460                                       |                 |
| Export Development Canada Facility (Tranche 3) <sup>7</sup> | ..... | Dec. 19, 2014       | \$ 300 million             | —  |                 |
| 6% Senior Notes due 2016                                    | ..... | Nov. 15, 2006       | \$ 2,000 million           | 215,742                                      | 2               |
| 9.125% Senior Notes due 2017                                | ..... | Mar. 1, 2012        | \$ 1,000 million           | 115,388                                      | 1               |
| 8.375% Senior Notes due 2017                                | ..... | Aug. 10, 2009       | \$ 1,300 million           | 147,300                                      | 1               |
| 9% Guaranteed Notes due 2018                                | ..... | Nov. 9, 2011        | \$ 3,000 million           | 354,443                                      | 4               |
| 7% Guaranteed Notes due 2020                                | ..... | Mar. 1, 2012        | \$ 1,000 million           | 110,415                                      | 1               |
| 7% Senior Notes due 2020                                    | ..... | Aug. 14, 2012       | \$ 1,500 million           | 160,153                                      | 1               |
| 11.5% Senior Notes due 2021                                 | ..... | Nov. 9, 2011        | \$ 1,000 million           | 135,715                                      | 1               |
| 9.25% Debentures due 2022                                   | ..... | Apr. 15, 1992       | \$ 200 million             | 24,540                                       |                 |
| 6% Senior Notes due 2022                                    | ..... | Nov. 14, 2012       | \$ 2,280 million           | 231,467                                      | 2               |
|   |       |                     |                            | 1,546,623                                    | 1,8             |
| Subtotal  | ..... |                     |                            |  | 0               |

| Company name / Name of bond  | Date of issuance | Balance of issue amount | As of March 31, 2014<br>(Millions of yen) | As of March 31, 2015<br>(Millions of yen) |
|--|------------------|-------------------------|---|---|
| Sprint Capital Corporation <sup>6</sup>                                |                  |                         |   |   |
| 6.9% Senior Notes due 2019 .....                                       | May 6, 1999      | \$1,729 million         | 183,292                                   | 200,000                                   |
| 6.875% Senior Notes due 2028 .....                                     | Nov. 16, 1998    | \$2,475 million         | 236,768                                   | 236,768                                   |
| 8.75% Senior Notes due 2032 .....                                      | Mar. 14, 2002    | \$2,000 million         | 220,542                                   | 220,542                                   |
| Subtotal .....   |                  |                         | 640,602                                   | 757,310                                   |
| Clearwire Communications LLC <sup>6</sup>                              |                  |                         |   |   |
| 14.75% First-Priority Senior Secured Notes due 2016 <sup>8</sup> ..... | Jan. 27, 2012    | \$ 300 million          | 39,957                                    | 40,000                                    |
|  |                  |                         | 70,171                                    | 80,000                                    |
| 8.25% Exchangeable Notes due 2040 .....                                | Dec. 8, 2010     | \$ 629 million          | (45,736)                                  | (45,736)                                  |
|  |                  |                         | 110,128                                   | 110,128                                   |
| Subtotal .....   |                  |                         | (45,736)                                  | (45,736)                                  |
| Ymobile Corporation  |                  |                         |   |   |
| USD-denominated Senior Notes due 2018 .....                            | Apr. 1, 2011     | —                       | 42,819                                    | 42,819                                    |
| Euro-denominated Senior Notes due 2018 .....                           | Apr. 1, 2011     | —                       | 28,132                                    | 28,132                                    |
| Subtotal .....   |                  |                         | 70,951                                    | 70,951                                    |
| Brightstar Corp.   |                  |                         |   |   |
| 9.50% senior notes due 2016 .....                                      | Nov. 30, 2010    | \$ 350 million          | 39,816                                    | 40,000                                    |
| 7.25% senior notes due 2018 .....                                      | Jul. 26, 2013    | \$ 250 million          | 27,445                                    | 27,445                                    |
| Subtotal .....   |                  |                         | 67,261                                    | 67,445                                    |
| Other companies  |                  |                         |   |   |
| Straight Bond .....  | May 25, 2012     | ¥ 200 million           | 200                                       | 200                                       |
|  | May 31, 1999 -   |                         |   |   |
| USD-denominated straight Bond <sup>8</sup> .....                       | Apr. 23, 2007    | \$ 0 million            | 18,700                                    | 18,700                                    |
|  |                  |                         | (18,697)                                  | (18,697)                                  |
| Subtotal .....   |                  |                         | 18,900                                    | 18,900                                    |
|  |                  |                         | (18,697)                                  | (18,697)                                  |
| Total .....  |                  |                         | ¥4,882,373                                | ¥7,000,000                                |
|  |                  |                         | (139,300)                                 | (139,300)                                 |

## Notes:

- Figures in parentheses as of March 31, 2014 and March 31, 2015 represent the current portion.
- Balance of issue amount is as of March 31, 2015.
- Sprint Communications, Inc., Sprint Capital Corporation and Clearwire Communications LLC are Sprint Corporation's subsidiaries.
- The interest rates are variable interest rates, and the above interest rates represent the rates as of March 31, 2015.
- Collateral is pledged against these bonds. The details of pledged collateral are described in "(4) Assets pledged as collateral" in "Note 20. Interest-bearing

## (2) Financial covenants

### a. Financial covenants on interest-bearing debts of SoftBank Corp.

SoftBank Corp.'s interest-bearing debt includes financial covenants and the major financial covenants are as follows.

- (a) The amount of SoftBank Corp.'s net assets at the end of the fiscal year must not fall below 75% of SoftBank Corp.'s net assets at the end of the previous year.
- (b) The consolidated statement of financial position of the Company and BB Mobile Corp. at the end of the fiscal year must not show a net capital deficiency. The statement of financial position of SoftBank Mobile Corp., SoftBank BB Corp. and SoftBank Telecom Corp. at the end of the fiscal year must not show a net capital deficiency.
- (c) In the Company's consolidated financial statement, operating income (loss) or net income (loss) attributable to the owner of the parent company must not result in losses for two consecutive years.
- (d) Adjusted net interest-bearing debts<sup>1</sup> or leverage ratios<sup>2</sup> designated in the loan agreement must not exceed certain respective amounts or numbers at the end of each annual reporting period and at the end of the second quarter. The threshold amounts of adjusted net interest-bearing debts and leverage ratios shall be softened when the balance of cash and bank accounts of SoftBank Corp., and the fair value of particular listed shares held by the Company exceed certain amounts.

Notes:

- 1. Adjusted net interest-bearing debts:  
Amounts deducting cash and cash equivalents from interest-bearing debts in the consolidated statement of financial position. Certain adjustments are made such as excluding certain listed subsidiaries such as Sprint from the subject.
- 2. Leverage ratio:  
Adjusted net interest-bearing debt / adjusted EBITDA<sup>3</sup>
- 3. Adjusted EBITDA:  
Certain adjustments are made to EBITDA such as excluding listed subsidiaries such as Sprint.

### b. Financial covenants on interest-bearing debts of Sprint

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

- (a) Holders of a portion (\$21.6 billion) of notes issued by Sprint are provided with the right to require Sprint to repurchase the notes if there is a change of control and if there is a decline, to a certain extent, in ratings of the applicable notes by the Rating Services. Also, holders of certain bonds issued by Clearwire (\$300 million) are provided with the right to require the repurchase of the notes if a change of control triggering event occurs.
- (b) It is required that as of the last day of each quarter, Sprint's ratio of total indebtedness<sup>1</sup> to adjusted EBITDA<sup>2</sup> should not exceed a certain threshold level. Exceeding the ratio could result in the maturities being accelerated. The limit for the ratio was 6.5 as of March 31, 2015.

Notes:

- 1. Total indebtedness: the sum of Sprint's outstanding debt (excluding trade payable) and guarantee of indebtedness, with certain adjustments defined in contracts with lenders.
- 2. Adjusted EBITDA: Trailing four quarters EBITDA including adjustments defined in contract with lenders

## (3) Borrowings related to equity securities lending contract

The Company entered into securities lending contract regarding its certain subsidiary stocks. The amount of the received cash is recognized as short-term borrowings of ¥198,450 million (\$1,651,411 thousand) (March 31, 2014: ¥150,000 million) and included in interest-bearing debt.

(4) Assets pledged as collateral

Assets pledged as collateral for liabilities are as follows:

|                               | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|-------------------------------|-------------------------|-------------------------|-----------------------------|
|                               | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Cash and cash equivalents     | ¥ 2,644                 | ¥ 327                   | \$ 2,721                    |
| Trade and other receivables   | 18,256                  | 13,765                  | 114,546                     |
| Inventories                   | 5,020                   | 5,214                   | 43,389                      |
| Property, plant and equipment | 93,353                  | 65,738                  | 547,042                     |
| Other (current)               | 625                     | 221                     | 1,838                       |
| Other (non-current)           | 4,695                   | —                       | —                           |
| Total                         | <u>¥124,593</u>         | <u>¥85,265</u>          | <u>\$709,536</u>            |

Liabilities related to these assets pledged as collateral are as follows:

|   | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|---|-------------------------|-------------------------|-----------------------------|
|   | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Interest-bearing debt                   |                         |                         |                             |
| Short-term borrowings                   | ¥ 12,938                | ¥ 7,454                 | \$ 62,029                   |
| Current portion of long-term borrowings | 26,263                  | 31,738                  | 264,109                     |
| Current portion of corporate bonds      | 44                      | 4                       | 33                          |
| Long-term borrowings                    | 52,307                  | 41,585                  | 346,052                     |
| Corporate bonds                         | 18,658                  | —                       | —                           |
| Total                                   | <u>¥110,210</u>         | <u>¥80,781</u>          | <u>\$672,223</u>            |

Note:

Other than the above, approximately \$14.0 billion (before consolidation adjustments) (fiscal year ended March 31, 2014: \$14.6 billion) of the assets of our subsidiary, Clearwire Communications LLC, is pledged as collateral for the \$0.3 billion (fiscal year ended March 31, 2014: \$0.3 billion) corporate bond issued by Clearwire Communications LLC as of March 31, 2015.

Also, approximately \$2.9 billion (before consolidation adjustments) (March 31, 2014: \$1.6 billion) of the assets of Brightstar is pledged as collateral for the \$0.3 billion (March 31, 2014: \$0.1 billion) borrowing.

(5) Assets with limited property rights

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

|                               | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|-------------------------------|-------------------------|-------------------------|-----------------------------|
|                               | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Property, plant and equipment | ¥119,089                | ¥131,452                | \$1,093,884                 |
| Intangible assets             | 37,783                  | 43,761                  | 364,159                     |
| Other non-current assets      | 251                     | 124                     | 1,032                       |
| Total                         | <u>¥157,123</u>         | <u>¥175,337</u>         | <u>\$1,459,075</u>          |

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

|   | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|---|-------------------------|-------------------------|-----------------------------|
|   | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Interest-bearing debt                   |                         |                         |                             |
| Current portion of installment payables | ¥ 41,746                | ¥ 50,320                | \$ 418,740                  |
| Installment payables                    | 104,813                 | 102,552                 | 853,391                     |
| Total                                   | <u>¥146,559</u>         | <u>¥152,872</u>         | <u>\$1,272,131</u>          |

Other than above, the lessor retains the property rights of leased assets in finance lease obligations. The details are described in “Note 13. Property, plant and equipment”, “Note 14. Goodwill and intangible assets” and “Note 15. Leases.”

(6) Components of increase (decrease) in short-term interest-bearing debt, net

The components of “Increase (decrease) in short-term interest-bearing debt, net” in the consolidated statement of cash flows are as follows:

|   | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|---|----------------------------------|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Net increase (decrease) of short-term borrowings* . . . . . | ¥(233,794)                       | ¥108,541                         | \$903,229                        |
| Net increase of commercial paper . . . . .                  | 32,000                           | —                                | —                                |
| Total . . . . .   | <u>¥(201,794)</u>                | <u>¥108,541</u>                  | <u>\$903,229</u>                 |

Note:

The Company entered into a loan agreement (“permanent loan agreement”) in September 2013, in order to refinance the existing loan and bridge loan which were made for the consolidation of Sprint. The increase and decrease in short-term borrowings for the fiscal year ended March 31, 2014 include the increase of borrowings of ¥1,034.9 billion on July 10, 2013 from the bridge loan, and the decrease of borrowings by the repayment of the bridge loan in the amount of ¥1,284.9 billion (including the amount of repayment of ¥250 billion on December 21, 2012).

(7) Components of proceeds from long-term interest-bearing debt

The components of “Proceeds from long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

|  | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|--|----------------------------------|----------------------------------|----------------------------------|
|  | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Proceeds from long-term borrowings . . . . .                           | ¥2,587,755                       | ¥ 443,726                        | \$ 3,692,486                     |
| Proceeds from issuance of corporate bonds . . . . .                    | 1,665,232                        | 1,763,657                        | 14,676,350                       |
| Proceeds from sale and leaseback of newly acquired equipment . . . . . | 445,307                          | 508,118                          | 4,228,326                        |
| Total . . . . .  | <u>¥4,698,294</u>                | <u>¥2,715,501</u>                | <u>\$22,597,162</u>              |

(8) Components of repayment of long-term interest-bearing debt

The components of “Repayment of long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

|   | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|---|----------------------------------|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Repayment of long-term borrowings . . . . . | ¥(1,133,313)                     | ¥(459,852)                       | \$(3,826,679)                    |
| Redemption of corporate bonds . . . . .     | (533,538)                        | (170,181)                        | (1,416,169)                      |
| Payment of lease obligations . . . . .      | (253,283)                        | (306,156)                        | (2,547,691)                      |
| Payment of installment payables . . . . .   | (51,460)                         | (48,594)                         | (404,377)                        |
| Total . . . . .                             | <u>¥(1,971,594)</u>              | <u>¥(984,783)</u>                | <u>\$(8,194,916)</u>             |

## 21. Trade and other payables

The components of trade and other payables are as follows:

|                          | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|--------------------------|-------------------------|-------------------------|-----------------------------|
|                          | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Operating payables ..... | ¥1,602,803              | ¥1,740,403              | \$14,482,841                |
| Other .....              | 103,153                 | 123,077                 | 1,024,191                   |
| Total .....              | <u>¥1,705,956</u>       | <u>¥1,863,480</u>       | <u>\$15,507,032</u>         |

## 22. Other financial liabilities

The components of other financial liabilities are as follows:

|  | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|--|-------------------------|-------------------------|-----------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Current                                |                         |                         |                             |
| Derivative financial liabilities ..... | <u>¥ 5,847</u>          | <u>¥12,917</u>          | <u>\$107,489</u>            |
| Non-current                            |                         |                         |                             |
| Long-term payables .....               | 24,716                  | 15,238                  | 126,804                     |
| Other .....                            | <u>16,435</u>           | <u>11,904</u>           | <u>99,059</u>               |
| Total .....                            | <u>¥41,151</u>          | <u>¥27,142</u>          | <u>\$225,863</u>            |

## 23. Other current liabilities and other non-current liabilities

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

|  | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|--|-------------------------|-------------------------|-----------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Current                                    |                         |                         |                             |
| Unearned income .....                      | ¥130,848                | ¥158,509                | \$1,319,040                 |
| Short-term accrued employee benefits ..... | 100,594                 | 141,580                 | 1,178,164                   |
| Accrued interest expense .....             | 66,789                  | 83,461                  | 694,524                     |
| Consumption tax payable and other .....    | 95,213                  | 143,405                 | 1,193,351                   |
| Deferred revenue .....                     | 61,461                  | 128,354                 | 1,068,104                   |
| Withholding tax payable .....              | 60,711                  | 16,569                  | 137,880                     |
| Other .....                                | <u>52,750</u>           | <u>67,623</u>           | <u>562,728</u>              |
| Total .....                                | <u>568,366</u>          | <u>739,501</u>          | <u>6,153,791</u>            |
| Non-current                                |                         |                         |                             |
| Unfavorable lease contracts .....          | 129,434                 | 124,551                 | 1,036,457                   |
| Deferred revenue .....                     | 102,273                 | 132,331                 | 1,101,198                   |
| Other .....                                | <u>50,555</u>           | <u>98,051</u>           | <u>815,937</u>              |
| Total .....                                | <u>¥282,262</u>         | <u>¥354,933</u>         | <u>\$2,953,592</u>          |

Unfavorable lease contracts were recognized as liabilities based on the estimated fair value of the unfavorable portion of future cash flows if, at the time of business combination of Sprint, the terms of operating lease contracts in which the acquiree is the lessee are unfavorable compared to market terms. Reversal of unfavorable lease contracts is deducted from operating lease expense.



## 24. Provisions

The changes in the provisions are as follows:

|                                 | (Millions of yen)            |                          |  |                                |          |           |
|---------------------------------|------------------------------|--------------------------|--|--------------------------------|----------|-----------|
|                                 | Asset retirement obligations | Restructuring provisions | Provision for loss on interest repayment | Provision for onerous contract | Other    | Total     |
| As of April 1, 2014             | ¥115,599                     | ¥ 88,670                 | ¥ —                                      | ¥ —                            | ¥ 25,766 | ¥ 230,035 |
| Recognition of provisions       | 3,422                        | 29,007                   | —  | 21,271                         | 5,679    | 59,379    |
| Business combinations           | 372                          | —                        | 24,081                                   | —                              | —        | 24,453    |
| Interest due to passage of time | 7,654                        | 2,735                    | —  | —                              | 534      | 10,923    |
| Used                            | (29,084)                     | (58,643)                 | (724)                                    | (1,996)                        | (13,156) | (103,603) |
| Reversal of provisions          | —                            | (25,191)                 | —  | —                              | (506)    | (25,697)  |
| Exchange differences            | 12,185                       | 10,385                   | —  | —                              | 3,306    | 25,876    |
| Other                           | (7,129)                      | (3,280)                  | —  | —                              | (254)    | (10,663)  |
| As of March 31, 2015            | 103,019                      | 43,683                   | 23,357                                   | 19,275                         | 21,369   | 210,703   |
| Current liabilities             | 11,717                       | 19,530                   | 3,240                                    | 5,157                          | 15,354   | 54,998    |
| Non-current liabilities         | 91,302                       | 24,153                   | 20,117                                   | 14,118                         | 6,015    | 155,705   |
| Total                           | ¥103,019                     | ¥ 43,683                 | ¥23,357                                  | ¥19,275                        | ¥ 21,369 | ¥ 210,703 |

|                                 | (Thousands of U.S. dollars)  |                          |  |                                |            |             |
|---------------------------------|------------------------------|--------------------------|--|--------------------------------|------------|-------------|
|                                 | Asset retirement obligations | Restructuring provisions | Provision for loss on interest repayment | Provision for onerous contract | Other      | Total       |
| As of April 1, 2014             | \$ 961,962                   | \$ 737,871               | \$ —                                     | \$ —                           | \$ 214,413 | \$1,914,246 |
| Recognition of provisions       | 28,476                       | 241,383                  | —  | 177,008                        | 47,258     | 494,125     |
| Business combinations           | 3,096                        | —                        | 200,391                                  | —                              | —          | 203,487     |
| Interest due to passage of time | 63,693                       | 22,760                   | —  | —                              | 4,444      | 90,897      |
| Used                            | (242,024)                    | (488,000)                | (6,025)                                  | (16,610)                       | (109,478)  | (862,137)   |
| Reversal of provisions          | —                            | (209,628)                | —  | —                              | (4,211)    | (213,839)   |
| Exchange differences            | 101,398                      | 86,419                   | —  | —                              | 27,511     | 215,328     |
| Other                           | (59,324)                     | (27,295)                 | —  | —                              | (2,114)    | (88,733)    |
| As of March 31, 2015            | 857,277                      | 363,510                  | 194,366                                  | 160,398                        | 177,823    | 1,753,374   |
| Current liabilities             | 97,503                       | 162,520                  | 26,962                                   | 42,914                         | 127,769    | 457,668     |
| Non-current liabilities         | 759,774                      | 200,990                  | 167,404                                  | 117,484                        | 50,054     | 1,295,706   |
| Total                           | \$ 857,277                   | \$ 363,510               | \$194,366                                | \$160,398                      | \$ 177,823 | \$1,753,374 |

### Asset retirement obligations

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal of equipment, such as part of base stations, certain offices (including the head office), data centers and network centers. The estimate is based on the assumption at present and subject to changes depending on revised future assumptions.

### Restructuring Provision

The restructuring provision consists mainly of a network shutdown provision and backhaul\* access provision.

(Network shutdown provision)

The network shutdown provision resulted from Sprint recognizing lease exit costs mainly related to the shutdown of the Nextel Platform and the expected shutdown of the Clearwire platform. Also, certain network shutdown costs were recognized in connection with the acquisition of business in certain markets from U.S. Cellular.

The majority of the remaining network shutdown provision is expected to be utilized within 5-7 years. The amount and timing of these costs are estimated based upon current network plans which are subject to modification.

(Backhaul access provision)

The backhaul access provision reflects exit costs related to payments that will continue to be made under Sprint's backhaul access contracts for which it will no longer be receiving any economic benefit. The majority of the backhaul access provision relates to Sprint's network modernization activities and is expected to be utilized by March 31, 2016. The amount and timing of these costs are estimates based upon current network plans which are subject to modifications.

Note:

\* Backhaul is an intermediary network which connects the cell towers to the local switching center.

### ***Provision for loss on interest repayment***

Provision for loss on interest repayment is recorded based on an amount representing future expected claims in order to prepare for future claims by debtors and other, for repayment of interest paid in excess of the rate permitted under the Interest Rate Restriction Act. The amount of claims for the interest repayment might fluctuate from changes in market environment and other.

### ***Provision for onerous contract***

In the Fixed-line Telecommunications segment, SoftBank Telecom Corp. recognized provision for the excess of expected future cost of delivery for a contracted communication service over its contracted amount.

Most of the provision is expected to be used by March 31, 2019. The amount and the expected timing of payment are based on the current network plan and are subject to change.

## **25. Retirement benefits**

The Company primarily has defined contribution pension plans for its employees.

### **(1) Defined contribution plans**

Retirement benefit cost of defined contribution plans is as follows:

|   | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Retirement benefit cost of defined contribution plans . . . . . | ¥7,895                              | ¥10,878                             | \$90,522                            |

### **(2) Defined benefit plans**

(Japan)

SoftBank Mobile Corp. and SoftBank Telecom Corp. have frozen their defined benefit lump-sum plans since March 2007 and 2006, respectively.

All the employees who worked at SoftBank Mobile Corp. and SoftBank Telecom Corp. at the time when the defined benefit lump-sum plans were frozen are eligible for the frozen defined benefit lump-sum plans.

SoftBank Mobile Corp. and SoftBank Telecom Corp. are responsible for providing the defined benefit lump-sum plans to recipients directly. Obligations for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until the benefits are paid in the form of lump sum payment at the time of future retirement of employees.

(U.S.)

Sprint has a defined benefit pension plan for certain of its employees. Sprint has frozen its defined benefit pension plan since December 2005. Obligations for the frozen defined benefit pension plan are recognized as defined benefit liabilities until the benefits are paid as pension after the retirement of employees.

a. Changes in the present value of defined benefit obligations and the fair value of plan assets

Changes in the present value of defined benefit obligations and the fair value of plan assets are as follows.

For the fiscal year ended March 31, 2014

|  | (Millions of yen) |           |           |
|--|-------------------|-----------|-----------|
|  | Japan             | U.S.      | Total     |
| Defined benefit liabilities, net                                 |                   |           |           |
| As of April 1, 2013  | ¥14,506           | ¥ —       | ¥ 14,506  |
| Changes in the present value of defined benefit obligations:     |                   |           |           |
| As of April 1, 2013  | 14,506            | —         | 14,506    |
| Business combination   | 81                | 235,358   | 235,439   |
| Service cost   | 17                | 9         | 26        |
| Interest cost  | 166               | 9,036     | 9,202     |
| Remeasurements:  |                   |           |           |
| Actuarial losses arising from changes in demographic assumptions | —                 | 498       | 498       |
| Actuarial losses arising from changes in financial assumptions   | 198               | 11,617    | 11,815    |
| Experience adjustments   | 0                 | (1,582)   | (1,582)   |
| Benefits paid  | (923)             | (5,284)   | (6,207)   |
| Exchange differences   | —                 | 4,134     | 4,134     |
| Other  | 51                | (201)     | (150)     |
| As of March 31, 2014   | 14,096            | 253,585   | 267,681   |
| Changes in the fair value of plan assets:                        |                   |           |           |
| As of April 1, 2013  | —                 | —         | —         |
| Business combination   | —                 | (169,595) | (169,595) |
| Interest income  | —                 | (6,601)   | (6,601)   |
| Remeasurements:  |                   |           |           |
| Return on plan assets  | —                 | (13,874)  | (13,874)  |
| Benefits paid  | —                 | 4,545     | 4,545     |
| Employer contributions   | —                 | (1,787)   | (1,787)   |
| Exchange differences   | —                 | (3,328)   | (3,328)   |
| As of March 31, 2014   | —                 | (190,640) | (190,640) |
| Defined benefit liabilities, net                                 |                   |           |           |
| As of March 31, 2014   | ¥14,096           | ¥ 62,945  | ¥ 77,041  |

For the fiscal year ended March 31, 2015

|   | (Millions of yen) |           |           |
|---|-------------------|-----------|-----------|
|   | Japan             | U.S.      | Total     |
| Defined benefit liabilities, net  |                   |           |           |
| As of April 1, 2014   | ¥14,096           | ¥ 62,945  | ¥ 77,041  |
| Changes in the present value of defined benefit obligations:                  |                   |           |           |
| As of April 1, 2014   | 14,096            | 253,585   | 267,681   |
| Service cost  | 80                | 35        | 115       |
| Interest cost   | 111               | 12,020    | 12,131    |
| Remeasurements:   |                   |           |           |
| Actuarial losses arising from changes in demographic assumptions <sup>1</sup> | —                 | 25,740    | 25,740    |
| Actuarial losses arising from changes in financial assumptions                | 333               | 33,161    | 33,494    |
| Experience adjustments  | (1)               | 1,044     | 1,043     |
| Benefits paid   | (874)             | (8,419)   | (9,293)   |
| Partial pension settlement <sup>2</sup>                                       | —                 | (82,777)  | (82,777)  |
| Exchange differences  | —                 | 41,456    | 41,456    |
| Other   | (78)              | (384)     | (462)     |
| As of March 31, 2015  | 13,667            | 275,461   | 289,128   |
| Changes in the fair value of plan assets:                                     |                   |           |           |
| As of April 1, 2014   | —                 | (190,640) | (190,640) |
| Interest income   | —                 | (8,710)   | (8,710)   |
| Remeasurements:   |                   |           |           |
| Return on plan assets   | —                 | (817)     | (817)     |
| Benefits paid   | —                 | 7,365     | 7,365     |
| Employer contributions  | —                 | (2,290)   | (2,290)   |
| Partial pension settlement <sup>2</sup>                                       | —                 | 64,051    | 64,051    |
| Exchange differences  | —                 | (29,805)  | (29,805)  |
| As of March 31, 2015  | —                 | (160,846) | (160,846) |
| Defined benefit liabilities, net  |                   |           |           |
| As of March 31, 2015  | ¥13,667           | ¥ 114,615 | ¥ 128,282 |

|   | (Thousands of U.S. dollars) |             |              |
|---|-----------------------------|-------------|--------------|
|   | Japan                       | U.S.        | Total        |
| Defined benefit liabilities, net  |                             |             |              |
| As of April 1, 2014   | \$117,300                   | \$ 523,800  | \$ 641,100   |
| Changes in the present value of defined benefit obligations:                  |                             |             |              |
| As of April 1, 2014   | 117,300                     | 2,110,219   | 2,227,519    |
| Service cost  | 666                         | 291         | 957          |
| Interest cost   | 924                         | 100,025     | 100,949      |
| Remeasurements:   |                             |             |              |
| Actuarial losses arising from changes in demographic assumptions <sup>1</sup> | —                           | 214,197     | 214,197      |
| Actuarial losses arising from changes in financial assumptions                | 2,771                       | 275,951     | 278,722      |
| Experience adjustments  | (8)                         | 8,687       | 8,679        |
| Benefits paid   | (7,273)                     | (70,059)    | (77,332)     |
| Partial pension settlement <sup>2</sup>                                       | —                           | (688,832)   | (688,832)    |
| Exchange differences  | —                           | 344,978     | 344,978      |
| Other   | (649)                       | (3,196)     | (3,845)      |
| As of March 31, 2015  | 113,731                     | 2,292,261   | 2,405,992    |
| Changes in the fair value of plan assets:                                     |                             |             |              |
| As of April 1, 2014   | —                           | (1,586,419) | (1,586,419)  |
| Interest income   | —                           | (72,481)    | (72,481)     |
| Remeasurements:   |                             |             |              |
| Return on plan assets   | —                           | (6,799)     | (6,799)      |
| Benefits paid   | —                           | 61,288      | 61,288       |
| Employer contributions  | —                           | (19,056)    | (19,056)     |
| Partial pension settlement <sup>2</sup>                                       | —                           | 533,003     | 533,003      |
| Exchange differences  | —                           | (248,024)   | (248,024)    |
| As of March 31, 2015  | —                           | (1,338,488) | (1,338,488)  |
| Defined benefit liabilities, net  |                             |             |              |
| As of March 31, 2015  | \$113,731                   | \$ 953,773  | \$ 1,067,504 |

Notes:

1. Sprint changed its demographic assumptions for the year ended March 31, 2015 based on RP-2014 Mortality Tables released in U.S.
2. Sprint amended its defined benefit retirement pension plan to offer certain terminated participants, who had not begun to receive plan benefits, the opportunity to receive their benefits as an immediate lump sum distribution. Settlement gain of ¥18,726 million (\$155,829 thousand) is recognized within "Other operating loss" in the consolidated statement of income.

b. Fair value of plan assets

Fair value of plan assets is as follows.

As of March 31, 2014

(U.S.)

|  | (Millions of yen)                                |   |          |
|--|--|---|----------|
|  | Plan assets with quoted prices in active markets | Plan assets without quoted prices in active markets | Total    |
| U.S. equities                            | ¥55,433  | ¥ —   | ¥ 55,433 |
| International equities (other than U.S.) | 29,618   | —   | 29,618   |
| Fixed income investments                 | —  | 60,258  | 60,258   |
| Real estate investments                  | —  | 13,185  | 13,185   |
| Other                                    | 5,945  | 26,201  | 32,146   |
| Total                                    | ¥90,996  | ¥99,644   | ¥190,640 |

As of March 31, 2015

(U.S.)

|  | (Millions of yen)   |   |                 |
|--|---|---|-----------------|
|  | Plan assets<br>with quoted<br>prices in active<br>markets | Plan assets without<br>quoted prices<br>in active markets | Total           |
| U.S. equities .....                            | ¥40,376   | ¥ 46  | ¥ 40,422        |
| International equities (other than U.S.) ..... | 24,205  | 98  | 24,303          |
| Fixed income investments .....                 | —   | 52,504  | 52,504          |
| Real estate investments .....                  | —   | 14,425  | 14,425          |
| Other .....                                    | 11,719  | 17,473  | 29,192          |
| Total .....                                    | <u>¥76,300</u>  | <u>¥84,546</u>  | <u>¥160,846</u> |

|  | (Thousands of U.S. dollars)                               |   |                    |
|--|---|---|--------------------|
|  | Plan assets<br>with quoted<br>prices in active<br>markets | Plan assets without<br>quoted prices<br>in active markets | Total              |
| U.S. equities .....                            | \$335,991   | \$ 383  | \$ 336,374         |
| International equities (other than U.S.) ..... | 201,423   | 816   | 202,239            |
| Fixed income investments .....                 | —   | 436,914   | 436,914            |
| Real estate investments .....                  | —   | 120,038   | 120,038            |
| Other .....                                    | 97,520  | 145,403   | 242,923            |
| Total .....                                    | <u>\$634,934</u>  | <u>\$703,554</u>  | <u>\$1,338,488</u> |

The targeted investment allocation ratio is set based on an asset allocation policy for the investment portfolio of the pension plan to achieve a long-term nominal rate of return, net of fees, which exceeds the plan's long-term expected rate of return on investments for funding purpose.

The plan's long-term expected rate of return on investments for funding purposes is 7.75% as of March 31, 2015 (7.75% as of March 31, 2014). The current targeted investment allocation ratio is as noted below. Actual allocations are allowed to deviate from target allocation percentages within a range for each asset class as defined in the investment policy.

Targeted investment allocation ratio (%)

|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 |
|--|-------------------------|-------------------------|
| U.S. equities .....                            | 38                      | 38                      |
| International equities (other than U.S.) ..... | 16                      | 16                      |
| Fixed income investments .....                 | 28                      | 28                      |
| Real estate investments .....                  | 9                       | 9                       |
| Other .....                                    | 9                       | 9                       |

#### c. Actuarial assumptions

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

|                         | As of<br>March 31, 2014 |      | As of<br>March 31, 2015 |      |
|-------------------------|-------------------------|------|-------------------------|------|
|                         | Japan                   | U.S. | Japan                   | U.S. |
| Discount rate (%) ..... | 1.0                     | 4.9  | 0.8                     | 4.2  |

#### d. Sensitivity analysis

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



The effect of the movements in main actuarial assumptions on defined benefit obligations is as follows:

As of March 31, 2014

|                         |                 | Effect on defined benefit obligations |                                |                                |
|-------------------------|-----------------|---------------------------------------|--------------------------------|--------------------------------|
|                         | Changes in rate | Japan                                 | U.S.                           | Total                          |
| Discount rate . . . . . | 0.5% increase   | Decrease of<br>¥672 million           | Decrease of<br>¥18,320 million | Decrease of<br>¥18,992 million |
|                         | 0.5% decrease   | Increase of<br>¥712million            | Increase of<br>¥20,790 million | Increase of<br>¥21,502 million |

As of March 31, 2015

|                         |                 | Effect on defined benefit obligations |                                |                                |
|-------------------------|-----------------|---------------------------------------|--------------------------------|--------------------------------|
|                         | Changes in rate | Japan                                 | U.S.                           | Total                          |
| Discount rate . . . . . | 0.5% increase   | Decrease of<br>¥632million            | Decrease of<br>¥19,948million  | Decrease of<br>¥20,580 million |
|                         | 0.5% decrease   | Increase of<br>¥669million            | Increase of<br>¥22,712 million | Increase of<br>¥23,381 million |

|                         |                 | Effect on defined benefit obligations |                                   |                                   |
|-------------------------|-----------------|---------------------------------------|-----------------------------------|-----------------------------------|
|                         | Changes in rate | Japan                                 | U.S.                              | Total                             |
| Discount rate . . . . . | 0.5% increase   | Decrease of<br>\$5,259 thousand       | Decrease of<br>\$165,998 thousand | Decrease of<br>\$171,257 thousand |
|                         | 0.5% decrease   | Increase of<br>\$5,567 thousand       | Increase of<br>\$188,999 thousand | Increase of<br>\$194,566 thousand |

e. Effects on future cash flows

(a) Funding for the plan and expected contributions to the plan for the next fiscal year

(U.S.)

The policy is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. ¥961 million (\$7,997 thousand) is expected to be contributed to the plan for the year ending March 31, 2016.

(b) Maturity analysis of the defined benefit obligation

(Japan)

As of March 31, 2015, the weighted average duration of the defined benefit obligation is 9.6 years.

(U.S.)

As of March 31, 2015, the weighted average duration of the defined benefit obligation is 16.7 years.

## 26. Financial instruments

### (1) Capital management

Our policy is to realize and maintain optimum capital composition to keep mid- and long-term sustainable growth and maximize our corporate value.

Major indicators used for our capital management are as follows:

- Equity capital
- Equity capital ratio

Note:

Equity capital is the amount of "Equity attributable to owners of the parent." Equity capital ratio represents "Equity attributable to owners of the parent" divided by "Total liabilities and equity."

Equity capital and the equity capital ratio are as follows:

|                                    | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|------------------------------------|-------------------------|-------------------------|-----------------------------|
|                                    | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Equity capital . . . . .           | ¥1,930,441              | ¥2,846,306              | \$23,685,662                |
| Equity capital ratio (%) . . . . . | 11.6                    | 13.5                    |                             |

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

## (2) Financial risk management

As we operate in a wide range of markets, the Company faces a variety of financial risks (currency risk, price risk, interest rate risk, credit risk, and liquidity risk) in its operations. The Company manages its risks based on established policies to prevent and reduce these financial risks.

Derivative transactions entered into by the Company are conducted and controlled based on the Company's internal rules and procedures for derivative transactions and are limited to the extent of actual demands.

### a. Market risk

#### (a) Currency risk

The Company is engaged in international businesses through investments, financial contributions and establishment of joint ventures. The Company undertakes transactions denominated in foreign currencies with foreign parties and, through lending to and borrowings from foreign subsidiaries. Consequently, there is currency risk from changes in currency rates mainly in U.S. dollar and Indian Rupee.

To manage this risk, the Company continuously monitors exchange rates and manages exchange rate exposures of the Company. The Company also uses foreign currency forward contracts to hedge the risk.

#### i. Foreign exchange sensitivity analysis

Exposure to foreign exchange risk on financial instruments related to U.S. dollars and Indian Rupees, our major foreign currencies, is as follows:

#### U.S. Dollar

|   | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|---|----------------------|----------------------|-----------------------------|
|   | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Net exposure affecting income before income tax [in asset (liability) position] .....   | <u>¥14,859</u>       | <u>¥81,604</u>       | <u>\$679,071</u>            |
| Net exposure affecting other comprehensive income [in asset (liability) position] ..... | <u>28,548</u>        | <u>26,083</u>        | <u>217,051</u>              |

#### Indian Rupee

|   | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|---|----------------------|----------------------|-----------------------------|
|   | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Net exposure affecting income before income tax [in asset (liability) position] .....   | <u>¥—</u>            | <u>¥89,918</u>       | <u>\$748,257</u>            |
| Net exposure affecting other comprehensive income [in asset (liability) position] ..... | <u>—</u>             | <u>—</u>             | <u>—</u>                    |

Net exposure affecting income before income tax comprises the foreign exchange risk exposures from monetary financial instruments denominated in foreign currency (including those used in internal transactions) whose exchange differences are recognized in profit or loss and the foreign exchange risk exposures from derivatives related to forecast transactions.

Net exposure affecting other comprehensive income comprises the foreign exchange risk exposures from available-for-sale financial assets whose exchange differences are recognized in other comprehensive income and foreign exchange risk exposures from derivatives (cash flow hedge) related to forecast transactions.

The table below presents the effect of a 1% appreciation of the Japanese yen on income before income tax and other comprehensive income (before net of tax effect) regarding the financial instruments with the above foreign exchange risk exposure, assuming that all other factors are constant. The analysis does not include the effect of translating assets and liabilities of foreign operations into the presentation currency, which is detailed in “Note 30. Foreign exchange rate.”

U.S. Dollar

|   | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|---|----------------------------------|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Increase (decrease) in income before income tax .....                     | <u>¥(149)</u>                    | <u>¥(816)</u>                    | <u>\$(6,790)</u>                 |
| Increase (decrease) in other comprehensive income before tax effect ..... | <u>(285)</u>                     | <u>(261)</u>                     | <u>(2,172)</u>                   |

Indian Rupee

|   | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|---|----------------------------------|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Increase (decrease) in income before income tax .....                     | <u>—</u>                         | <u>¥(899)</u>                    | <u>\$(7,481)</u>                 |
| Increase (decrease) in other comprehensive income before tax effect ..... | <u>—</u>                         | <u>—</u>                         | <u>—</u>                         |

ii. Foreign exchange contracts

Foreign exchange contracts are entered into, to reduce exposure to foreign exchange risk on the amount to be paid or received in certain transactions denominated in foreign currencies.

The details of foreign exchange contracts are as follow:

***Foreign exchange contracts to which hedge accounting is applied***

|  | (Millions of yen)   |            |   |            | (Thousands of U.S. dollars)                                 |            |
|--|---|------------|---|------------|---|------------|
|  | As of March 31, 2014  |            | As of March 31, 2015  |            | As of March 31, 2015  |            |
|  | Contract amounts (of which: maturing in more than one year) | Fair value | Contract amounts (of which: maturing in more than one year) | Fair value | Contract amounts (of which: maturing in more than one year) | Fair value |
| Foreign currency forward contracts ..... | ¥ 2,756<br>(—)  | ¥ 85       | —<br>(—)  | ¥ —        | \$ —<br>(—)   | \$ —       |
| Currency swap contracts .....            | 324,382<br>(324,382)  | 4,566      | 324,382<br>(324,382)  | 55,748     | 2,699,359<br>(2,699,359)                                    | 463,909    |
| Total .....                              | ¥ 327,138<br>(324,382)                                      | ¥4,651     | ¥ 324,382<br>(324,382)                                      | ¥55,748    | \$ 2,699,359<br>(2,699,359)                                 | \$463,909  |

The above foreign exchange contracts are designated as cash flow hedges.

**Foreign exchange contracts to which hedge accounting is not applied**

|  | (Millions of yen)   |            |   |            | (Thousands of U.S. dollars)   |            |
|--|---|------------|---|------------|---|------------|
|  | As of March 31, 2014  |            | As of March 31, 2015  |            | As of March 31, 2015  |            |
|  | Contract amounts<br>(of which:<br>maturing in<br>more than<br>one year) | Fair value | Contract amounts<br>(of which:<br>maturing in<br>more than<br>one year) | Fair value | Contract amounts<br>(of which:<br>maturing in<br>more than<br>one year) | Fair value |
| Foreign currency forward contracts . . . . .       | ¥ 79,025<br>(—)   | ¥ 818      | ¥ 130,618<br>(—)  | ¥(2,395)   | \$1,086,943<br>(—)  | \$(19,930) |
| Currency swap contracts . . . . .                  | 87,055<br>(56,957)  | 20,741     | 20,150<br>(—)   | 69         | 167,679<br>(—)  | 574        |
| Foreign exchange margin<br>transactions* . . . . . | 600,663<br>(—)  | 7,205      | 962,604<br>(—)  | 6,817      | 8,010,352<br>(—)  | 56,728     |
| Total . . . . .                                    | ¥766,743<br>(56,957)  | ¥28,764    | ¥1,113,372<br>(—)   | ¥ 4,491    | \$9,264,974<br>(—)  | \$ 37,372  |

Note:

\* This is from the subsidiary, YJFX, Inc.'s foreign exchange margin transactions business.

**(b) Price risk**

For the purpose of business strategy, the Company holds securities traded in active markets, including listed stock, and is exposed to market price fluctuation risk.

To manage this risk, the Company continuously monitors the financial condition of security issuers and stock market fluctuation.

**i. Price sensitivity analysis**

The table below presents the effect of a 10% decrease in market price regarding the securities traded in active markets on other comprehensive income before tax effect in the consolidated statement of comprehensive income, assuming that all other factors are constant.

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Increase (decrease) in other comprehensive income before<br>tax effect . . . . . | ¥(2,753)                            | ¥(4,673)                            | \$(38,887)                          |

**ii. Option contracts**

The details of option contracts are as follows:

**Option contracts to which hedge accounting is not applied**

|                                    | (Millions of yen)   |            |   |            | (Thousands of U.S. dollars)   |            |
|------------------------------------|---|------------|---|------------|---|------------|
|                                    | As of March 31, 2014  |            | As of March 31, 2015  |            | As of March 31, 2015  |            |
|                                    | Contract amounts<br>(of which:<br>maturing in<br>more than<br>one year) | Fair value | Contract amounts<br>(of which:<br>maturing in<br>more than<br>one year) | Fair value | Contract amounts<br>(of which:<br>maturing in<br>more than<br>one year) | Fair value |
| Stock acquisition rights . . . . . | ¥ 2,106<br>(2,106)  | ¥719       | ¥ 99,933<br>(99,933)  | ¥1,144     | \$ 831,597<br>(831,597)   | \$9,520    |

**(c) Interest rate risk**

The Company raises funds through issuing interest-bearing debts. Certain interest-bearing debts are issued with floating interest rates and are exposed to interest rate risk.

In order to prevent and reduce interest rate fluctuation risk, the Company maintains an appropriate mixture of fixed and floating interest rate debts. For certain borrowings and bonds with floating interest rates, the Company also utilizes derivative transactions such as interest rate swaps in order to hedge interest rate fluctuation risk, converting floating interests into fixed interests. For floating interest rate debts, the Company continuously monitors interest rate fluctuation.

i. Interest rate sensitivity analysis

The table below presents the effect of a 1% increase in interest rates regarding the floating interest rate debts on income before income tax in the consolidated statement of income, assuming that all other factors are constant. The analysis does not include floating interest rate debt whose interests are fixed by interest rate swaps and other derivative transactions.

|   | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|---|----------------------------------|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Increase (decrease) in income before income tax . . . . . | <u>¥(24,631)</u>                 | <u>¥(26,018)</u>                 | <u>\$(216,510)</u>               |

ii. Interest rate contracts

The details of interest rate contracts are as follows:

***Interest rate contracts to which hedge accounting is applied***

|                              | (Millions of yen)   |            |   |            | (Thousands of U.S. dollars)                                 |            |
|------------------------------|---|------------|---|------------|---|------------|
|                              | As of March 31, 2014  |            | As of March 31, 2015  |            | As of March 31, 2015  |            |
|                              | Contract amounts (of which: maturing in more than one year) | Fair value | Contract amounts (of which: maturing in more than one year) | Fair value | Contract amounts (of which: maturing in more than one year) | Fair value |
| Interest rate swap . . . . . | ¥10,000<br>(—)  | ¥(24)      | ¥ 10,000<br>(10,000)  | ¥(67)      | \$ 83,215<br>(83,215)                                       | \$(558)    |

The above interest rate swap contract is designated as a cash flow hedge.

b. Credit risk

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

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

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 and guaranteed obligations, represents the Company's maximum exposure to credit risk on financial assets. The value of collateral held and other credit enhancements are not included. The details of lending commitments and guaranteed obligations are described in "Note 44. Contingencies (1) Lending commitments and (2) Guaranteed obligation."

There were no financial or non-financial assets acquired as a result of foreclosure of collateral or enforcement of other credit enhancements during the years ended March 31, 2014 and 2015.

(a) Financial assets not impaired individually

The table below presents aging analysis of financial assets not impaired individually. The amounts in the analysis are presented at carrying amount before netting allowance for doubtful accounts.

As of March 31, 2014

| (Millions of yen)                     |                   |                 |                     |                      |                    |               |                   |
|---------------------------------------|-------------------|-----------------|---------------------|----------------------|--------------------|---------------|-------------------|
|                                       | Before due        | Past due        |                     |                      |                    |               | Total             |
|                                       |                   | Within 1 month  | 1 month to 3 months | 3 months to 6 months | 6 months to 1 year | Over 1 year   |                   |
| Trade and other receivables . . . . . | ¥1,468,458        | ¥109,005        | ¥67,726             | ¥32,642              | ¥21,006            | ¥7,887        | ¥1,706,724        |
| Other financial assets . . . . .      | 264,187           | 1,652           | 203                 | 197                  | 272                | 623           | 267,134           |
| Total . . . . .                       | <u>¥1,732,645</u> | <u>¥110,657</u> | <u>¥67,929</u>      | <u>¥32,839</u>       | <u>¥21,278</u>     | <u>¥8,510</u> | <u>1,973,858</u>  |
| Allowance for doubtful accounts . . . |                   |                 |                     |                      |                    |               | (37,686)          |
| Total . . . . .                       |                   |                 |                     |                      |                    |               | <u>¥1,936,172</u> |

As of March 31, 2015

| (Millions of yen)                     |                   |                 |                     |                      |                    |                |                   |
|---------------------------------------|-------------------|-----------------|---------------------|----------------------|--------------------|----------------|-------------------|
|                                       | Before due        | Past due        |                     |                      |                    |                | Total             |
|                                       |                   | Within 1 month  | 1 month to 3 months | 3 months to 6 months | 6 months to 1 year | Over 1 year    |                   |
| Trade and other receivables . . . . . | ¥1,717,328        | ¥132,999        | ¥63,971             | ¥16,369              | ¥10,165            | ¥ 8,057        | ¥1,948,889        |
| Other financial assets . . . . .      | 297,289           | 1,818           | 280                 | 274                  | 472                | 2,728          | 302,861           |
| Total . . . . .                       | <u>¥2,014,617</u> | <u>¥134,817</u> | <u>¥64,251</u>      | <u>¥16,643</u>       | <u>¥10,637</u>     | <u>¥10,785</u> | <u>2,251,750</u>  |
| Allowance for doubtful accounts . . . |                   |                 |                     |                      |                    |                | (58,873)          |
| Total . . . . .                       |                   |                 |                     |                      |                    |                | <u>¥2,192,877</u> |

| (Thousands of U.S. dollars)               |                     |                    |                     |                      |                    |                 |                     |
|---|---------------------|--------------------|---------------------|----------------------|--------------------|-----------------|---------------------|
|   | Before due          | Past due           |                     |                      |                    |                 | Total               |
|   |                     | Within 1 month     | 1 month to 3 months | 3 months to 6 months | 6 months to 1 year | Over 1 year     |                     |
| Trade and other receivables . . . . .     | \$14,290,820        | \$1,106,757        | \$532,338           | \$136,215            | \$84,588           | \$67,047        | \$16,217,765        |
| Other financial assets . . . . .          | 2,473,904           | 15,129             | 2,330               | 2,280                | 3,928              | 22,701          | 2,520,272           |
| Total . . . . .                           | <u>\$16,764,724</u> | <u>\$1,121,886</u> | <u>\$534,668</u>    | <u>\$138,495</u>     | <u>\$88,516</u>    | <u>\$89,748</u> | <u>18,738,037</u>   |
| Allowance for doubtful accounts . . . . . |                     |                    |                     |                      |                    |                 | (489,914)           |
| Total . . . . .                           |                     |                    |                     |                      |                    |                 | <u>\$18,248,123</u> |

(b) Individually impaired financial assets

Individually impaired financial assets are as follows:

|   | (Millions of yen)    |                      | (Thousands of U.S. dollars) |
|---|----------------------|----------------------|-----------------------------|
|   | As of March 31, 2014 | As of March 31, 2015 | As of March 31, 2015        |
| Trade and other receivables . . . . .     | ¥ 2,783              | ¥ 9,377              | \$ 78,032                   |
| Other financial assets . . . . .          | 10,169               | 16,093               | 133,919                     |
| Allowance for doubtful accounts . . . . . | (12,800)             | (23,312)             | (193,992)                   |
| Total . . . . .                           | <u>¥ 152</u>         | <u>¥ 2,158</u>       | <u>\$ 17,959</u>            |



(c) Allowance for doubtful accounts

The table below presents changes in the allowance for doubtful accounts. The allowance for doubtful accounts is mainly for trade receivables to the customers.

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Balance at the beginning of the period ..... | ¥ 32,524                            | ¥ 50,486                            | \$ 420,121                          |
| Provisions .....                             | 48,726                              | 115,120                             | 957,976                             |
| Utilized .....                               | (30,103)                            | (91,037)                            | (757,568)                           |
| Other .....                                  | (661)                               | 7,616                               | 63,377                              |
| Balance at the end of the period .....       | <u>¥ 50,486</u>                     | <u>¥ 82,185</u>                     | <u>\$ 683,906</u>                   |

Provisions for and reversal of doubtful accounts are recorded in “Selling, general and administrative expenses” and “Other non-operating income (loss)” in the consolidated statement of income.

c. Liquidity risk

In order to prevent and reduce liquidity risk, the Company maintains access to diversified fund raising sources including both indirect financing, such as bank loans and leases, and direct financing, such as issuance of bonds and commercial paper and securitization, taking market conditions and current/non-current debt ratios into consideration. As for fund management, the Company invests its funds in short-term deposits and MMF.

The Company also continuously monitors its forecast and actual movement of cash flows and liquid funds.

(a) Commitment lines of credit and other credit facilities

The Company has entered into commitment lines of credit and other credit facilities with various financial institutions to reduce liquidity risk. The Company’s credit facilities are as follows:

|                         | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|-------------------------|-------------------------|-------------------------|-----------------------------|
|                         | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Credit facilities ..... | ¥2,880,885              | ¥3,218,963              | \$26,786,744                |
| Drawn .....             | <u>2,453,368</u>        | <u>2,373,383</u>        | <u>19,750,212</u>           |
| Undrawn .....           | <u>¥ 427,517</u>        | <u>¥ 845,580</u>        | <u>\$ 7,036,532</u>         |

Note:

Certain commitments above contain financial covenants. Please see “(2) Financial covenants” in “Note 20. Interest-bearing debt” for details.

(b) Analysis of financial liabilities by maturities

The table below presents the analysis of financial liabilities (including derivatives) by maturities. The receivables and payables are shown on a net basis.

As of March 31, 2014

|                                      |                   |                        |                  | (Millions of ¥)   |     |
|--------------------------------------|-------------------|------------------------|------------------|-------------------|-----|
|                                      | Carrying amount   | Contractual cash flows | Within 1 year    | 1 year to 2 years |     |
| Non-derivative financial liabilities |                   |                        |                  |                   |     |
| Interest-bearing debt                |                   |                        |                  |                   |     |
| Short-term borrowings                | ¥ 270,529         | ¥ 270,633              | ¥ 270,633        | ¥ —               | ¥ — |
| Commercial paper                     | 32,000            | 32,000                 | 32,000           | —                 | —   |
| Long-term borrowings                 |                   |                        |                  |                   |     |
| (including current portion)          | 2,637,421         | 2,671,481              | 394,645          | 286,319           |     |
| Corporate bonds                      |                   |                        |                  |                   |     |
| (including current portion)          | 4,882,373         | 4,740,165              | 139,333          | 121,564           |     |
| Lease obligations                    | 995,210           | 995,210                | 264,295          | 304,726           |     |
| Preferred securities                 | 199,156           | 200,000                | —                | 200,000           |     |
| Installment payables                 | 153,364           | 153,647                | 48,360           | 41,115            |     |
| Trade and other payables             | 1,705,956         | 1,705,956              | 1,701,034        | 2,235             |     |
| Other financial liabilities          | 38,258            | 38,258                 | —                | 17,401            |     |
| Total                                | <u>10,914,267</u> | <u>10,807,350</u>      | <u>2,850,300</u> | <u>973,360</u>    |     |
| Derivative financial liabilities     |                   |                        |                  |                   |     |
| Other financial liabilities          |                   |                        |                  |                   |     |
| Foreign exchange contracts*          | 8,716             | 8,716                  | 2,347            | (3,416)           |     |
| Interest rate swaps contracts        | 24                | 24                     | 24               | —                 |     |
| Total                                | <u>¥ 8,740</u>    | <u>¥ 8,740</u>         | <u>¥ 2,371</u>   | <u>¥ (3,416)</u>  |     |

As of March 31, 2015

|                                      |   |                   |   |                   |   | (Millions of yen)  |                        |
|--------------------------------------|---|-------------------|---|-------------------|---|--------------------|------------------------|
|                                      |   |                   |   |                   |   | Carrying amount    | Contractual cash flows |
|                                      |   |                   |   |                   |   | Within 1 year      | 1 year to 2 years      |
|                                      |   |                   |   |                   |   | 2 years to 3 years | 3 years or more        |
| Non-derivative financial liabilities |   |                   |   |                   |   |                    |                        |
| Interest-bearing debt                |   |                   |   |                   |   |                    |                        |
| Short-term borrowings                | ¥ | 413,846           | ¥ | 415,397           | ¥ | 415,397            | ¥ —                    |
| Commercial paper                     |   | 32,000            |   | 32,000            |   | 32,000             | —                      |
| Long-term borrowings                 |   |                   |   |                   |   |                    |                        |
| (including current portion)          |   | 2,642,396         |   | 2,673,276         |   | 526,021            | 481,340                |
| Corporate bonds                      |   |                   |   |                   |   |                    |                        |
| (including current portion)          |   | 7,009,425         |   | 6,867,718         |   | 183,591            | 908,621                |
| Lease obligations                    |   | 1,156,364         |   | 1,156,364         |   | 411,453            | 285,712                |
| Preferred securities                 |   | 200,000           |   | 200,000           |   | 200,000            | —                      |
| Installment payables                 |   | 153,213           |   | 153,346           |   | 50,748             | 41,593                 |
| Trade and other payables             |   | 1,863,480         |   | 1,863,480         |   | 1,855,455          | 2,534                  |
| Other financial liabilities          |   | 27,142            |   | 27,142            |   | —                  | 13,873                 |
| Total                                |   | <u>13,497,866</u> |   | <u>13,388,723</u> |   | <u>3,674,665</u>   | <u>1,733,673</u>       |
| Derivative financial liabilities     |   |                   |   |                   |   |                    |                        |
| Other financial liabilities          |   |                   |   |                   |   |                    |                        |
| Foreign exchange contracts*          |   | 12,850            |   | 12,850            |   | 12,850             | —                      |
| Interest rate swaps contracts        |   | 67                |   | 67                |   | 67                 | —                      |
| Total                                | ¥ | <u>12,917</u>     | ¥ | <u>12,917</u>     | ¥ | <u>12,917</u>      | <u>—</u>               |

| (Thousands of U.S. dollars)                               |                    |                           |                   |                      |                   |
|---|--------------------|---------------------------|-------------------|----------------------|-------------------|
|   | Carrying<br>amount | Contractual<br>cash flows | Within<br>1 year  | 1 year to<br>2 years | 2 year<br>3 years |
| Non-derivative financial liabilities                      |                    |                           |                   |                      |                   |
| Interest-bearing debt                                     |                    |                           |                   |                      |                   |
| Short-term borrowings .....                               | \$ 3,443,838       | \$ 3,456,745              | \$ 3,456,745      | \$ —                 | \$ —              |
| Commercial paper .....                                    | 266,289            | 266,289                   | 266,289           | —                    | —                 |
| Long-term borrowings<br>(including current portion) ..... | 21,988,816         | 22,245,785                | 4,377,307         | 4,005,492            | 4,211,186         |
| Corporate bonds<br>(including current portion) .....      | 58,329,242         | 57,150,021                | 1,527,761         | 7,561,130            | 2,299,130         |
| Lease obligations .....                                   | 9,622,734          | 9,622,734                 | 3,423,924         | 2,377,565            | 1,896,245         |
| Preferred securities .....                                | 1,664,309          | 1,664,309                 | 1,664,309         | —                    | —                 |
| Installment payables .....                                | 1,274,969          | 1,276,076                 | 422,302           | 346,118              | 304,558           |
| Trade and other payables .....                            | 15,507,032         | 15,507,032                | 15,440,251        | 21,087               | 23,000            |
| Other financial liabilities .....                         | 225,863            | 225,863                   | —                 | 115,445              | 10,418            |
| Total .....   | <u>112,323,092</u> | <u>111,414,854</u>        | <u>30,578,888</u> | <u>14,426,837</u>    | <u>8,745,137</u>  |
| Derivative financial liabilities                          |                    |                           |                   |                      |                   |
| Other financial liabilities                               |                    |                           |                   |                      |                   |
| Foreign exchange contracts* .....                         | 106,931            | 106,931                   | 106,931           | —                    | —                 |
| Interest rate swaps contracts .....                       | 558                | 558                       | 558               | —                    | —                 |
| Total .....   | <u>\$ 107,489</u>  | <u>\$ 107,489</u>         | <u>\$ 107,489</u> | <u>\$ —</u>          | <u>\$ —</u>       |

Note:

\* Contractual cash flow and breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign exchange contracts.

In addition to the amounts presented above, the Company has lending commitments, which are detailed in “Note 44. Contingent liabilities”.

Average interest rates of the interest-bearing debts are described in “(1) Component of interest-bearing debt” in “Note 20. Interest expense”.

(3) Categories of financial instruments

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

As of March 31, 2014

| (Millions of yen)                     |                                |                                  |   |                              |                       |                   |
|---------------------------------------|--------------------------------|----------------------------------|---|------------------------------|-----------------------|-------------------|
|                                       | Financial assets at FVTPL      | Derivatives designated as hedges | Available-for-sale financial assets     | Held-to-maturity investments | Loans and receivables | Total             |
| Financial assets                      |                                |                                  |   |                              |                       |                   |
| Current assets                        |                                |                                  |   |                              |                       |                   |
| Trade and other receivables . . .     | ¥ —                            | ¥ —                              | ¥ —                                     | ¥ —                          | ¥1,669,545            | ¥1,669,545        |
| Other financial assets . . . . .      | 13,890                         | 85                               | 5,109                                   | 104,827                      | 40,816                | 164,727           |
| Non-current assets                    |                                |                                  |   |                              |                       |                   |
| Other financial assets . . . . .      | 21,560                         | 7,459                            | 109,210                                 | —                            | 263,464               | 401,693           |
| Total . . . . .                       | <u>¥35,450</u>                 | <u>¥7,544</u>                    | <u>¥ 114,319</u>                        | <u>¥ 104,827</u>             | <u>¥1,973,825</u>     | <u>¥2,235,965</u> |
|                                       | Financial liabilities at FVTPL | Derivatives designated as hedges | Financial liabilities at amortized cost | Total                        |                       |                   |
| Financial liabilities                 |                                |                                  |   |                              |                       |                   |
| Current liabilities                   |                                |                                  |   |                              |                       |                   |
| Interest-bearing debt . . . . .       | ¥ —                            | ¥ —                              | ¥ 1,147,899                             | ¥ 1,147,899                  |                       |                   |
| Trade and other payables . . . . .    | —                              | —                                | 1,705,956                               | 1,705,956                    |                       |                   |
| Other financial liabilities . . . . . | 5,823                          | 24                               | —                                       | 5,847                        |                       |                   |
| Non-current liabilities               |                                |                                  |   |                              |                       |                   |
| Interest-bearing debt . . . . .       | —                              | —                                | 8,022,154                               | 8,022,154                    |                       |                   |
| Other financial liabilities . . . . . | —                              | 2,893                            | 38,258                                  | 41,151                       |                       |                   |
| Total . . . . .                       | <u>¥ 5,823</u>                 | <u>¥2,917</u>                    | <u>¥10,914,267</u>                      | <u>¥10,923,007</u>           |                       |                   |

As of March 31, 2015

| (Millions of yen)                   |                                |                                  |   |                              |                       |                   |
|-------------------------------------|--------------------------------|----------------------------------|---|------------------------------|-----------------------|-------------------|
|                                     | Financial assets at FVTPL*     | Derivatives designated as hedges | Available-for-sale financial assets     | Held-to-maturity investments | Loans and receivables | Total             |
| Financial assets                    |                                |                                  |   |                              |                       |                   |
| Current assets                      |                                |                                  |   |                              |                       |                   |
| Trade and other receivables . .     | ¥ —                            | ¥ —                              | ¥ —                                     | ¥ —                          | ¥1,895,648            | ¥1,895,648        |
| Other financial assets . . . . .    | 75,091                         | —                                | 46,868                                  | 19,903                       | 55,206                | 197,068           |
| Non-current assets                  |                                |                                  |   |                              |                       |                   |
| Other financial assets . . . . .    | 148,817                        | 55,748                           | 172,186                                 | 100                          | 285,612               | 662,463           |
| Total . . . . .                     | <u>¥223,908</u>                | <u>¥55,748</u>                   | <u>¥ 219,054</u>                        | <u>¥ 20,003</u>              | <u>¥2,236,466</u>     | <u>¥2,755,179</u> |
|                                     | Financial liabilities at FVTPL | Derivatives designated as hedges | Financial liabilities at amortized cost | Total                        |                       |                   |
| Financial liabilities               |                                |                                  |   |                              |                       |                   |
| Current liabilities                 |                                |                                  |   |                              |                       |                   |
| Interest-bearing debt . . . . .     | ¥ —                            | ¥ —                              | ¥ 1,817,415                             | ¥ 1,817,415                  |                       |                   |
| Trade and other payables . . . .    | —                              | —                                | 1,863,480                               | 1,863,480                    |                       |                   |
| Other financial liabilities . . . . | 12,850                         | 67                               | —                                       | 12,917                       |                       |                   |
| Non-current liabilities             |                                |                                  |   |                              |                       |                   |
| Interest-bearing debt . . . . .     | —                              | —                                | 9,789,829                               | 9,789,829                    |                       |                   |
| Other financial liabilities . . . . | —                              | —                                | 27,142                                  | 27,142                       |                       |                   |
| Total . . . . .                     | <u>¥ 12,850</u>                | <u>¥ 67</u>                      | <u>¥13,497,866</u>                      | <u>¥13,510,783</u>           |                       |                   |

| (Thousands of U.S. dollars)           |                            |                                  |                                     |                              |                       |                     |
|---------------------------------------|----------------------------|----------------------------------|-------------------------------------|------------------------------|-----------------------|---------------------|
|                                       | Financial assets at FVTPL* | Derivatives designated as hedges | Available-for-sale financial assets | Held-to-maturity investments | Loans and receivables | Total               |
| Financial assets                      |                            |                                  |                                     |                              |                       |                     |
| Current assets                        |                            |                                  |                                     |                              |                       |                     |
| Trade and other receivables . . . . . | \$ —                       | \$ —                             | \$ —                                | \$ —                         | \$15,774,719          | \$15,774,719        |
| Other financial assets . . . . .      | 624,873                    | —                                | 390,014                             | 165,624                      | 459,399               | 1,639,910           |
| Non-current assets                    |                            |                                  |                                     |                              |                       |                     |
| Other financial assets . . . . .      | 1,238,387                  | 463,909                          | 1,432,854                           | 832                          | 2,376,733             | 5,512,715           |
| Total . . . . .                       | <u>\$1,863,260</u>         | <u>\$463,909</u>                 | <u>\$ 1,822,868</u>                 | <u>\$ 166,456</u>            | <u>\$18,610,851</u>   | <u>\$22,927,344</u> |

|                                       | Financial liabilities at FVTPL | Derivatives designated as hedges | Financial liabilities at amortized cost | Total                |
|---------------------------------------|--------------------------------|----------------------------------|---|----------------------|
| Financial liabilities                 |                                |                                  |   |                      |
| Current liabilities                   |                                |                                  |   |                      |
| Interest-bearing debt . . . . .       | \$ —                           | \$ —                             | \$ 15,123,700                           | \$ 15,123,700        |
| Trade and other payables . . . . .    | —                              | —                                | 15,507,032                              | 15,507,032           |
| Other financial liabilities . . . . . | 106,931                        | 558                              | —                                       | 107,489              |
| Non-current liabilities               |                                |                                  |   |                      |
| Interest-bearing debt . . . . .       | —                              | —                                | 81,466,497                              | 81,466,497           |
| Other financial liabilities . . . . . | —                              | —                                | 225,863                                 | 225,863              |
| Total . . . . .                       | <u>\$ 106,931</u>              | <u>\$ 558</u>                    | <u>\$112,323,092</u>                    | <u>\$112,430,581</u> |

Note:

\* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss at initial recognition is ¥147,673 million (\$1,228,867 thousand).

## 27. Fair value of financial instruments

### (1) Categorization by level within the fair value hierarchy

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

The fair value hierarchy is defined as follows in descending order of level:

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 2 during the fiscal years ended March 31, 2014 and 2015.



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

As of March 31, 2014

|                                  | (Millions of yen) |                |               |                |
|----------------------------------|-------------------|----------------|---------------|----------------|
|                                  | Level 1           | Level 2        | Level 3       | Total          |
| Financial assets                 |                   |                |               |                |
| Equity securities                | ¥27,530           | ¥ —            | ¥62,572       | ¥ 90,102       |
| Bonds                            | —                 | 6,769          | 1,476         | 8,245          |
| Derivative financial assets      |                   |                |               |                |
| Foreign exchange contracts       | —                 | 42,131         | —             | 42,131         |
| Stock acquisition rights         | —                 | —              | 719           | 719            |
| Other                            | —                 | 5,038          | 11,078        | 16,116         |
| Total                            | <u>27,530</u>     | <u>53,938</u>  | <u>75,845</u> | <u>157,313</u> |
| Financial liabilities            |                   |                |               |                |
| Derivative financial liabilities |                   |                |               |                |
| Foreign exchange contracts       | —                 | 8,716          | —             | 8,716          |
| Interest rate swap contracts     | —                 | 24             | —             | 24             |
| Total                            | <u>¥ —</u>        | <u>¥ 8,740</u> | <u>¥ —</u>    | <u>¥ 8,740</u> |

As of March 31, 2015

|                                  | (Millions of yen) |                 |                |                 |
|----------------------------------|-------------------|-----------------|----------------|-----------------|
|                                  | Level 1           | Level 2         | Level 3        | Total           |
| Financial assets                 |                   |                 |                |                 |
| Equity securities                | ¥46,729           | ¥ —             | ¥242,754*      | ¥289,483        |
| Bonds                            | —                 | 14,542          | 3,258          | 17,800          |
| Derivative financial assets      |                   |                 |                |                 |
| Foreign exchange contracts       | —                 | 73,089          | —              | 73,089          |
| Stock acquisition rights         | —                 | —               | 1,144          | 1,144           |
| Other                            | —                 | 104,666         | 12,528         | 117,194         |
| Total                            | <u>46,729</u>     | <u>192,297</u>  | <u>259,684</u> | <u>498,710</u>  |
| Financial liabilities            |                   |                 |                |                 |
| Derivative financial liabilities |                   |                 |                |                 |
| Foreign exchange contracts       | —                 | 12,850          | —              | 12,850          |
| Interest rate swap contracts     | —                 | 67              | —              | 67              |
| Total                            | <u>¥ —</u>        | <u>¥ 12,917</u> | <u>¥ —</u>     | <u>¥ 12,917</u> |

|                                  | (Thousands of U.S. dollars) |                   |                  |                   |
|----------------------------------|-----------------------------|-------------------|------------------|-------------------|
|                                  | Level 1                     | Level 2           | Level 3          | Total             |
| Financial assets                 |                             |                   |                  |                   |
| Equity securities                | \$388,857                   | \$ —              | \$2,020,088*     | \$2,408,945       |
| Bonds                            | —                           | 121,012           | 27,112           | 148,124           |
| Derivative financial assets      |                             |                   |                  |                   |
| Foreign exchange contracts       | —                           | 608,213           | —                | 608,213           |
| Stock acquisition rights         | —                           | —                 | 9,520            | 9,520             |
| Other                            | —                           | 870,983           | 104,252          | 975,235           |
| Total                            | <u>388,857</u>              | <u>1,600,208</u>  | <u>2,160,972</u> | <u>4,150,037</u>  |
| Financial liabilities            |                             |                   |                  |                   |
| Derivative financial liabilities |                             |                   |                  |                   |
| Foreign exchange contracts       | —                           | 106,931           | —                | 106,931           |
| Interest rate swap contracts     | —                           | 558               | —                | 558               |
| Total                            | <u>\$ —</u>                 | <u>\$ 107,489</u> | <u>\$ —</u>      | <u>\$ 107,489</u> |

Note:

\* Preferred stock investments in associates not applying the equity method totaling ¥146,926 million (\$1,222,651 thousand), are included as the feature is substantively different from common stock. These preferred stocks are designated as financial assets at FVTPL.

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

a. Equity securities and bonds

Equity securities and bonds are measured using quoted prices in active markets for identical assets or liabilities if such prices are available, and are classified as level 1. Where such quoted prices in active markets for identical assets or liabilities are not available, they are measured using quoted prices for identical assets or liabilities in markets that are not active, quoted prices of comparable companies and valuation techniques such as the discounted cash flow model. They are classified as level 2 if all significant inputs such as quoted prices and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as level 3.

b. Derivative financial assets and derivative financial liabilities

The fair value of derivative financial instruments is measured using valuation techniques such as discounted cash flow models. Derivative financial instruments are classified as level 2 if all significant inputs such as foreign exchange rates and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as level 3.

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

a. Valuation techniques and inputs

The following table shows information about valuation techniques and significant unobservable inputs used in the level 3 fair value measurements where unobservable inputs are used.

*Equity securities*

| Valuation techniques              | Unobservable inputs          | Ranges of unobservable inputs |                         |
|-----------------------------------|------------------------------|-------------------------------|-------------------------|
|                                   |                              | As of<br>March 31, 2014       | As of<br>March 31, 2015 |
| Discounted cash flow <sup>1</sup> | Capital cost                 | 7.9%                          | 15.0%                   |
|                                   | Perpetual growth rate        | 1.2%                          | 3.5%                    |
| Monte Carlo Simulation            | Expected normal distribution |                               | ¥1,500 million          |
|                                   | of operating income          | —                             | (\$12,482 thousand)     |

Notes:

- Securities subject to valuation for the fiscal year ended March 31, 2014 are investments within Japan and for the fiscal year ended March 31, 2015 are investments outside of Japan.
- Other than the above Valuation techniques, certain securities use comparison of similar company method and comparison of similar transaction method.

b. Sensitivity Analysis

Of the above unobservable inputs, perpetual growth rate have a positive correlation with the fair value of equity securities, whereas capital cost has a negative correlation with the fair value of equity securities.

c. Valuation processes

Fair value is measured by our personnel in 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 valuation. 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, is reported to the Company's board of directors after the analysis of fair value changes and other contents are reviewed and approved by the head of the department.

d. Reconciliation of financial instruments categorized as Level 3

Reconciliation of financial instruments categorized as Level 3 is as follows:

For the fiscal year ended March 31, 2014

|  | (Millions of yen) |                     |                             |                |
|--|-------------------|---------------------|-----------------------------|----------------|
|  | Equity securities | Bonds               | Derivative financial assets | Other          |
| As of April 1, 2013 .....  | ¥ 112,966         | ¥ 276,131           | ¥ 15,706                    | ¥ 8,174        |
| Gains or losses  |                   |                     |                             |                |
| Net income .....   | 96,800            | 16,243 <sup>1</sup> | (16,338) <sup>1</sup>       | (140)          |
| Other comprehensive income .....   | (63,542)          | 21,221              | 650                         | 2,879          |
| Transfers due to acquisition of control <sup>2</sup> .....                                     | (104,070)         | —                   | —                           | —              |
| Exercise of stock acquisition rights <sup>3</sup> .....  | —                 | (313,534)           | —                           | —              |
| Purchases .....  | 23,849            | 1,415               | 701                         | 585            |
| Sales .....  | (3,529)           | —                   | —                           | (956)          |
| Transfers from Level 3 <sup>4</sup> .....  | (1,599)           | —                   | —                           | —              |
| Other .....  | 1,697             | —                   | —                           | 536            |
| As of March 31, 2014 .....   | <u>¥ 62,572</u>   | <u>¥ 1,476</u>      | <u>¥ 719</u>                | <u>¥11,078</u> |
| Gains or losses recognized in net income on financial instruments held at March 31, 2014 ..... | <u>¥ (7,144)</u>  | <u>¥ —</u>          | <u>¥ —</u>                  | <u>¥ (91)</u>  |

Notes:

1. Represents the amount from the bonds with stock acquisition rights issued by Sprint Nextel Corporation and held by Starburst II, Inc. The details are described in “Note 39. Non-operating income and loss.”
2. The reduction resulted from the consolidation of WILLCOM, Inc. as a subsidiary in July 2013. The details of the business combination are described in “(3) WILLCOM, Inc.” in “Note 6. Business combinations.”
3. The reduction resulted from converting the bonds with stock acquisition rights issued by Sprint Nextel Corporation into shares in July 2013. The details of the business combination are described in “(2) Sprint” in “Note 6. Business combinations.”
4. Transfer to level 1 by the listing of financial instruments held by the Company.

Gains or losses recognized in net income on equity securities include gain of ¥103,766 million recognized as a result of remeasuring the Company’s existing equity interest at fair value when the Company acquired control of and consolidated WILLCOM, Inc. as its subsidiary. The gain recognized from the re-measurement is included in “Gain from remeasurement relating to business combination” in the consolidated statement of income, and other gains or losses are included in “Other non-operating income (loss)” in the consolidated statement of income. Gains or losses recognized in other comprehensive income are included in “Available-for-sale financial assets” and “Exchange differences on translating foreign operations” in the consolidated statement of comprehensive income.

For the fiscal year ended March 31, 2015

|  | (Millions of yen) |               |                             |                |
|--|-------------------|---------------|-----------------------------|----------------|
|  | Equity securities | Bonds         | Derivative financial assets | Other          |
| As of April 1, 2014 .....  | ¥ 62,572          | ¥1,476        | ¥ 719                       | ¥11,078        |
| Gains or losses  |                   |               |                             |                |
| Net income .....   | 1,439             | 75            | 119                         | (159)          |
| Other comprehensive income .....   | (1,794)           | 254           | —                           | 1,126          |
| Transfers due to application of equity method .....  | (29,266)          | —             | —                           | —              |
| Purchases .....  | 215,597           | 1,453         | 306                         | 2,093          |
| Sales .....  | (1,845)           | —             | —                           | (1,610)        |
| Transfers from Level 3* .....  | (905)             | —             | —                           | —              |
| Other .....  | (3,044)           | —             | —                           | —              |
| As of March 31, 2015 .....   | <u>¥242,754</u>   | <u>¥3,258</u> | <u>¥1,144</u>               | <u>¥12,528</u> |
| Gains or losses recognized in net income on financial instruments held at March 31, 2015 ..... | <u>¥ (2,607)</u>  | <u>¥ —</u>    | <u>¥ 119</u>                | <u>¥ (14)</u>  |

| (Thousands of U.S. dollars)  |                    |                 |                             |                  |
|--|--------------------|-----------------|-----------------------------|------------------|
|  | Equity securities  | Bonds           | Derivative financial assets | Other            |
| As of April 1, 2014  | \$ 520,696         | \$12,283        | \$5,983                     | \$ 92,186        |
| Gains or losses  |                    |                 |                             |                  |
| Net income   | 11,975             | 624             | 990                         | (1,323)          |
| Other comprehensive income   | (14,929)           | 2,114           | —                           | 9,370            |
| Transfers due to application of equity method  | (243,538)          | —               | —                           | —                |
| Purchases  | 1,794,099          | 12,091          | 2,547                       | 17,417           |
| Sales  | (15,353)           | —               | —                           | (13,398)         |
| Transfers from Level 3*  | (7,531)            | —               | —                           | —                |
| Other  | (25,331)           | —               | —                           | —                |
| As of March 31, 2015   | <u>\$2,020,088</u> | <u>\$27,112</u> | <u>\$9,520</u>              | <u>\$104,252</u> |
| Gains or losses recognized in net income on financial instruments held at March 31, 2015 | <u>\$ (21,694)</u> | <u>\$ —</u>     | <u>\$ 990</u>               | <u>\$ (117)</u>  |

Note

\* Transfer to level 1 by the listing of financial instruments held by the Company.

Gains or losses recognized in profit or loss are included in “Non-operating income (loss)” in the consolidated statement of income. Gains or losses recognized in other comprehensive income, net of tax, are included in “Available-for-sale financial assets” and “Exchange differences on translating foreign operations” in the consolidated statement of comprehensive income.

### (3) Carrying amounts and fair values of financial instruments

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

|                       | (Millions of yen)    |                   |                      |                   | (Thousands of U.S. dollars) |                     |
|-----------------------|----------------------|-------------------|----------------------|-------------------|-----------------------------|---------------------|
|                       | As of March 31, 2014 |                   | As of March 31, 2015 |                   | As of March 31, 2015        |                     |
|                       | Carrying amount      | Fair value        | Carrying amount      | Fair value        | Carrying amount             | Fair value          |
| Non-current           |                      |                   |                      |                   |                             |                     |
| Interest-bearing debt |                      |                   |                      |                   |                             |                     |
| Long-term borrowings  | ¥2,243,855           | ¥2,286,161        | ¥2,116,498           | ¥2,160,920        | \$17,612,532                | \$17,982,192        |
| Corporate bonds       | 4,743,073            | 4,960,113         | 6,825,868            | 6,862,785         | 56,801,764                  | 57,108,971          |
| Lease obligations     | 730,915              | 736,836           | 744,911              | 748,068           | 6,198,810                   | 6,225,081           |
| Preferred securities  | 199,156              | 199,444           | —                    | —                 | —                           | —                   |
| Installment payables  | 105,155              | 105,528           | 102,552              | 102,673           | 853,391                     | 854,398             |
| Total                 | <u>¥8,022,154</u>    | <u>¥8,288,082</u> | <u>¥9,789,829</u>    | <u>¥9,874,446</u> | <u>\$81,466,497</u>         | <u>\$82,170,642</u> |

Financial instruments whose carrying amounts are reasonably similar to fair values are not included in the table above. Financial instruments that are measured at fair value on a recurring basis are also excluded because their fair values are the same as the carrying amounts.

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

#### a. Long-term borrowings

Fair values of the non-current portion of long-term borrowings with variable rates are measured based on the discounted cash flow method using observable inputs such as market interests, and the measurement is categorized as level 2. Fair values of the non-current portion of long-term borrowings with fixed rate are measured based on discounted cash flow using an interest rate including the credit spread that would be used for a borrowing with the same terms and maturities. Those borrowings are categorized as Level 3.

#### b. Corporate bonds

Fair values of the non-current portion of corporate bonds are mainly categorized as Level 1 or Level 2. When fair value is measured using quoted prices in active markets for identical bonds, it is categorized as Level 1. When fair value is measured using quoted prices that are observable in markets that are not active for identical bonds, it is categorized as Level 2. The fair value categorized as Level 3 is immaterial.

c. Lease obligations

Fair values of the non-current portion of lease obligations are measured based on the discounted cash flow method using an interest rate considering the period until payment and credit risk, and categorized as Level 2.

d. Preferred securities

Fair values of preferred securities are measured based on the discounted cash flow method using the interest rate that would be used for preferred securities issued with the same terms and maturities, including the credit spread. The measurement is categorized as Level 2.

e. Installment payables

Fair values of the non-current portion of installment payables are measured based on the discounted cash flow method using an interest rate adjusted for the remaining repayment period and credit risks, and the measurement is categorized as Level 2.

## 28. Transfers of financial assets

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

The major securitization transaction is the securitization of installment receivables of SoftBank Mobile Corp. recognized from its mobile handsets sales business.

Also, Sprint entered into transactions to sell certain accounts receivables and transferred the receivables in March 2015. The transferred receivables consist of wireless service charges currently due from subscribers and are short-term in nature.

In SoftBank Mobile Corp. and Sprint's transactions, each company transferred receivables to financial institutions and acquired cash and subordinate interest in the transferred receivable for financing purposes. Receivables sold are not derecognized because in each transaction, SoftBank Mobile Corp. and Sprint retain subordinate interest and therefore substantially retain all risks and economic benefits of ownership of the transferred assets. Cash received from transferring receivables are included in Interest-bearing debt under current liabilities and non-current liabilities.

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

|  | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|--|-------------------------|-------------------------|-----------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Carrying amount of transferred assets . . . . .  | ¥ 428,828               | ¥ 751,468               | \$ 6,253,374                |
| Carrying amount of related liabilities . . . . .   | (354,622)               | (515,839)               | (4,292,577)                 |
| (Fair value of financial assets and financial liabilities where related liabilities have recourse only to the transferred assets.) |                         |                         |                             |
| Fair value of transferred assets . . . . .   | ¥ 428,828               | 751,468                 | \$ 6,253,374                |
| Fair value of related liabilities . . . . .  | (354,112)               | (515,270)               | (4,287,842)                 |
| Net position . . . . .   | <u>¥ 74,716</u>         | <u>236,198</u>          | <u>\$ 1,965,532</u>         |

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

## 29. Offsetting financial assets and liabilities

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

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

As of March 31, 2014

### Financial assets

|                                       | (Millions of yen)                |   |   |  |                |
|---------------------------------------|----------------------------------|---|---|--|----------------|
|                                       | Gross amount of financial assets | Gross amount of financial liabilities offset against financial assets | Net amount of financial assets presented in the statement of financial position | Amount not offset in the statement of financial position | Net amount     |
| Trade and other receivables . . . . . | ¥122,040                         | ¥(82,356)   | ¥39,684   | ¥(4,273)   | ¥35,411        |
| Other financial assets . . . . .      | 6,833                            | —   | 6,833   | (2,804)  | 4,029          |
| Total . . . . .                       | <u>¥128,873</u>                  | <u>¥(82,356)</u>  | <u>¥46,517</u>  | <u>¥(7,077)</u>  | <u>¥39,440</u> |

### Financial liabilities

|                                       | (Millions of yen)                     |   |  |  |                |
|---------------------------------------|---------------------------------------|---|--|--|----------------|
|                                       | Gross amount of financial liabilities | Gross amount of financial assets offset against financial liabilities | Net amount of financial liabilities presented in the statement of financial position | Amount not offset in the statement of financial position | Net amount     |
| Trade and other payables . . . . .    | ¥152,758                              | ¥(82,356)   | ¥70,402  | ¥(4,166)   | ¥66,236        |
| Other financial liabilities . . . . . | 3,606                                 | —   | 3,606  | (2,911)  | 695            |
| Total . . . . .                       | <u>¥156,364</u>                       | <u>¥(82,356)</u>  | <u>¥74,008</u>   | <u>¥(7,077)</u>  | <u>¥66,931</u> |

As of March 31, 2015

### Financial assets

|                                       | (Millions of yen)                |   |   |  |                |
|---------------------------------------|----------------------------------|---|---|--|----------------|
|                                       | Gross amount of financial assets | Gross amount of financial liabilities offset against financial assets | Net amount of financial assets presented in the statement of financial position | Amount not offset in the statement of financial position | Net amount     |
| Trade and other receivables . . . . . | ¥114,892                         | ¥(72,251)   | ¥42,641   | ¥(12,518)  | ¥30,123        |
| Other financial assets . . . . .      | 55,998                           | —   | 55,998  | (1,296)  | 54,702         |
| Total . . . . .                       | <u>¥170,890</u>                  | <u>¥(72,251)</u>  | <u>¥98,639</u>  | <u>¥(13,814)</u>   | <u>¥84,825</u> |

### Financial liabilities

|                                       | (Millions of yen)                     |   |  |  |                |
|---------------------------------------|---------------------------------------|---|--|--|----------------|
|                                       | Gross amount of financial liabilities | Gross amount of financial assets offset against financial liabilities | Net amount of financial liabilities presented in the statement of financial position | Amount not offset in the statement of financial position | Net amount     |
| Trade and other payables . . . . .    | ¥166,246                              | ¥(72,251)   | ¥93,995  | ¥(12,367)  | ¥81,628        |
| Other financial liabilities . . . . . | 2,671                                 | —   | 2,671  | (1,447)  | 1,224          |
| Total . . . . .                       | <u>¥168,917</u>                       | <u>¥(72,251)</u>  | <u>¥96,666</u>   | <u>¥(13,814)</u>   | <u>¥82,852</u> |



## Financial assets

|                                       | (Thousands of U.S. dollars)      |   |   |  |                  |
|---------------------------------------|----------------------------------|---|---|--|------------------|
|                                       | Gross amount of financial assets | Gross amount of financial liabilities offset against financial assets | Net amount of financial assets presented in the statement of financial position | Amount not offset in the statement of financial position | Net amount       |
| Trade and other receivables . . . . . | \$ 956,079                       | \$(601,240)   | \$354,839   | \$(104,169)  | \$250,670        |
| Other financial assets . . . . .      | 465,990                          | —   | 465,990   | (10,785)   | 455,205          |
| Total . . . . .                       | <u>\$1,422,069</u>               | <u>\$(601,240)</u>  | <u>\$820,829</u>  | <u>\$(114,954)</u>                                       | <u>\$705,875</u> |

## Financial liabilities

|                                       | (Thousands of U.S. dollars)           |   |  |  |                  |
|---------------------------------------|---------------------------------------|---|--|--|------------------|
|                                       | Gross amount of financial liabilities | Gross amount of financial assets offset against financial liabilities | Net amount of financial liabilities presented in the statement of financial position | Amount not offset in the statement of financial position | Net amount       |
| Trade and other payables . . . . .    | \$1,383,423                           | \$(601,240)   | \$782,183  | \$(102,913)  | \$679,270        |
| Other financial liabilities . . . . . | 22,227                                | —   | 22,227   | (12,041)   | 10,186           |
| Total . . . . .                       | <u>\$1,405,650</u>                    | <u>\$(601,240)</u>  | <u>\$804,410</u>   | <u>\$(114,954)</u>                                       | <u>\$689,456</u> |

## 30. Foreign exchange rates

Exchange rates of the major currencies used for translating financial statements of foreign operations are as follows:

### (1) Rate at the end of the period

|                        | (Yen)                |                      |
|------------------------|----------------------|----------------------|
|                        | As of March 31, 2014 | As of March 31, 2015 |
| U.S. dollars . . . . . | ¥102.92              | ¥120.17              |

### (2) Average rate for the quarter

For the fiscal year ended March 31, 2014

|                        | (Yen)                            |                                       |                                      |                                   |
|------------------------|----------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|
|                        | Three months ended June 30, 2013 | Three months ended September 30, 2013 | Three months ended December 31, 2013 | Three months ended March 31, 2014 |
| U.S. dollars . . . . . | ¥97.94                           | ¥98.20                                | ¥101.02                              | ¥103.28                           |

For the fiscal year ended March 31, 2015

|                        | (Yen)                            |                                       |                                      |                                   |
|------------------------|----------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|
|                        | Three months ended June 30, 2014 | Three months ended September 30, 2014 | Three months ended December 31, 2014 | Three months ended March 31, 2015 |
| U.S. dollars . . . . . | ¥102.14                          | ¥104.35                               | ¥114.39                              | ¥119.56                           |

(3) Foreign exchange sensitivity analysis for exchange differences on translating foreign operations

The table below presents the effect of a 1% appreciation of the Japanese yen against the U.S. dollar, which is the main foreign currency of the Company, assuming that all other factors are constant.

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Impact to exchange differences on translating foreign operations<br>(decrease in equity) ..... | <u>¥(25,023)</u>                    | <u>¥(27,108)</u>                    | <u>\$(225,580)</u>                  |

### 31. Equity

#### (1) Common stock

##### a. Shares authorized

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

|                       | (Thousands of shares) |                |
|-----------------------|-----------------------|----------------|
|                       | March 31, 2014        | March 31, 2015 |
| Ordinary shares ..... | 3,600,000             | 3,600,000      |

##### b. Shares issued

Changes in the number of shares issued are as follows:

|  | (Thousands of shares)               |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 |
| Balance at the beginning of the year ..... | 1,200,660                           | 1,200,660                           |
| Increase during the year .....             | —                                   | —                                   |
| Balance at the end of the year .....       | <u>1,200,660</u>                    | <u>1,200,660</u>                    |

Notes:

- Shares issued by the Company are common stocks with no par value.
- Shares issued have been fully paid.

#### (2) Capital surplus

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

For the fiscal year ended March 31, 2014

The Company acquired preferred stocks and options of Supercell, which can convert the preferred stocks to common stocks (“conversion option”). The fair value of ¥10,323 million for the preferred stocks and the conversion options is deducted from capital surplus as “Acquisition of options to convert to subsidiaries’ common stocks.” The details are described in “(4) Supercell Oy” in “Note 6. Business combinations.”

For the fiscal year ended March 31, 2015

The Company acquired all remaining shares of Brightstar Global Group Inc. indirectly held by Marcelo Claire, the former chairman and CEO of Brightstar Corp., and now owns 100% of the equity interest of Brightstar Global Group Inc. In connection with this transaction, ¥30,509 million (\$253,882 thousand) is deducted from capital surplus as “Changes in interests in subsidiaries.”

#### (3) Retained earnings

Retained earnings of the Company include the reserve legally required as legal retained earnings. The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital

surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

#### (4) Treasury stock

The Companies Act provides for companies to purchase treasury stock and dispose such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Changes in treasury stock are as follows:

|                                      | (Thousands of shares)               |                                     |
|--------------------------------------|-------------------------------------|-------------------------------------|
|                                      | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 |
| Balance at the beginning of the year | 9,160                               | 12,205                              |
| Increase during the year             | 4,287*                              | 6                                   |
| Decrease during the year             | (1,242)                             | (748)                               |
| Balance at the end of the year       | <u>12,205</u>                       | <u>11,463</u>                       |

Note:

\* Purchase of 4,272 thousand shares according to Article 156 based on Article 165-3 of the Companies Act and purchase of odd-lot shares.

#### (5) Accumulated other comprehensive income

The changes in the accumulated other comprehensive income are as follows:

|  | (Millions of yen)                            |  |                     |  |                 |
|--|--|--|---------------------|--|-----------------|
|  | Remeasurements<br>of defined benefit<br>plan | Available-for-<br>sale financial<br>assets | Cash flow<br>hedges | Exchange<br>differences on<br>translating<br>foreign<br>operations | Total           |
| As of April 1, 2013  | ¥ —  | ¥ 50,700                                   | ¥ 114,158           | ¥ 83,168   | ¥248,026        |
| Other comprehensive income (Attributable<br>to owners of the parent) | 2,541  | (36,578)                                   | (134,100)           | 92,502   | (75,635)        |
| Transfer to retained earnings  | (2,541)                                      | —  | —                   | —  | (2,541)         |
| As of March 31, 2014   | —  | 14,122                                     | (19,942)            | 175,670  | 169,850         |
| Other comprehensive income (Attributable<br>to owners of the parent) | (47,226)                                     | 402  | 12,597              | 357,537  | 323,310         |
| Transfer to retained earnings  | 47,226                                       | —  | —                   | —  | 47,226          |
| As of March 31, 2015   | <u>¥ —</u>                                   | <u>¥ 14,524</u>                            | <u>¥ (7,345)</u>    | <u>¥533,207</u>  | <u>¥540,386</u> |

|  | (Thousands of U.S. dollars)                  |  |                     |  |                    |
|--|--|--|---------------------|--|--------------------|
|  | Remeasurements<br>of defined benefit<br>plan | Available-for-<br>sale financial<br>assets | Cash flow<br>hedges | Exchange<br>differences on<br>translating<br>foreign<br>operations | Total              |
| As of March 31, 2014   | \$ —   | \$117,517                                  | \$(165,948)         | \$1,461,845  | \$1,413,415        |
| Other comprehensive income (Attributable<br>to owners of the parent) | (392,993)                                    | 3,345                                      | 104,826             | 2,975,261  | 2,690,438          |
| Transfer to retained earnings  | 392,993                                      | —  | —                   | —  | 392,993            |
| As of March 31, 2015   | <u>\$ —</u>                                  | <u>\$120,862</u>                           | <u>\$ (61,122)</u>  | <u>\$4,437,106</u>   | <u>\$4,496,846</u> |

Note:

The above amount is presented net of tax effect. The amount of income taxes on each item in other comprehensive income is described in "Note 40. Other comprehensive income (loss)."

## 32. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the

company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet the above criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

Dividends paid are as follows:

For the fiscal year ended March 31, 2014

| Resolution  | Class of shares | Dividends<br>per share | Total dividends   | Record date        | Effective date    |
|---|-----------------|------------------------|-------------------|--------------------|-------------------|
|   |                 | (Yen)                  | (Millions of yen) |                    |                   |
| Shareholders' meeting held on<br>June 21, 2013 . . . . .          | Common stock    | ¥20                    | ¥23,830           | March 31, 2013     | June 24, 2013     |
| Board of directors meeting held on<br>November 15, 2013 . . . . . | Common stock    | 20                     | 23,839            | September 30, 2013 | December 16, 2013 |

For the fiscal year ended March 31, 2015

| Resolution   | Class of shares | Dividends<br>per share |        | Total dividends   |                                | Record date        | Effective date    |
|--|-----------------|------------------------|--------|-------------------|--------------------------------|--------------------|-------------------|
|  |                 | (Yen)                  | (USD)  | (Millions of yen) | (Thousands of<br>U.S. dollars) |                    |                   |
| Shareholders' meeting<br>held on June 20, 2014 . . . .     | Common stock    | ¥20                    | \$0.17 | ¥23,769           | \$197,795                      | March 31, 2014     | June 23, 2014     |
| Board of directors meeting<br>held on October 23, 2014 . . | Common stock    | 20                     | 0.17   | 23,778            | 197,869                        | September 30, 2014 | December 15, 2014 |

Dividends which will become effective during the fiscal year ending March 31, 2016 are as follows:

| Resolution   | Class of shares | Dividends<br>per share |        | Total dividends   |                                | Record date    | Effective date |
|--|-----------------|------------------------|--------|-------------------|--------------------------------|----------------|----------------|
|  |                 | (Yen)                  | (USD)  | (Millions of yen) | (Thousands of<br>U.S. dollars) |                |                |
| Shareholders' meeting<br>held on June 19, 2015 . . . . | Common stock    | ¥20                    | \$0.17 | ¥23,784           | \$197,920                      | March 31, 2015 | June 22, 2015  |

### 33. Share-based payment transactions

The Company grants stock options, restricted stock units and phantom stock as share based payment awards.

Share-based payment awards are granted to the Company's directors, employees and other service providers, based on the terms approved by the Company's shareholders' meeting or board of directors' meeting.

Share-based payment awards are accounted for as equity-settled share based payment and cash-settled share-based payment. Expense and liability recognized from share based payment awards are as follows:

Expense arising from share-based payment

|                          | (Millions of yen)                   |                                     | (Thousands of<br>U.S. dollars)      |
|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                          | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Equity-settled . . . . . | ¥11,193                             | ¥13,073                             | \$108,788                           |
| Cash-settled . . . . .   | —                                   | 2,861                               | 23,808                              |
| Total . . . . .          | ¥11,193                             | ¥15,934                             | \$132,596                           |

Liability arising from share-based payment

|  | (Millions of yen)       |                         | (Thousands of<br>U.S. dollars) |
|--|-------------------------|-------------------------|--------------------------------|
|  | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015        |
| Liability arising from share-based payment . . . . . | ¥—                      | ¥2,861                  | \$23,808                       |
| Liability vested in the above . . . . .              | —                       | —                       | —                              |

(1) Stock option plan

a. Details of the stock option plan

The Company grants stock options as equity-settled share based payment.

The details of the Company's stock option plan for the years ended March 31, 2014 and 2015 are as follows:

(a) SoftBank Corp.

SoftBank Corp. grants stock options to its directors and employees.

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

| Year issued / Name                                 | Grant date      | Due date for exercise |
|--|-----------------|-----------------------|
| 2010—6th Acquisition rights <sup>1</sup> . . . . . | August 27, 2010 | June 30, 2017         |
| 2013—7th Acquisition rights <sup>2</sup> . . . . . | July 31, 2013   | June 30, 2021         |

Notes:

1. Vesting conditions

A person entitled to the vested stock acquisition rights ("entitled person") is able to exercise these rights only when:

- total free cash flows in the consolidated statement of cash flows for the years ended March 2010, 2011 and 2012 in the Annual Securities Report filed by SoftBank Corp. based on Financial Instruments and Exchange Act exceed 1 trillion Yen;
- net interest-bearing debt in the consolidated balance sheet for the year ended March 2012 in the Annual Securities Report filed by SoftBank Corp. based on Financial Instruments and Exchange is less than ¥0.97 trillion; and,
- total operating income in the consolidated statement of income for the years ended March 2011 and 2012 in the Annual Securities Report filed by SoftBank Corp. based on Financial Instruments and Exchange exceed ¥1.1 trillion.

The amount of the stock acquisition rights exercisable by an entitled person is limited as prescribed in "a" through "d" below. Fractional points, if any, of the exercisable stock acquisition rights are rounded down.

- from July 1, 2012 to June 30, 2013: 25 % of the allocated amount of stock acquisition rights
- from July 1, 2013 to June 30, 2014: 50 % of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" above
- from July 1, 2014 to June 30, 2015: 75 % of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" and "b" above
- from July 1, 2015 to June 30, 2017: 100 % of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" through "c" above

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

2. Vesting condition

A person entitled to the vested stock acquisition rights ("entitled person") is able to exercise these rights only when operating income in the consolidated statement of income for the year ending March 2016 in the Annual Securities Report to be filed by SoftBank Corp. based on Financial Instruments and Exchange Act in June 2016 ("target index") exceeds 1.2 trillion Yen ("target amount"). The Company may change the target index or target amount within a reasonable range, if necessary.

The amount of the stock acquisition rights exercisable in the period "a" through "c" below by an entitled person who was granted and allocated stock acquisition rights of 10,000 or more in total, is limited as below. Fractional points, if any, of the exercisable stock acquisition rights are rounded down.

- from July 1, 2016 to June 30, 2017: 25 % of the allocated amount of stock acquisition rights
- from July 1, 2017 to June 30, 2018: 50 % of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" above
- from July 1, 2018 to June 30, 2021: 100 % of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period "a" and "b" above

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

(b) Sprint

Sprint Corporation grants stock options to its directors, employees and other service providers. Shares granted by the exercise of stock options are those issued by Sprint Corporation.

| Year issued / Name                         | Grant date                                 | Due date for exercise                      |
|--|--|--|
| Nextel Incentive Equity Plan . . . . .     | From May 24, 2004 to May 26, 2005          | From May 24, 2014 to May 26, 2015          |
| 1997 Long-Term Incentive Program . . . . . | From February 8, 2005 to February 27, 2007 | From February 8, 2015 to February 27, 2017 |
| 2007 Omnibus Incentive Plan . . . . .      | From July 9, 2007 to December 8, 2014      | From July 9, 2017 to December 8, 2024      |

Note:

Vesting condition

Generally, stock options vest when services period requirements are met. The vesting period is generally 3 years and vests each period equally.

(c) Supercell

Supercell grants stock option to its employees. Shares granted by the exercise of stock options are those issued by Supercell Oy.

| Year issued / Name                          | Grant date                           | Due date for exercise |
|---|--------------------------------------|-----------------------|
| Supercell Oy share option program . . . . . | From March 31, 2011 to April 1, 2014 | March 31, 2021        |

Note:

Vesting condition

Stock options vest when services period requirements are met. The vesting period is within 4 years. 25% of options vest after 1 year from the conclusion of the share payment contract or the beginning of service. The residual options vest each month equally over the next 3 years.

(d) Brightstar Corp.

Brightstar Corp. grants stock options to its directors, employees and other service providers. Shares granted by the exercise of stock options are those issued by Brightstar Global Group Inc.

| Year issued / Name   | Grant date                             | Due date for exercise                  |
|--|--|--|
| Brightstar Global Group Inc. 2006 Stock Incentive Plan . . . . . | From July 12, 2006 to January 21, 2014 | From July 12, 2016 to January 21, 2024 |

Notes:

- Vesting condition  
Generally, options vest when service period requirements are met. Rights usually vest in stages during 4 years equally over this period.
- Brightstar Corp. has the option to either settle in Brightstar Global Group Inc. shares or in cash when options are exercised. Stock option above is booked as equity-settled share based payment.

(e) Yahoo Japan Corporation

Yahoo Japan Corporation grants stock options to its directors and employees. Shares granted by the exercise of stock options are those issued by Yahoo Japan Corporation.

Yahoo Japan Corporation split shares of its stocks by the ratio of 100 for 1, with a basis date of September 30, 2013 and an effective date of October 1, 2013. For stock options granted before the share split, the effect of the share split is adjusted.

| Year issued / Name  | Grant date                                 | Due date for exercise                    |
|---|--|--|
| 2005 <sup>1</sup>   | May 2, 2006                                | June 17, 2015                            |
| 2006 <sup>1</sup>   | From September 6, 2006 to February 7, 2007 | From August 23, 2016 to January 24, 2017 |
| 2007 <sup>1</sup>   | From May 8, 2007 to February 13, 2008      | From April 24, 2017 to January 30, 2018  |
| 2008 <sup>1</sup>   | From May 9, 2008 to February 10 2009       | From April 25, 2018 to January 27, 2019  |
| 2009 <sup>1</sup>   | From May 12, 2009 to February 10, 2010     | From April 28, 2019 to January 27, 2020  |
| 2010 <sup>1</sup>   | From May 11, 2010 to February 8, 2011      | From April 27, 2020 to January 25, 2021  |
| 2011 <sup>1</sup>   | From June 3, 2011 to February 17, 2012     | From May 20, 2021 to February 3, 2022    |
| 2012<br>1 <sup>st</sup><br>2 <sup>nd</sup>                    | From May 16, 2012 to March 1, 2013         | From May 2, 2022 to February 28, 2023    |
| 2013<br>1 <sup>st</sup><br>2 <sup>nd</sup><br>4 <sup>th</sup> | From May 17, 2013 to November 19, 2013     | From May 16, 2023 to November 18, 2023   |
| 2014<br>1 <sup>st</sup>                                       | May 26, 2014                               | May 25, 2024                             |

Notes:

- Vesting conditions  
Rights mainly vest in stages after 2 years from the grant date. One half of the total granted vests after 2 years from the grant date, and one fourth vests per year for subsequent 2 years. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.



2. Vesting conditions  
Rights vest according to the amount of operating income achieved as specified in either (i) or (ii) below in period from the fiscal year ended March 2014 to the fiscal year ending March 2019.
- |      |  |                        |
|------|--|------------------------|
| (i)  | If the operating income exceeds ¥250 billion     |                        |
|      | Period of achievement: By fiscal year March 2016 | Exercisable ratio: 20% |
|      | Period of achievement: By fiscal year March 2017 | Exercisable ratio: 14% |
|      | Period of achievement: By fiscal year March 2018 | Exercisable ratio: 8%  |
|      | Period of achievement: By fiscal year March 2019 | Exercisable ratio: 2%  |
| (ii) | If the operating income exceeds ¥330 billion     |                        |
|      | Period of achievement: By fiscal year March 2016 | Exercisable ratio: 80% |
|      | Period of achievement: By fiscal year March 2017 | Exercisable ratio: 56% |
|      | Period of achievement: By fiscal year March 2018 | Exercisable ratio: 32% |
|      | Period of achievement: By fiscal year March 2019 | Exercisable ratio: 8%  |
- Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.
3. Vesting conditions  
Rights vest according to the amount of operating income achieved as specified in either (i) or (ii) below in the period from the fiscal year ended March 2014 to the fiscal year ending March 2019.
- |      |  |                        |
|------|--|------------------------|
| (i)  | If the operating income exceeds ¥250 billion | Exercisable ratio: 20% |
| (ii) | If the operating income exceeds ¥330 billion | Exercisable ratio: 80% |
- Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.
4. Vesting conditions  
Rights vest once the operating income for the fiscal year exceeds ¥330 billion in either of the period from fiscal year ended March 2015 to fiscal year ending March 2019. Vesting requires continuous service from the grant date to the vesting date. When an eligible person retires, vested acquisition rights are forfeited.

b. Fair value of stock options granted during the period

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

(a) Sprint

The weighted-average fair value at the measurement date of the stock options granted during the period is \$3.09.

Fair value is measured as follows:

|                                 | Fiscal year ended March 31, 2015 |
|---------------------------------|----------------------------------|
| Year issued / Name              | 2007 Omnibus Incentive Plan      |
| Valuation method used           | Black-Scholes model              |
| Key inputs and assumptions:     |                                  |
| Weighted average stock price    | \$6.04                           |
| Weighted average exercise price | \$6.04                           |
| Volatility of stock price*      | 54.39%                           |
| Estimated residual period       | 6 years                          |
| Estimated dividend              | —                                |
| Risk-free interest rate         | 1.9%                             |

Note:

\* Calculated based on implied volatility based on the stock price and option price of Sprint at the calculation date.

(b) Supercell

The weighted-average fair value at the measurement date of the stock options granted during the period is €38.2.

Fair value is measured as follows:

|                                 | Fiscal year ended March 31, 2015  |
|---------------------------------|-----------------------------------|
| Year issued / Name              | Supercell Oy Share option program |
| Valuation method used           | Black-scholes model               |
| Key inputs and assumptions:     |                                   |
| Weighted average stock price    | €43.39                            |
| Weighted average exercise price | €8.39                             |
| Volatility of stock price*      | 48.70%                            |
| Estimated residual period       | 7.25 years                        |
| Estimated dividend              | —                                 |
| Risk-free interest rate         | 1.62%                             |

Note:

\* Calculation is based on the volatility of other comparative companies.

(c) Yahoo Japan Corporation

The weighted-average fair value at the measurement date of the stock options granted during the period is ¥195 (\$1.62).

Fair value is measured as follows:

|                             | Fiscal year ended March 31, 2015 |
|-----------------------------|----------------------------------|
| Year issued / Name          | 2014 – 1st                       |
| Valuation method used       | Monte carlo simulation           |
| Key inputs and assumptions: |                                  |
| Stock price—Yen             | ¥492                             |
| (U.S. dollars)              | (\$4.09)                         |
| Exercise price—Yen          | ¥492                             |
| (U.S. dollars)              | (\$4.09)                         |
| Volatility of stock price*  | 36.90%                           |
| Period until maturity       | 10 years                         |
| Estimated dividend          | Dividend yield 0.90%             |
| Risk-free interest rate     | 0.612%                           |

Note:

\* Calculated based on the actual stock price for the retrospective period that corresponds with the period until maturity.

- c. Changes in stock options during the period and the condition of stock options at the period end  
Changes in stock options during the period and the condition of stock options at the period end are as follows:

(a) SoftBank Corp.

|                               | Fiscal year ended March 31, 2014 |                                 | Fiscal year ended March 31, 2015 |                                 |         |
|-------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|---------|
|                               |                                  | Weighted-average exercise price |                                  | Weighted-average exercise price |         |
|                               | Number of shares                 | (Yen)                           | Number of shares                 | (Yen)                           | (USD)   |
| Beginning balance—Unexercised | 3,281,100                        | ¥2,625                          | 12,371,100                       | ¥4,402                          | \$36.63 |
| Granted                       | 10,375,800                       | 4,750                           | —                                | —                               | —       |
| Forfeited                     | (43,100)                         | 4,183                           | (128,700)                        | 4,552                           | 37.88   |
| Exercised                     | (1,242,700)                      | 2,625                           | (746,900)                        | 2,625                           | 21.84   |
| Ending balance—Unexercised    | 12,371,100                       | 4,402                           | 11,495,500                       | 4,516                           | 37.58   |
| Ending balance—Exercisable    | 359,800                          | ¥2,625                          | 432,900                          | ¥2,625                          | \$21.84 |

The unexercised options as of March 31, 2015, are as follows:

| Range of exercise price (Yen) | Range of exercise price (USD) | Number of shares | Weighted-average exercise price (Yen) | Weighted-average exercise price (USD) | Weighted-average remaining contract period (Year) |
|-------------------------------|-------------------------------|------------------|---------------------------------------|---------------------------------------|---|
| ¥2,625                        | \$21.84                       | 1,268,000        | ¥2,625                                | \$21.84                               | 3.3   |
| ¥4,750                        | \$39.53                       | 10,227,500       | 4,750                                 | 39.53                                 | 7.3   |
| Total                         |                               | 11,495,500       | ¥4,516                                | \$37.58                               | 6.8   |

(b) Sprint

|                               | Fiscal year ended<br>March 31, 2014* |   | Fiscal year ended<br>March 31, 2015 |   |
|-------------------------------|--------------------------------------|---|-------------------------------------|---|
|                               | Number of<br>shares                  | Weighted-average<br>exercise price<br>(USD) | Number of<br>shares                 | Weighted<br>-average<br>exercise price<br>(USD) |
| Beginning balance—Unexercised | —                                    | —   | 42,525,692                          | \$ 6.68   |
| Business combination          | 53,098,794                           | \$ 6.51                                     | —                                   | —   |
| Granted                       | 1,733,102                            | 6.38  | 22,949,074                          | 6.04  |
| Forfeited                     | (224,914)                            | 3.01  | (2,634,619)                         | 6.18  |
| Exercised                     | (9,728,414)                          | 3.65  | (13,837,721)                        | 3.40  |
| Matured                       | (2,352,876)                          | 15.50                                       | (9,140,599)                         | 16.02   |
| Ending balance—Unexercised    | 42,525,692                           | 6.68  | 39,861,827                          | 5.34  |
| Ending balance—Exercisable    | 36,691,227                           | \$ 7.21                                     | 19,257,431                          | \$ 4.68   |

Note:

\* Movement of stock options after the business combination date.

The unexercised options as of March 31, 2015 are as follows:

| Range of exercise price (USD) | Number of<br>shares | Weighted<br>-average<br>exercise<br>price (USD) | Weighted<br>-average<br>remaining<br>contract<br>period (Year) |
|-------------------------------|---------------------|---|--|
| \$0.00 – 3.00                 | 5,561,249           | \$ 2.00   | 6.90   |
| 3.01 – 4.00                   | 6,734,485           | 3.36  | 4.75   |
| 4.01 – 5.00                   | 15,843,003          | 4.62  | 8.73   |
| 5.01 – 6.00                   | 4,159,916           | 5.68  | 7.52   |
| 7.01 – 10.00                  | 5,947,649           | 8.89  | 8.47   |
| 15.01 – 20.00                 | 1,615,525           | 18.20   | 1.66   |
| Total                         | 39,861,827          | \$ 5.34   | 7.35   |

(c) Supercell

|                               | Fiscal year ended<br>March 31, 2014* |   | Fiscal year ended<br>March 31, 2015 |   |
|-------------------------------|--------------------------------------|---|-------------------------------------|---|
|                               | Number of<br>shares                  | Weighted<br>-average<br>exercise<br>price (EUR) | Number of<br>shares                 | Weighted<br>-average<br>exercise<br>price (EUR) |
| Beginning balance—Unexercised | —                                    | —   | 2,328,431                           | € 2.16  |
| Business combination          | 1,494,719                            | €1.17   | —                                   | —   |
| Granted                       | 921,000                              | 3.59  | 210,250                             | 29.39   |
| Forfeited                     | (39,350)                             | 0.54  | (102,352)                           | 5.44  |
| Exercised                     | (47,938)                             | 0.02  | (581,628)                           | 1.62  |
| Ending balance—Unexercised    | 2,328,431                            | 2.16  | 1,854,701                           | 5.24  |
| Ending balance—Exercisable    | 123,180                              | €0.14   | 344,371                             | € 3.13  |

Note:

\* Movement of stock options after the business combination date.

The unexercised options as of March 31, 2015 are as follows:

| Range of exercise price (EUR) | Number of<br>shares | Weighted<br>-average<br>exercise<br>price (EUR) | Weighted<br>-average<br>remaining<br>contract<br>period (Year) |
|-------------------------------|---------------------|---|--|
| €0.01 – 1.64                  | 729,462             | € 0.65  | 6.00   |
| 3.59                          | 924,690             | 3.59  | 6.00   |
| 29.39                         | 200,549             | 29.39   | 6.00   |
| Total                         | 1,854,701           | € 5.22  | 6.00   |

## (d) Brightstar Corp.

|                                     | Fiscal year ended<br>March 31, 2014* |   | Fiscal year ended<br>March 31, 2015 |   |
|-------------------------------------|--------------------------------------|---|-------------------------------------|---|
|                                     | Number of<br>shares                  | Weighted-average<br>exercise price<br>(USD) | Number of<br>shares                 | Weighted-average<br>exercise price<br>(USD) |
| Beginning balance—Unexercised ..... | —                                    | —   | 2,365,388                           | \$27.53                                     |
| Business combination .....          | 2,365,388                            | \$27.53                                     | —                                   | —   |
| Granted .....                       | —                                    | —   | —                                   | —   |
| Forfeited .....                     | —                                    | —   | (900,395)                           | 27.57                                       |
| Exercised .....                     | —                                    | —   | —                                   | —   |
| Matured .....                       | —                                    | —   | —                                   | —   |
| Ending balance—Unexercised .....    | <u>2,365,388</u>                     | <u>27.53</u>                                | <u>1,464,993</u>                    | <u>27.51</u>                                |
| Ending balance—Exercisable .....    | <u>730,400</u>                       | <u>\$22.54</u>                              | <u>711,666</u>                      | <u>\$24.29</u>                              |

Note:

\* Movement of stock options after the business combination date.

The unexercised options as of March 31, 2015 are as follows:

| Range of exercise price (USD) | Number of<br>shares | Weighted<br>-average<br>exercise price<br>(USD) | Weighted<br>-average<br>remaining<br>contract<br>period (Year) |
|-------------------------------|---------------------|---|--|
| \$10.00 – 15.00 .....         | 234,500             | \$14.89   | 3.69   |
| 15.01 – 20.00 .....           | 17,000              | 20.00   | 2.40   |
| 25.01 – 30.00 .....           | 918,493             | 29.03   | 7.54   |
| 30.01 – 35.00 .....           | 295,000             | 33.25   | 9.06   |
| Total .....                   | <u>1,464,993</u>    | <u>\$27.51</u>                                  | <u>7.17</u>  |

## (e) Yahoo Japan Corporation

|                                     | Fiscal year ended<br>March 31, 2014 |   | Fiscal year ended<br>March 31, 2015 |   |               |
|-------------------------------------|-------------------------------------|---|-------------------------------------|---|---------------|
|                                     | Number of<br>shares                 | Weighted<br>-average<br>exercise<br>price (Yen) | Number of<br>shares                 | Weighted-average<br>exercise price<br>(Yen) | (USD)         |
| Beginning balance—Unexercised ..... | 30,850,500                          | ¥329  | 64,012,500                          | ¥427  | \$3.55        |
| Granted .....                       | 35,676,000                          | 508   | 1,950,000                           | 492   | 4.09          |
| Forfeited .....                     | (1,761,300)                         | 370   | (331,400)                           | 475   | 3.95          |
| Exercised .....                     | (752,700)                           | 339   | (44,400)                            | 325   | 2.70          |
| Ending balance—Unexercised .....    | <u>64,012,500</u>                   | <u>427</u>                                      | <u>65,586,700</u>                   | <u>429</u>                                  | <u>3.57</u>   |
| Ending balance—Exercisable .....    | <u>3,130,100</u>                    | <u>¥377</u>                                     | <u>3,583,700</u>                    | <u>¥366</u>                                 | <u>\$3.05</u> |

The unexercised options as of March 31 2015, are as follows:

| Range of exercise price (Yen) | Range of exercise price (USD) | Number of<br>shares | Weighted<br>-average<br>exercise<br>price (Yen) | Weighted<br>-average<br>exercise<br>price (USD) | Weighted-average<br>remaining<br>contract period(Year) |
|-------------------------------|-------------------------------|---------------------|---|---|--|
| ¥201-300                      | \$1.67-2.50                   | 1,081,100           | ¥271  | \$2.26  | 6.4  |
| 301-400                       | 2.51-3.33                     | 26,027,400          | 324   | 2.70  | 7.8  |
| 401-500                       | 3.34-4.16                     | 12,797,900          | 486   | 4.04  | 7.7  |
| 501-600                       | 4.17-4.99                     | 25,674,200          | 514   | 4.28  | 8.6  |
| 601-700                       | 5.00-5.83                     | 6,100               | 680   | 5.66  | 0.2  |
| Total                         |                               | <u>65,586,700</u>   | <u>¥429</u>                                     | <u>\$3.57</u>                                   | <u>8.1</u>   |

d. Stock options exercised during the period

Weighted-average stock prices at exercise for stock options exercised during the period are as follows:

(a) SoftBank Corp.

| Fiscal year ended March 31, 2014 |                            |  | Fiscal year ended March 31, 2015 |                            |  |         |
|----------------------------------|----------------------------|--|----------------------------------|----------------------------|--|---------|
| Year issued / Name               | Number of shares exercised | Weighted-average stock price at exercise (Yen) | Year issued / Name               | Number of shares exercised | Weighted-average stock price at exercise |         |
|                                  |                            |  |                                  |                            | (Yen)                                    | (USD)   |
| 2010 – 6 <sup>th</sup>           |                            |  | 2010 – 6 <sup>th</sup>           |                            |  |         |
| Acquisition rights               | 1,242,700                  | ¥7,021   | Acquisition rights               | 746,900                    | ¥7,487                                   | \$62.30 |

(b) Sprint

| Fiscal year ended March 31, 2014 |                                |   | Fiscal year ended March 31, 2015 |                                |  |
|----------------------------------|--------------------------------|---|----------------------------------|--------------------------------|--|
| Year issued / Name               | The number of shares exercised | Weighted-average stock price at exercise* (USD) | Year issued / Name               | The number of shares exercised | Weighted-average stock price at exercise (USD) |
| 2007 Omnibus Incentive Plan      | 9,728,414                      | \$8.04  | 2007 Omnibus Incentive Plan      | 13,837,721                     | \$6.46   |

Note:

\* Weighted-average stock price of stock options exercised after business combination date for the year ended March 31, 2014.

(c) Yahoo Japan Corporation

| Fiscal year ended March 31, 2014 |                            |  | Fiscal year ended March 31, 2015 |                                |  |        |
|----------------------------------|----------------------------|--|----------------------------------|--------------------------------|--|--------|
| Year issued / Name               | Number of shares exercised | Weighted-average stock price at exercise (Yen) | Year issued / Name               | The Number of shares exercised | Weighted-average stock price at exercise |        |
|                                  |                            |  |                                  |                                | (Yen)                                    | (USD)  |
| 2006                             | 12,500                     | ¥519   | 2006                             | 200                            | ¥436                                     | \$3.63 |
| 2007                             | 100,100                    | 528  | 2007                             | 7,600                          | 465                                      | 3.87   |
| 2008                             | 130,400                    | 516  | 2008                             | 3,000                          | 458                                      | 3.81   |
| 2009                             | 283,400                    | 515  | 2009                             | 15,500                         | 455                                      | 3.79   |
| 2010                             | 113,200                    | 506  | 2010                             | 8,200                          | 441                                      | 3.67   |
| 2011                             | 113,100                    | 533  | 2011                             | 9,400                          | 448                                      | 3.73   |
| 2012                             | —                          | —  | 2012                             | 500                            | 446                                      | 3.71   |

Note:

Weighted-average stock price at exercise is not calculated for the Supercell Oy Stock option plan since Supercell Oy shares are not publicly traded.

(2) Restricted stock unit plan

The Company adopts a restricted stock unit (“RSU”) plans where the Company grants stocks, the transfer of which is restricted for a certain period until vested, and it is accounted for as equity-settled share-based payment.

The details of the Company’s RSU plan for the years ended March 31, 2014 and 2015 are as follows:

a. Sprint

Sprint grants shares of Sprint Corporation as restricted stock units to its directors, employees and other service providers. Restricted stock units granted for the year ended March 31, 2015 were 6,351,418 units.

The fair value of the RSU is measured by the stock price at the grant date and the weighted-average fair value of the RSU granted for the year ended March 31, 2015 was \$7.39 per unit.

RSU generally have performance and service period requirements or service period requirements only. The service period requirement ranges from 1 to 3 years. Employees and directors must remain employees or directors until the cancellation of the restriction, and that period is typically 3 years for employees and 1 year for directors.

b. Galaxy Investment Holdings, Inc.

Galaxy Investment Holdings, Inc. grants RSU to its director with the option to settle either by Sprint Corporation shares held by Sprint Corporation or cash. As Galaxy Investment Holdings, Inc. has the option to settle by cash instead of Sprint Corporation shares, this RSU grant has been accounted as an equity-settled share payment. The fair value of the RSUs is measured by the stock price as of the date granted.

RSU vests equally in each year over four years. It is subject to continued employment from the grant date through vesting date.

c. Supercell

Supercell grants shares of Supercell Oy as RSU to its employees. RSU granted for the year ended March 31, 2015 were 198,500 units.

The fair value of the RSU is measured by the stock price at the grant date and the weighted-average fair value of the restricted stock units granted for the year ended March 31, 2015 was €38.87 per unit.

RSU vests equally in each year over four years. It is subject to continued employment from the grant date through vesting date.

(3) Phantom stock

a. Cash-settled

The Company adopts phantom stock awards where the Company pays in cash based on the stock price at the vesting date, and it is accounted for as cash-settled share-based payments.

The details of the phantom stock for the year ended March 31, 2015 are as follows:

SB Group US, Inc. and SoftBank Holdings, Inc.

SB Group US, Inc and SoftBank Holdings, Inc. granted phantom stock, which is based on the shares of SoftBank Corp., to their directors, executives, and employees.

It is subject to continued employment from the grant date through vesting date and the details are as follows:

| As of March 31, 2015<br>unit | Vesting condition   |
|------------------------------|---|
| 3,278,641                    | The initial vesting date is four years after from the first date of service. A quarter of the total vests on the initial vesting date and quarter of the total vests every two year thereafter.   |
| 740,691                      | It vests fully when five years pass from the first date of service period.  |
| 370,345                      | The initial vesting date is two years after from the first date of service. One-third of the total vests on the initial vesting date and one-third of the total vests every two years thereafter. |
| 85,994                       | The initial vesting date is one year after from the first date of service. A quarter of the total vests on the initial vesting date and quarter of the total vests every year thereafter.         |

b. Equity-settled

The Company adopts phantom stocks award where the Company can choose to give restricted shares of the Company, in addition to settlement by cash based on the share price at the vesting date, and they are accounted for as equity-settled share-based payment. The details of the equity-settled phantom stock payment award for the year ended March 31, 2015 are as follows:

SB Group US, Inc. and SoftBank Holdings, Inc.

SB Group US, Inc. and SoftBank Holdings, Inc. granted phantom stock, which is based on the shares of SoftBank Corp., to their directors, executives and employees. The fair value of phantom stock is measured by the grant date stock price, and the number of phantom stock granted for the year ended March 31, 2015 was 184,235 units and the weighted-average fair value of phantom stock granted for the year ended March 31, 2015 is ¥7,210 (\$60.00) per unit.

This phantom stock vests one-sixteenth on the initial vesting date, which is 1 year after from the grant date, and thereafter vests one-sixteenth every quarter over four years. It is subject to continued employment from the grant date through vesting date.



### 34. Net sales

The components of net sales are as follows:

|   | (Millions of yen)                    |                                     | (Thousands of U.S. dollars)         |
|---|--------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014* | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Mobile Communications                         |                                      |                                     |                                     |
| Net sales from rendering of<br>services ..... | ¥2,096,259                           | ¥2,315,992                          | \$19,272,630                        |
| Net sales from sale of goods .....            | 1,046,404                            | 1,827,661                           | 15,208,963                          |
| Total .....                                   | 3,142,663                            | 4,143,653                           | 34,481,593                          |
| Sprint  |                                      |                                     |                                     |
| Net sales from rendering of<br>services ..... | 2,317,820                            | 3,041,402                           | 25,309,162                          |
| Net sales from sale of goods .....            | 282,923                              | 552,765                             | 4,599,859                           |
| Total .....                                   | 2,600,743                            | 3,594,167                           | 29,909,021                          |
| Fixed-line Telecommunications .....           | 442,152                              | 436,015                             | 3,628,318                           |
| Internet .....                                | 396,554                              | 415,521                             | 3,457,776                           |
| Other .....                                   | 84,539                               | 80,865                              | 672,922                             |
| Total .....                                   | ¥6,666,651                           | ¥8,670,221                          | \$72,149,630                        |

Note:

\* "Sprint" includes financial information after the consolidation of Sprint. The details of the business combination are described in "(2) Sprint" in "Note 6. Business combinations."

### 35. Cost of sales and selling, general and administrative expenses

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

|   | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Cost of goods sold .....                                | ¥(1,696,049)                        | ¥(2,510,996)                        | \$(20,895,365)                      |
| Depreciation and amortization .....                     | (899,904)                           | (1,122,531)                         | (9,341,192)                         |
| Sales commissions and sales promotion<br>expenses ..... | (897,710)                           | (1,080,363)                         | (8,990,289)                         |
| Employees and directors benefit cost .....              | (510,525)                           | (670,744)                           | (5,581,626)                         |
| Telecommunications equipment usage fee ..               | (438,108)                           | (509,938)                           | (4,243,472)                         |
| Operating lease expenses .....                          | (339,961)                           | (431,238)                           | (3,588,566)                         |
| Service outsourcing expenses .....                      | (237,550)                           | (279,882)                           | (2,329,051)                         |
| Other .....   | (768,256)                           | (1,054,158)                         | (8,772,222)                         |
| Total .....   | ¥(5,788,063)                        | ¥(7,659,850)                        | \$(63,741,783)                      |

"Depreciation and amortization" includes disposal of "Property, plant and equipment" and "Intangible assets" as well as amortization of long-term prepaid expenses which are recorded in "Other non-current assets" in the consolidated statement of financial position.

### 36. Other operating income and loss

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

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollar)          |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Gain on partial pension settlement <sup>1</sup> . . . . .                      | ¥ —                                 | ¥ 18,726                            | \$ 155,829                          |
| Severance costs associated with reduction in work<br>force of Sprint . . . . . | (23,645)                            | (27,129)                            | (225,755)                           |
| Provision for onerous contract <sup>2</sup> . . . . .                          | —                                   | (21,271)                            | (177,008)                           |
| Impairment loss  |                                     |                                     |                                     |
| Assets related to ADSL services <sup>3</sup> . . . . .                         | (11,210)                            | —                                   | —                                   |
| Assets related to Sprint <sup>4</sup> . . . . .                                | (7,654)                             | —                                   | —                                   |
| Trademarks <sup>5</sup> . . . . .  | (7,404)                             | —                                   | —                                   |
| Goodwill . . . . .   | (5,822)                             | —                                   | —                                   |
| Other . . . . .  | 305                                 | 2,006                               | 16,694                              |
| Total . . . . .  | <u>¥(55,430)</u>                    | <u>¥(27,668)</u>                    | <u>\$(230,240)</u>                  |

Notes:

1. Sprint made an amendment associated with the defined benefit pension plan to offer certain retired participants, who had not begun to receive plan benefits, the opportunity to receive their benefits as an immediate lump sum distribution. This is the gain arising from the settlement.
2. Loss was recognized in the Fixed-line Telecommunications segment due to the provision made by SoftBank Telecom Corp. for the excess of expected future cost of delivery for a contracted communication service over its contracted amount.
3. As a result of reviewing the business plan for ADSL services at eAccess Ltd. in the Fixed-line Telecommunications segment, the recoverable amount of assets related to ADSL services became lower than their carrying amount, and therefore the carrying amount was reduced to their value in use. Impairment loss on customer relationships was ¥8,655 million and impairment loss on telecommunications equipment and software was ¥2,555 million. Value in use was ¥4,410 million, which was calculated by discounting at 9.24%, the weighted average capital cost before tax of estimated future cash flow plan was approved by the management.
4. In the Sprint segment, certain telecommunications equipment inventories which will not be used in the future are impaired.
5. Trademarks such as “EM,” “EMOBILE,” “WILLCOM,” which eAccess Ltd. and WILLCOM, Inc. used as service names in the Mobile Communications segment were all impaired for the fiscal year ended March 31, 2014. This is because these trademarks were no longer expected to be used since eAccess Ltd. and WILLCOM, Inc. had a plan to conduct an absorption type merger, with eAccess Ltd. being the surviving company and WILLCOM, Inc. being the absorbed company, effective on June 1, 2014. eAccess Ltd. changed its name to Ymobile Corporation on July 1, 2014 and started to provide services under the “Y!mobile” brand on August 1, 2014.

### 37. Finance cost

The components of finance cost are as follows:

|                             | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|-----------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                             | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Interest expense* . . . . . | ¥(271,478)                          | ¥(366,505)                          | \$(3,049,888)                       |

Note:

- \* Interest expense was mainly from financial liabilities measured at amortized cost.

### 38. Dilution gain from changes in equity interest

For the fiscal year ended March 31, 2015

The Company recorded dilution gain from changes in equity interest of ¥599,668 million (\$4,990,164 thousand) related to Alibaba, which is an associate of the Company. This is mainly due to the issuance of new shares by Alibaba and the conversion of convertible preference shares issued by Alibaba into common stock in connection with its listing on the New York Stock Exchange on September 19, 2014.

### 39. Other non-operating income and loss

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

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Interest income <sup>1</sup> . . . . .   | ¥ 21,015                            | ¥ 4,257                             | \$ 35,425                           |
| Foreign exchange gain and loss . . . . .   | (7,068)                             | 11,050                              | 91,953                              |
| Derivative loss <sup>1,2</sup> . . . . .   | (19,588)                            | (8,257)                             | (68,711)                            |
| Gain and loss on sales of securities <sup>3</sup> . . . . .                          | 12,325                              | (2,443)                             | (20,330)                            |
| Impairment loss on securities <sup>3</sup> . . . . .                                 | (9,168)                             | (15,170)                            | (126,238)                           |
| Gain on sales of equity method associates . . . . .                                  | 33,058                              | 1,882                               | 15,661                              |
| Impairment loss on equity method associates <sup>4</sup> . . . . .                   | —                                   | (35,261)                            | (293,426)                           |
| Gain from remeasurement relating to applying equity<br>method <sup>5</sup> . . . . . | —                                   | 11,177                              | 93,010                              |
| Gain from financial assets at FVTPL <sup>6</sup> . . . . .                           | —                                   | 11,209                              | 93,276                              |
| Other . . . . .  | 9,874                               | 5,974                               | 49,714                              |
| Total . . . . .  | <u>¥ 40,448</u>                     | <u>¥(15,582)</u>                    | <u>\$(129,666)</u>                  |

Notes:

1. Stock acquisition rights for the convertible bonds issued by Sprint Nextel Corporation and undertaken by Starburst II Inc. on October 22, 2012, were reported at fair value as a derivative, being bifurcated from the host contracts as they are classified as embedded derivatives and were recorded in “Other financial assets” in the consolidated statements of financial position. As the Company exercised the relevant stock acquisition right and the Company derecognized the derivatives, a derivative loss of ¥16,356 million was recorded during the fiscal year ended March 31, 2014.  
With regard to the host contract (the bonds), the amount of payment less the fair value of the embedded derivative at inception of the bond was recorded in the consolidated statements of financial position at inception. This deduction amount is accreted using the effective interest method with corresponding adjustments to interest income. Initially, the expected remaining accretion period for the bond discount was seven years based on the contract term of the bond. However, based on the approval for the acquisition at the shareholders’ meeting of Sprint on June 25, 2013, the Company changed the estimate of the expected remaining term to the completion of the acquisition. During the fiscal year ended March 31, 2014, the Company recognized interest income of ¥16,219 million. There was an increase of interest income of ¥15,568 million from the reflection of this change in the expected remaining term of the bond.
2. Of the foreign currency forward contract totaling \$22 billion which was related to the acquisition of Sprint, with regard to \$5 billion that did not meet the criteria for hedge accounting, a derivative loss of ¥13,186 million was recorded for the fiscal year ended March 31, 2014. Hedge accounting was applied to \$17 billion as a cash flow hedge. Fair value of ¥311,659 million of hedge instruments on the acquisition date was deducted from the initial amount of goodwill which was recognized upon the acquisition.
3. Gain and loss on sales of securities and impairment loss on securities arose mainly from available-for-sale financial assets.
4. The Company recorded impairment loss of ¥35,261 million (\$293,426 thousand) with regard to the equity method associate for the fiscal year ended March 31, 2015 as the fair value had been declining for a prolonged period and the carrying amount was reduced to the recoverable amount.
5. Due to the increase in the percentage of voting rights, the equity method was newly applied to the investment in associates and the gain arose from remeasurement of the interest already held by the Company at the time the equity method applied, based on the fair value on the date of the equity method applied.
6. Of the gain from financial assets at FVTPL, gain of ¥5,814 million (\$48,381 thousand) arose from financial assets that were designated as the financial assets at fair value through profit or loss at initial recognition.

#### 40. Other comprehensive income (loss)

The table below presents the amount arose during the year, reclassification adjustments of profit or loss and income tax effect

For the fiscal year ended March 31, 2014

|   | Amount occurred<br>during the year | Reclassification<br>adjustments |
|---|------------------------------------|---------------------------------|
| Items that will not be reclassified to profit or loss         |                                    |                                 |
| Remeasurements of defined benefit plan                        | ¥ 3,143                            | ¥ —                             |
| Total   | 3,143                              | —                               |
| Items that may be reclassified subsequently to profit or loss |                                    |                                 |
| Available-for-sale financial assets                           | 45,904                             | (107,053)                       |
| Cash flow hedges  | 126,739                            | (332,768)*                      |
| Exchange differences on translating foreign operations        | 92,143                             | (1,460)                         |
| Share of other comprehensive income of associates             | 19,076                             | (488)                           |
| Total   | 283,862                            | (441,769)                       |
| Total other comprehensive income (loss)                       | ¥287,005                           | ¥(441,769)                      |

Note:

\* In connection with the consolidation of Sprint, accumulated other comprehensive income of ¥311,659 million, generated from the hedging instrument des amount of goodwill which was recognized upon the consolidation. The details of the acquisition are described in “(2) Sprint” in “Note 6. Business combin

For the fiscal year ended March 31, 2015

|   | Amount occurred<br>during the year | Reclassification<br>adjustments |
|---|------------------------------------|---------------------------------|
| Items that will not be reclassified to profit or loss         |                                    |                                 |
| Remeasurements of defined benefit plan                        | ¥ (59,460)                         | ¥ —                             |
| Total   | (59,460)                           | —                               |
| Items that may be reclassified subsequently to profit or loss |                                    |                                 |
| Available-for-sale financial assets                           | 6,093                              | (2,606)                         |
| Cash flow hedges  | 49,197                             | (36,125)                        |
| Exchange differences on translating foreign operations        | 438,309                            | —                               |
| Share of other comprehensive income of associates             | (877)                              | (1,350)                         |
| Total   | 492,722                            | (40,081)                        |
| Total other comprehensive income (loss)                       | ¥433,262                           | ¥(40,081)                       |

|   |                                    | (T)                             |
|---|------------------------------------|---------------------------------|
|   | Amount occurred<br>during the year | Reclassification<br>adjustments |
| Items that will not be reclassified to profit or loss         |                                    |                                 |
| Remeasurements of defined benefit plan .....                  | \$ (494,799)                       | \$ —                            |
| Total .....   | (494,799)                          | —                               |
| Items that may be reclassified subsequently to profit or loss |                                    |                                 |
| Available-for-sale financial assets .....                     | 50,703                             | (21,686)                        |
| Cash flow hedges .....  | 409,395                            | (300,616)                       |
| Exchange differences on translating foreign operations .....  | 3,647,408                          | —                               |
| Share of other comprehensive income of associates .....       | (7,298)                            | (11,234)                        |
| Total .....   | 4,100,208                          | (333,536)                       |
| Total other comprehensive income (loss) .....                 | <u>\$3,605,409</u>                 | <u>\$(333,536)</u>              |

#### 41. Earnings per share

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

##### (1) Basic earnings per share

|   | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net income attributable to owners of the parent . . . . . | ¥ 520,250                           | ¥ 668,361                           | \$5,561,796                         |
|   | (Thousands of shares)               |                                     |                                     |
| Weighted-average number of ordinary shares . . . . .      | 1,190,650                           | 1,188,830                           |                                     |
|   | (Yen)                               |                                     | (USD)                               |
| Basic earnings per share . . . . .                        | ¥ 436.95                            | ¥ 562.20                            | \$ 4.68                             |

##### (2) Diluted earnings per share

|   | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Net income attributable to owners of the parent . . . .   | ¥ 520,250                           | ¥ 668,361                           | \$5,561,796                         |
| Adjustments:  |                                     |                                     |                                     |
| Effect of dilutive securities issued by<br>subsidiaries and associates . . . . .                              | (1,992)                             | (3,509)                             | (29,200)                            |
| Net income used in the calculation of diluted<br>earnings per share . . . . .                                 | ¥ 518,258                           | ¥ 664,852                           | \$5,532,596                         |
|   | (Thousands of shares)               |                                     |                                     |
| Weighted-average number of ordinary shares . . . . .  | 1,190,650                           | 1,188,830                           |                                     |
| Adjustments:  |                                     |                                     |                                     |
| Warrants and corporate bonds with stock<br>acquisition rights . . . . .                                       | 1,622                               | 1,061                               |                                     |
| Weighted-average number of ordinary shares used in<br>the calculation of diluted earnings per share . . . . . | 1,192,272                           | 1,189,891                           |                                     |
|   | (Yen)                               |                                     | (USD)                               |
| Diluted earnings per share . . . . .  | ¥ 434.68                            | ¥ 558.75                            | \$ 4.65                             |

#### 42. Supplemental information to the consolidated statement of cash flows

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

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

##### (2) Presentation of cash flow regarding finance lease

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

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

##### (3) Proceeds from settlement of foreign currency forward contracts for acquisition of control over subsidiary

For the fiscal year ended March 31, 2014

The proceeds are from the settlement of a foreign currency forward contracts of \$18.5 billion with regard to the acquisition of Sprint.



(4) Significant non-cash transactions

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

|  | (Millions of yen)                   |                                     | (Thousands of U.S. dollars)         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2014 | Fiscal year ended<br>March 31, 2015 | Fiscal year ended<br>March 31, 2015 |
| Acquisition of assets from finance lease transactions . . . . .                        | ¥51,937                             | ¥ 58,909                            | \$ 490,214                          |
| Acquisition of fixed assets by installments . . . . .                                  | 47,356                              | 46,397                              | 386,095                             |
| Transfer of leased devices from inventories to property, plant and equipment . . . . . | —                                   | 144,030                             | 1,198,552                           |

**43. Related party transactions**

(1) Related party transactions and balances

Related party transactions of the Company were as follows:

For the fiscal year ended March 31, 2014

| Name of the company or individual                                 | Nature of relationship  | Nature of transaction                                | (Millions of yen)     |                       |
|---|---|--|-----------------------|-----------------------|
|   |   |  | Amount of transaction | Balance at period-end |
| Masayoshi Son<br>(Son Asset Management LLC and 2 other companies) | Chairman & CEO of SoftBank Corp. holding over half of the voting rights | Dividend paid from SoftBank Corp. . . . .            | ¥10,021               | ¥ —                   |
|   |   | Advance payment for temporary expense . . . .        | 266                   | 38                    |
|   |   | Payment of equipment usage <sup>1</sup> . . . . .    | 45                    | —                     |
|   |   | Guarantee deposits received <sup>1</sup> . . . . .   | 1                     | 178                   |
| Taizo Son<br>(Heartis GK and 9 other companies) <sup>2</sup>      | Relative of Chairman & CEO holding over half of the voting rights       | Dividend paid from SoftBank Corp. . . . .            | 204                   | —                     |
|   |   | Dividend paid from subsidiary <sup>3</sup> . . . . . | 751                   | —                     |
|   |   | Payment of outsourcing fee <sup>4</sup> . . . . .    | 80                    | 9                     |

Notes:

1. Equipment usage fee and guarantee deposit received are determined based on the ratio of usage.
2. Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights.
3. Dividends are paid from our listed subsidiary, GungHo.
4. The terms and conditions of transaction are negotiated and determined considering the market price and the content of the transaction.

For the fiscal year ended March 31, 2015

The Company acquired all remaining shares of Brightstar Global Group Inc. indirectly held by Marcelo Claire, totaling 37.7% of the total outstanding shares, and now owns 100% of the equity interest of Brightstar Global Group Inc.

Brightstar Global Group is the wholly-owning parent company of Brightstar Corp., which is a mobile device distributor in the United States and Marcelo Claire served as the former President and CEO of Brightstar Corp., as well as in various roles at certain of their subsidiaries and joint ventures. Marcelo Claire was appointed as the new president and CEO of Sprint, effective as of August 11, 2014 and resigned from his positions as president and CEO of both Brightstar Global Group and Brightstar Corp., as well as his positions at their various subsidiaries and joint ventures, immediately prior to becoming the president and CEO of Sprint.

The above transaction is as follows:

| Name of the company or individual | Nature of Relationship | Nature of transaction   | Amount of Transaction |                             | Balance at period-end |                             |
|-----------------------------------|------------------------|---|-----------------------|-----------------------------|-----------------------|-----------------------------|
|                                   |                        |   | (Millions of yen)     | (Thousands of U.S. dollars) | (Millions of yen)     | (Thousands of U.S. dollars) |
| Marcelo Claure <sup>1</sup>       | Director of subsidiary | Acquisition of Brightstar Global Group Inc. shares <sup>2</sup> | ¥30,509               | \$253,882                   | ¥—                    | \$—                         |

Notes:

- Shares were acquired from an entity that was 100% owned by Marcelo Claure.
- The acquisition cost of acquired shares was negotiated and determined, considering independent third-party appraisals.

Transactions other than those described above are as follows:

| Name of the company or individual                                 | Nature of relationship  | Nature of transaction  | (Millions of yen)     |                       |
|---|---|--|-----------------------|-----------------------|
|   |   |  | Amount of transaction | Balance at period-end |
| Masayoshi Son<br>(Son Asset Management LLC and 3 other companies) | Chairman & CEO of SoftBank Corp. holding over half of the voting rights | Dividend paid from SoftBank Corp. ....                       | ¥10,061               | ¥ —                   |
|   |   | Advance payment for temporary expense .....                  | 264                   | 22                    |
|   |   | Payment of equipment usage <sup>1</sup> .....                | 42                    | —                     |
|   |   | Guarantee deposits received <sup>1</sup> .....               | 0                     | 178                   |
|   |   | Purchase of property, plant and equipment <sup>2</sup> ..... | 4,506                 | 4,506                 |
|   |   |  |                       |                       |
| Taizo Son<br>(Heartis GK and 8 other companies) <sup>3</sup>      | Relative of Chairman & CEO holding over half of the voting rights       | Dividend paid from SoftBank Corp. ....                       | 268                   | —                     |
|   |   | Dividend paid from subsidiary <sup>4</sup> .....             | 901                   | —                     |
|   |   | Payment of outsourcing fee <sup>5</sup> .....                | 91                    | 13                    |
| Yoshimitsu Goto <sup>6</sup>                                      | Director  | Exercise of stock acquisition rights .....                   | 197                   | —                     |

| Name of the company or individual                                 | Nature of relationship  | Nature of transaction  | (Thousands of U.S. dollars) |                       |
|---|---|--|-----------------------------|-----------------------|
|   |   |  | Amount of transaction       | Balance at period-end |
| Masayoshi Son<br>(Son Asset Management LLC and 3 other companies) | Chairman & CEO of SoftBank Corp. holding over half of the voting rights | Dividend paid from SoftBank Corp. ....                       | \$83,723                    | \$ —                  |
|   |   | Advance payment for temporary expense .....                  | 2,197                       | 183                   |
|   |   | Payment of equipment usage <sup>1</sup> .....                | 350                         | —                     |
|   |   | Guarantee deposits received <sup>1</sup> .....               | 0                           | 1,481                 |
|   |   | Purchase of property, plant and equipment <sup>2</sup> ..... | 37,497                      | 37,497                |
| Taizo Son<br>(Heartis GK and 8 other companies) <sup>3</sup>      | Relative of Chairman & CEO holding over half of the voting rights       | Dividend paid from SoftBank Corp. ....                       | 2,230                       | —                     |
|   |   | Dividend paid from subsidiary <sup>4</sup> .....             | 7,498                       | —                     |
|   |   | Payment of outsourcing fee <sup>5</sup> .....                | 757                         | 108                   |
| Yoshimitsu Goto <sup>6</sup>                                      | Director  | Exercise of stock acquisition rights .....                   | 1,639                       | —                     |

Notes:

1. Equipment usage fee and guarantee deposit received are determined based on the ratio of usage.
2. The acquisition costs of purchase of property, plant and equipment were negotiated and determined considering independent third-party appraisals.
3. Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights.
4. Dividends are paid from our listed subsidiary, GungHo.
5. The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.
6. Retired from the position of director as of June 19, 2015.

## (2) Remuneration for major executives

Remuneration for major executives is as follows:

|                            | (Millions of yen)                |                                  | (Thousands of U.S. dollars)      |
|----------------------------|----------------------------------|----------------------------------|----------------------------------|
|                            | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2015 |
| Short-term benefits .....  | ¥724                             | ¥15,804                          | \$131,514                        |
| Share-based payments ..... | 77                               | 4,137                            | 34,426                           |
| Retirement benefits .....  | —                                | 8                                | 67                               |
| Total .....                | ¥801                             | ¥19,949                          | \$166,007                        |

Notes:

1. Remuneration for major executives represents remuneration for the directors of SoftBank Corp. (including external directors) and main subsidiaries' directors. Nikesh Arora, vice chairman of SoftBank Corp. as well as CEO of SB Group US, Inc., and Marcelo Claude, CEO of Sprint, are the major subsidiaries' directors. Also Nikesh Arora became the representative director and president of SoftBank Corp. as of June 19, 2015.
2. For the year ended March 31, 2015, remuneration of ¥16,556 million (\$137,771 thousand) to Nikesh Arora includes short-term benefits of ¥14,561 million (\$121,170 thousand) and share based compensation of ¥1,995 million (\$16,601 thousand).

#### 44. Contingent liabilities

##### (1) Lending commitments

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

|                           | (Millions of yen)       |                         | (Thousands of U.S. dollars) |
|---------------------------|-------------------------|-------------------------|-----------------------------|
|                           | As of<br>March 31, 2014 | As of<br>March 31, 2015 | As of<br>March 31, 2015     |
| Lending commitments ..... | ¥8,867                  | ¥262,315                | \$2,182,866                 |
| Funded .....              | 1,325                   | 9,922                   | 82,566                      |
| Unfunded .....            | ¥7,542                  | ¥252,393                | \$2,100,300                 |

##### (2) Guaranteed obligations

The details of guaranteed obligations are as follows. The following guarantee is mainly provided for borrowings from financial institutions as credit guarantee service to third parties.

As of March 31, 2014

|  | (Millions of yen)               |                 |       |
|--|---------------------------------|-----------------|-------|
|  | Financial guarantee<br>contract | Other guarantee | Total |
| Total amount of guarantee contract ..... | ¥—                              | ¥450            | ¥450  |
| Guarantee balance .....                  | ¥—                              | ¥450            | ¥450  |

As of March 31, 2015

|  | (Millions of yen)               |                 |         |
|--|---------------------------------|-----------------|---------|
|  | Financial guarantee<br>contract | Other guarantee | Total   |
| Total amount of guarantee contract ..... | ¥13,446                         | ¥1,252          | ¥14,698 |
| Guarantee balance .....                  | ¥10,427                         | ¥1,252          | ¥11,679 |

|  | (Thousands of U.S. dollars)     |                 |         |
|--|---------------------------------|-----------------|---------|
|  | Financial guarantee<br>contract | Other guarantee | Total   |
| Total amount of guarantee contract ..... | 111,891                         | 10,419          | 122,310 |
| Guarantee balance .....                  | 86,768                          | 10,419          | 97,187  |

##### (3) Litigation

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

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

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

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

Although SoftBank Mobile Corp. negotiated with JPiT over an extended period regarding the remuneration etc. (approximately ¥14.9 billion (\$123,991 thousand)) for these additional services, SoftBank Mobile Corp. and JPiT were unable to arrive at a settlement. Accordingly, SoftBank Mobile Corp. duly filed the lawsuit, claiming for payment of remuneration, etc., for such additional services.

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

In the lawsuit, JPiT alleges that SoftBank Mobile Corp. and NRI delayed performance, etc., of the ordered services related to the project for migration to the 5th PNET mentioned in (a) above, and alleges that such delay caused damages to JPiT (¥16.15 billion (\$134,393 thousand)). JPiT made joint and several claims against both SoftBank Mobile Corp. and NRI for such alleged damages.

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

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

(a) In March 2009, a stockholder brought suit, *Bennett v. Sprint Nextel Corp.*, in the U.S. District Court for the District of Kansas, alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing to adequately disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The plaintiff sought class action status for purchasers of Sprint Communications common stock from October 26, 2006 to February 27, 2008. On January 6, 2011, the Court denied the motion to dismiss. Subsequently, Sprint’s motion to certify the January 6, 2011 order for an interlocutory appeal was denied. On March 27, 2014, the court certified a class including bondholders as well as stockholders. On April 11, 2014, Sprint filed a petition to appeal that certification order with the Tenth Circuit Court of Appeals. The petition was denied on May 23, 2014. After mediation, the parties have reached an agreement in principle to settle the matter, and the settlement amount is expected to be substantially paid by the Company’s insurers. The district court granted preliminary approval of the proposed settlement on April 10, 2015 and a final approval hearing has been scheduled for August 5, 2015.

In addition, five related stockholder derivative suits were filed against Sprint Communications and certain of its present and/or former officers and directors. The first, *Murphy v. Forsee*, was filed in state court in Kansas on April 8, 2009, was moved to federal court, and was stayed by the court pending resolution of the motion to dismiss the *Bennett* case; the second, *Randolph v. Forsee*, was filed on July 15, 2010 in state court in Kansas, was moved to federal court, and was remanded back to state court; the third, *Ross-Williams v. Bennett, et al.*, was filed in state court in Kansas on February 1, 2011; the fourth, *Price v. Forsee, et al.*, was filed in state court in Kansas on April 15, 2011; and the fifth, *Hartleib v. Forsee, et. al.*, was filed in federal court in Kansas on July 14, 2011. These cases are essentially stayed while the *Bennett* case is being resolved.

(b) On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications has fraudulently failed to collect and pay more than \$100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint seeks recovery of triple damages as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications has appealed that order and the intermediate appellate court affirmed the order of the trial court. Sprint’s petition for leave to bring an interlocutory appeal to the highest court in New York was granted and briefing of that appeal was completed in January 2015. Sprint believes the complaint is without merit and intend to continue to defend this matter vigorously.

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

(c) Sprint Communications, Inc. is also a defendant in a complaint filed by stockholders of Clearwire Corporation asserting claims for breach of fiduciary duty by Sprint Communications, and related claims and otherwise challenging the Clearwire Acquisition. *ACP Master, LTD, et al. v. Sprint Nextel Corp., et al.*, was filed April 26, 2013, in Chancery Court in Delaware. Sprint’s motion to dismiss the suit was denied, and discovery has begun. Plaintiffs in the *ACP Master, LTD* suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock, and discovery is proceeding in that case. Sprint Communications intends to defend the *ACP Master, LTD* case vigorously.

(d) Sprint is currently involved in numerous court actions alleging that Sprint is infringing various patents. Most of these cases effectively seek only monetary damages. A small number of these cases are brought

by companies that sell products and seek injunctive relief as well. These cases have progressed to various degrees and a small number may go to trial if they are not otherwise resolved. Adverse resolution of these cases could require Sprint to pay significant damages, cease certain activities, or cease selling the relevant products and services. In many circumstances, Sprint would be indemnified for monetary losses that Sprint incurs with respect to the actions of Sprint's suppliers or service providers.

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

(f) Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against Sprint or Sprint's subsidiaries. If Sprint's interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by Sprint.

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

Brightstar Corp. and its subsidiaries are party to various legal and administrative proceedings globally and particularly in Latin American countries, including disputes relating to tax, labor, contract and other currently pending matters. This litigation mainly consist of four administrative proceedings initiated by tax authorities in Brazil against the subsidiary of Brightstar Corp., involving failure by such entity to pay a portion of taxes owed due to, e.g., differences in understanding between such entity and the tax authorities, for which such authorities have claimed an aggregate of \$70 million.

#### **45. Purchase commitments**

The Company had commitments to purchase services and goods of ¥2,190,404 million (\$18,227,544 thousand) as of March 31, 2015 (March 31, 2014: ¥2,796,962 million).

Purchase commitments are mainly related to purchase of telecommunications equipment, mobile handsets and outstanding connection contracts entered into with other telecommunications operators.

#### **46. Subsequent events**

Change in scope of consolidation from subsidiary to associate with the loss of control over GungHo

GungHo, a subsidiary of SoftBank Corp., is no longer a subsidiary and newly became an associate of SoftBank Corp. after the completion of the tender offer (the "Tender Offer") for shares of GungHo, which was resolved at GungHo's board of directors' meeting held on April 28, 2015, and the execution of the pledge termination agreement (as defined below) with Son Holdings Inc. ("Son Holdings") to extinguish the pledge over the shares of GungHo held by Heartis G.K. ("Heartis"). The financial impact from this loss of control in the fiscal year ending March 2016 has not yet been determined.

(1) Summary of the loss of control

SoftBank Corp. has decided to tender in the Tender Offer for shares of GungHo, and SoftBank Corp. and GungHo entered into an agreement, under which SoftBank Corp. has agreed to tender in the Tender Offer a portion of the common shares of GungHo held by SoftBank Corp.

Heartis and Son Holdings reportedly roughly agreed as of April 21, 2015 to extinguish the pledge on 100,000,000 shares, out of the common shares of GungHo held by Heartis by May 31, 2015 ("the pledge termination agreement"), and the execution of the pledge termination agreement on June 1, 2015 terminated the Agreement on Exercise of Voting Rights\* by the 100,000,000 shares.



Accordingly, as a result of the Tender Offer and execution of the pledge termination agreement, GungHo is no longer a subsidiary and became an associate of SoftBank Corp.

Note:

\* Heartis holds 223,080,000 common shares of GungHo (ownership ratio: 19.36%). Heartis and Masayoshi Son, chairman and CEO of SoftBank Corp., have entered into a Memorandum of Understanding on Exercise of Voting Rights for Deferment of Execution of Pledges (the “MOU”), on April 1, 2013. Under the MOU, since all of GungHo common shares held by Heartis are pledged with Son Holdings, Masayoshi Son’s asset management company, as a pledgee, in order to defer the execution of pledges, Heartis has agreed to the effect that at the shareholders’ meeting of GungHo, Heartis will exercise the voting rights related to 213,080,000 shares (ownership ratio: 18.50%) out of the common shares of GungHo held by Heartis, in accordance with Masayoshi Son’s instruction. The total number of voting rights held by the Company and those voting rights held by Heartis to be exercised in accordance with Masayoshi Son’s instruction is 6,739,200 and it accounts for 58.72% of 11,476,886 voting rights of all the shareholders of GungHo as of December 31, 2014 as described in first quarterly report for the 19<sup>th</sup> fiscal year of GungHo submitted on May 8, 2015 (rounded off to the second decimal place).

## (2) Summary of the tender in the Tender Offer

|                             |  |
|-----------------------------|--|
| a. Shares to be tendered    | Common shares of GungHo; 188,235,200 shares (ownership ratio :16.34%*) |
| b. Tender offer price       | ¥425 (\$3.54) per share  |
| c. Tender offer period      | April 30, 2015 to June 1, 2015   |
| d. Start date of settlement | June 24, 2015  |

Note:

\* Ownership ratio represents the percentage (rounded off to the second decimal place) of the total number of outstanding shares of GungHo, which is 1,152,010,000 shares as of April 28, 2015.

## (3) Reason for the tender in the Tender Offer

As described in the press release “Notice Regarding Acquisition of Treasury Shares and Tender Offer of Treasury Shares” issued by GungHo on April 28, 2015, SoftBank Corp. received a proposal from GungHo in April 2015 for GungHo to acquire some of its common shares held by SoftBank Corp. to increase the flexibility of management and create a structure which allows management to make decisions and execute those decisions in a timely manner. After a series of discussion, the Company and GungHo have reached an agreement that the Company will tender in the Tender Offer 188,235,200 shares (ownership ratio: 16.34%), a portion of the common shares of GungHo held by the Company.

## (4) Number of shares held before and after the tender in the Tender Offer

|  |   |
|--|---|
| a. Number of shares held before the tender             | 460,840,000 shares including indirect ownership<br>(Number of voting rights: 4,608,400)<br>(Voting rights ratio: 40.15%)  |
| b. Number of shares to be tendered in the Tender Offer | 188,235,200 shares  |
| c. Number of shares held after the tender              | 272,604,800 shares including indirect ownership<br>(Number of voting rights: 2,726,048)<br>(Voting rights ratio: 28.41%*) |

Note:

\* The percentage of the voting rights to 9,594,534 voting rights (rounded off to the second decimal place). 9,594,534 voting rights is obtained by subtracting 1,882,352 voting rights related to 188,235,200 shares to be tendered in the Tender Offer, from 11,476,886 voting rights of all the shareholders of GungHo as of December 31, 2014 as described in first quarterly report of the 19<sup>th</sup> fiscal year of GungHo submitted on May 8, 2015. The voting rights ratio held by the Company and Heartis, after the execution of the pledge termination agreement, is 40.20%.

(5) Summary of GungHo

|                                     |  |
|-------------------------------------|--|
| a. Name                             | GungHo Online Entertainment, Inc.  |
| b. Address                          | 3-8-1, Marunouchi, Chiyoda-ku, Tokyo   |
| c. Name and title of representative | Kazuki Morishita, President & CEO  |
| d. Business description             | Planning, development, operation, and distribution of online PC games<br>Planning, development, operation, and distribution of smartphone games<br>Planning, development, and sale of consumer games |
| e. Common stock                     | ¥5,338 million (\$44.420 thousand) (as of March 31, 2015)  |
| f. Date of foundation               | July 1, 1998   |

(6) Impact on financial results

The impact from this loss of control in the fiscal year ending March 2016 has not yet been determined.

**47. Approval of consolidated financial statements**

The consolidated financial statements have been approved by the Company's CEO Masayoshi Son, as of June 19, 2015.

SOFTBANK CORP.  
CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended March 31, 2013 and 2014

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of SoftBank Corp.:

We have audited the accompanying consolidated statement of financial position of SoftBank Corp. and its subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Corp. and its subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

/s/ DELOITTE TOUCHE TOHMATSU LLC  
June 20, 2014

## Consolidated Financial Statements

### a. Consolidated Statement of Financial Position

| (Millions of yen)                                  |        |                           |                            |                            |
|--|--------|---------------------------|----------------------------|----------------------------|
|  | Notes  | As of<br>April 1,<br>2012 | As of<br>March 31,<br>2013 | As of<br>March 31,<br>2014 |
| <b>ASSETS</b>                                      |        |                           |                            |                            |
| <b>Current assets</b>                              |        |                           |                            |                            |
| Cash and cash equivalents                          | 7      | ¥1,021,113                | ¥1,439,057                 | ¥ 1,963,490                |
| Trade and other receivables                        | 8, 25  | 786,902                   | 936,307                    | 1,669,545                  |
| Other financial assets                             | 8, 25  | 10,399                    | 229,239                    | 164,727                    |
| Inventories  | 10     | 55,683                    | 54,268                     | 251,677                    |
| Other current assets                               | 11     | 85,014                    | 127,148                    | 293,221                    |
| Total current assets                               |        | 1,959,111                 | 2,786,019                  | 4,342,660                  |
| <b>Non-current assets</b>                          |        |                           |                            |                            |
| Property, plant and equipment                      | 12     | 1,377,185                 | 1,830,615                  | 3,586,327                  |
| Goodwill   | 13     | 777,911                   | 924,972                    | 1,532,305                  |
| Intangible assets                                  | 13     | 340,323                   | 528,683                    | 6,177,701                  |
| Investments accounted for using the equity method  | 16     | 208,526                   | 208,664                    | 304,318                    |
| Other financial assets                             | 9, 25  | 318,599                   | 634,647                    | 401,693                    |
| Deferred tax assets                                | 18     | 183,409                   | 175,390                    | 172,732                    |
| Other non-current assets                           | 11     | 85,490                    | 129,182                    | 167,261                    |
| Total non-current assets                           |        | 3,291,443                 | 4,432,153                  | 12,342,337                 |
| <b>Total assets</b>                                |        | <u>¥5,250,554</u>         | <u>¥7,218,172</u>          | <u>¥16,684,997</u>         |
| (Millions of yen)                                  |        |                           |                            |                            |
|  | Notes  | As of<br>April 1,<br>2012 | As of<br>March 31,<br>2013 | As of<br>March 31,<br>2014 |
| <b>LIABILITIES AND EQUITY</b>                      |        |                           |                            |                            |
| <b>Current liabilities</b>                         |        |                           |                            |                            |
| Interest-bearing debt                              | 19, 25 | ¥ 926,671                 | ¥1,534,128                 | ¥ 1,147,899                |
| Trade and other payables                           | 20, 25 | 975,832                   | 972,669                    | 1,705,956                  |
| Other financial liabilities                        | 21, 25 | 1,206                     | 4,833                      | 5,847                      |
| Income taxes payables                              |        | 123,213                   | 182,050                    | 246,013                    |
| Provisions   | 23     | 1,456                     | 1,602                      | 93,115                     |
| Other current liabilities                          | 22     | 94,155                    | 142,634                    | 534,948                    |
| Total current liabilities                          |        | 2,122,533                 | 2,837,916                  | 3,733,778                  |
| <b>Non-current liabilities</b>                     |        |                           |                            |                            |
| Interest-bearing debt                              | 19, 25 | 1,763,273                 | 2,173,725                  | 8,022,154                  |
| Other financial liabilities                        | 21, 25 | 37,170                    | 38,654                     | 41,151                     |
| Defined benefit liabilities                        | 24     | 14,953                    | 14,506                     | 77,041                     |
| Provisions   | 23     | 20,643                    | 21,765                     | 136,920                    |
| Deferred tax liabilities                           | 18     | 45,351                    | 120,979                    | 1,533,021                  |
| Other non-current liabilities                      | 22     | 79,585                    | 80,187                     | 282,262                    |
| Total non-current liabilities                      |        | 1,960,975                 | 2,449,816                  | 10,092,549                 |
| <b>Total liabilities</b>                           |        | 4,083,508                 | 5,287,732                  | 13,826,327                 |
| <b>Equity</b>                                      |        |                           |                            |                            |
| <b>Equity attributable to owners of the parent</b> |        |                           |                            |                            |
| Common stock                                       | 30     | 213,798                   | 238,772                    | 238,772                    |
| Capital surplus                                    | 30     | 250,767                   | 436,704                    | 405,111                    |
| Retained earnings                                  | 30     | 405,584                   | 712,088                    | 1,193,366                  |
| Treasury stock                                     | 30     | (22,947)                  | (22,834)                   | (51,492)                   |
| Accumulated other comprehensive income             | 30     | 45,433                    | 248,026                    | 169,617                    |
| Total equity attributable to owners of the parent  |        | 892,635                   | 1,612,756                  | 1,955,374                  |
| <b>Non-controlling interests</b>                   |        | 274,411                   | 317,684                    | 903,296                    |
| <b>Total equity</b>                                |        | 1,167,046                 | 1,930,440                  | 2,858,670                  |
| <b>Total liabilities and equity</b>                |        | <u>¥5,250,554</u>         | <u>¥7,218,172</u>          | <u>¥16,684,997</u>         |

**b. Consolidated Statements of Income and Other Comprehensive Income**  
**Consolidated Statement of Income**

|   |        | (Millions of yen)                   |                                     |
|---|--------|-------------------------------------|-------------------------------------|
|   | Notes  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| <b>Net sales</b> .....  | 33     | ¥ 3,202,536                         | ¥ 6,666,651                         |
| Cost of sales .....   | 34     | (1,610,842)                         | (3,953,170)                         |
| <b>Gross profit</b> .....   |        | 1,591,694                           | 2,713,481                           |
| Selling, general and administrative expenses .....                        | 34     | (794,073)                           | (1,826,575)                         |
| Gain from remeasurement relating to business combination .....            | 5      | 1,778                               | 253,886                             |
| Other operating loss .....  | 35     | —                                   | (55,430)                            |
| <b>Operating income</b> .....   |        | 799,399                             | 1,085,362                           |
| Finance cost .....  | 36     | (65,297)                            | (271,478)                           |
| Equity in income (loss) of associates .....                               | 16     | (3,663)                             | 74,402                              |
| Other non-operating income (loss) .....                                   | 37     | (14,935)                            | 44,081                              |
| <b>Income before income tax</b> .....                                     |        | 715,504                             | 932,367                             |
| Income taxes .....  | 18     | (277,667)                           | (346,218)                           |
| <b>Net income</b> .....   |        | ¥ 437,837                           | ¥ 586,149                           |
| <b>Net income attributable to</b>   |        |                                     |                                     |
| Owners of the parent .....  |        | ¥ 372,481                           | ¥ 527,035                           |
| Non-controlling interests .....   |        | 65,356                              | 59,114                              |
|   |        | ¥ 437,837                           | ¥ 586,149                           |
|   |        | (Yen)                               |                                     |
|   |        | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| <b>Earnings per share attributable to owners of the parent</b>            |        |                                     |                                     |
| Basic .....   | 39     | ¥ 332.51                            | ¥ 442.64                            |
| Diluted .....   | 39     | 328.08                              | 440.37                              |
|   |        | (Millions of yen)                   |                                     |
|   | Notes  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| <b>Consolidated Statement of Comprehensive Income</b>                     |        |                                     |                                     |
| <b>Net income</b> .....   |        | ¥ 437,837                           | ¥ 586,149                           |
| <b>Other comprehensive income (loss), net of tax</b>                      |        |                                     |                                     |
| <b>Items that will not be reclassified to profit or loss</b>              |        |                                     |                                     |
| Remeasurements of defined benefit plan .....                              | 24, 38 | 68                                  | 3,214                               |
| Total items that will not be reclassified to profit or loss .....         |        | 68                                  | 3,214                               |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |        |                                     |                                     |
| Available-for-sale financial assets .....                                 | 25, 38 | 4,489                               | (38,767)                            |
| Cash flow hedges .....  | 25, 38 | 115,136                             | (134,002)                           |
| Exchange differences on translating foreign operations .....              | 29, 38 | 65,856                              | 90,388                              |
| Share of other comprehensive income of associates .....                   | 16, 38 | 18,801                              | 18,588                              |
| Total items that may be reclassified subsequently to profit or loss ..... |        | 204,282                             | (63,793)                            |
| <b>Total other comprehensive income (loss), net of tax</b> .....          |        | 204,350                             | (60,579)                            |
| <b>Total comprehensive income</b> .....                                   |        | ¥ 642,187                           | ¥ 525,570                           |
| <b>Total comprehensive income attributable to</b>                         |        |                                     |                                     |
| Owners of the parent .....  |        | ¥ 575,142                           | ¥ 451,167                           |
| Non-controlling interests .....   |        | 67,045                              | 74,403                              |
|   |        | ¥ 642,187                           | ¥ 525,570                           |

Income taxes related to the components of other comprehensive income are described in “Note 38. Other comprehensive income (loss).”



c. Consolidated Statement of Changes in Equity

| (Millions of yen)   |       |   |                 |                   |                |
|---|-------|---|-----------------|-------------------|----------------|
|   | Notes | Equity attributable to owners of the parent |                 |                   |                |
|   |       | Common stock                                | Capital surplus | Retained earnings | Treasury stock |
| <b>For the fiscal year ended March 31, 2013</b>                               |       |   |                 |                   |                |
| <b>As of April 1, 2012</b> .....  |       | ¥213,798                                    | ¥250,767        | ¥405,584          | ¥(22,947)      |
| <b>Comprehensive income</b>   |       |   |                 |                   |                |
| Net income .....  |       | —   | —               | 372,481           | —              |
| Other comprehensive income .....  |       | —   | —               | —                 | —              |
| <b>Total comprehensive income</b> .....                                       |       | —   | —               | 372,481           | —              |
| <b>Transactions with owners and other transactions</b>                        |       |   |                 |                   |                |
| Cash dividends .....  | 31    | —   | —               | (66,045)          | —              |
| Transfer of accumulated other comprehensive income to retained earnings ..... |       | —   | —               | 68                | —              |
| Issuance of new shares .....  |       | 24,974                                      | 257,432         | —                 | —              |
| Purchase and disposal of treasury stock .....                                 |       | —   | 13              | —                 | 113            |
| Changes from business combination .....                                       |       | —   | —               | —                 | —              |
| Changes in interests in subsidiaries .....                                    |       | —   | (6,821)         | —                 | —              |
| Changes in associates' interests in their subsidiaries .....                  | 30    | —   | (51,223)        | —                 | —              |
| Decrease by exercise of stock acquisition right .....                         |       | —   | (13,539)        | —                 | —              |
| Share-based payment transactions .....  |       | —   | 75              | —                 | —              |
| Other .....   |       | —   | —               | —                 | —              |
| <b>Total transactions with owners and other transactions</b> .....            |       | 24,974                                      | 185,937         | (65,977)          | 113            |
| <b>As of March 31, 2013</b> .....   |       | ¥238,772                                    | ¥436,704        | ¥712,088          | ¥(22,834)      |

| (Millions of yen)   |       |   |                 |                   |                |                                  |
|---|-------|---|-----------------|-------------------|----------------|----------------------------------|
|   |       | Equity attributable to owners of the parent |                 |                   |                |                                  |
|   | Notes | Common stock                                | Capital surplus | Retained earnings | Treasury stock | Accumulated comprehensive income |
| <b>For the fiscal year ended March 31, 2014</b>                               |       |   |                 |                   |                |                                  |
| <b>As of April 1, 2013</b> .....  |       | ¥238,772                                    | ¥436,704        | ¥ 712,088         | ¥(22,834)      | ¥248,0                           |
| <b>Comprehensive income</b>   |       |   |                 |                   |                |                                  |
| Net income .....  |       | —   | —               | 527,035           | —              |                                  |
| Other comprehensive income (loss) .....                                       |       | —   | —               | —                 | —              | (75,8                            |
| <b>Total comprehensive income (loss)</b> .....                                |       | —   | —               | 527,035           | —              | (75,8                            |
| <b>Transactions with owners and other transactions</b>                        |       |   |                 |                   |                |                                  |
| Cash dividends .....  | 31    | —   | —               | (47,669)          | —              |                                  |
| Transfer of accumulated other comprehensive income to retained earnings ..... |       | —   | —               | 2,541             | —              | (2,5                             |
| Purchase and disposal of treasury stock .....                                 |       | —   | (13)            | (629)             | (28,658)       |                                  |
| Changes from business combination .....                                       | 5     | —   | —               | —                 | —              |                                  |
| Acquisition of options to convert to subsidiaries' common stocks .....        | 30    | —   | (10,323)        | —                 | —              |                                  |
| Changes in interests in subsidiaries .....                                    |       | —   | (21,553)        | —                 | —              |                                  |
| Share-based payment transactions .....  |       | —   | 296             | —                 | —              |                                  |
| Other .....   |       | —   | —               | —                 | —              |                                  |
| <b>Total transactions with owners and other transactions</b> .....            |       | —   | (31,593)        | (45,757)          | (28,658)       | (2,5                             |
| <b>As of March 31, 2014</b> .....   |       | ¥238,772                                    | ¥405,111        | ¥1,193,366        | ¥(51,492)      | ¥169,6                           |

#### d. Consolidated Statement of Cash Flows

|  |        | (Millions of yen)                   |                                     |
|--|--------|-------------------------------------|-------------------------------------|
|  | Notes  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| <b>Cash flows from operating activities</b>  |        |                                     |                                     |
| Net income   |        | ¥ 437,837                           | ¥ 586,149                           |
| Depreciation and amortization  |        | 355,120                             | 899,904                             |
| Gain from remeasurement relating to business combination   |        | (1,778)                             | (253,886)                           |
| Finance cost   |        | 65,297                              | 271,478                             |
| Equity in loss (income) of associates  |        | 3,663                               | (74,402)                            |
| Other non-operating loss (income)  |        | 14,935                              | (44,081)                            |
| Income taxes   |        | 277,667                             | 346,218                             |
| Increase in trade and other receivables  |        | (58,444)                            | (106,055)                           |
| Increase in trade and other payables   |        | 39,365                              | 21,375                              |
| Other  |        | (35,007)                            | (171,927)                           |
| Subtotal   |        | 1,098,655                           | 1,474,773                           |
| Interest and dividends received  |        | 2,886                               | 7,546                               |
| Interest paid  |        | (72,296)                            | (306,697)                           |
| Income taxes paid  |        | (216,220)                           | (315,377)                           |
| Net cash provided by operating activities  |        | 813,025                             | 860,245                             |
| <b>Cash flows from investing activities</b>  |        |                                     |                                     |
| Purchase of property, plant and equipment, and intangible assets                                       | 40     | (589,321)                           | (1,371,400)                         |
| Payments for acquisition of investments  |        | (318,306)                           | (208,322)                           |
| Proceeds from sales/redemption of investments  |        | 20,676                              | 260,789                             |
| Increase (decrease) from acquisition of control over subsidiaries                                      | 5      | 12,227                              | (1,663,539)                         |
| Proceeds from settlement of foreign currency forward contract for acquisition of control of subsidiary | 40     | —                                   | 310,104                             |
| Other  |        | 580                                 | (45,820)                            |
| Net cash used in investing activities  |        | (874,144)                           | (2,718,188)                         |
| <b>Cash flows from financing activities</b>  |        |                                     |                                     |
| Increase (decrease) in short-term interest-bearing debt, net   | 19     | ¥ 345,572                           | ¥ (201,794)                         |
| Proceeds from long-term interest-bearing debt  | 19, 40 | 1,324,585                           | 4,698,294                           |
| Repayment of long-term interest-bearing debt   | 19     | (898,867)                           | (1,971,594)                         |
| Payment from purchase of subsidiaries' equity from non-controlling interests                           |        | (20,549)                            | (83,232)                            |
| Cash dividends paid  |        | (66,527)                            | (47,600)                            |
| Cash dividends paid to non-controlling interests   |        | (12,798)                            | (14,747)                            |
| Payments for preferred stocks, stock acquisition rights and long-term debt of subsidiary               | 40     | (200,444)                           | —                                   |
| Other  |        | 505                                 | (19,952)                            |
| Net cash provided by financing activities  |        | 471,477                             | 2,359,375                           |
| Effect of exchange rate changes on cash and cash equivalents   |        | 7,586                               | 23,001                              |
| Increase in cash and cash equivalents  |        | 417,944                             | 524,433                             |
| Cash and cash equivalents at the beginning of the year   | 7      | 1,021,113                           | 1,439,057                           |
| Cash and cash equivalents at the end of the year   | 7      | ¥1,439,057                          | ¥ 1,963,490                         |

## Notes to Consolidated Financial Statements

### 1. Reporting entity

SoftBank Corp. is a corporation domiciled in Japan. The registered address of SoftBank Corp.'s head office is disclosed on our website (<http://www.softbank.jp/>). These consolidated financial statements are composed of SoftBank Corp. and its subsidiaries ("the Company"). The Company engages in various businesses in the information industry, with its base in the Mobile Communications segment, the Sprint segment, the Fixed-Line Telecommunications segment and the Internet segment. The Sprint segment was added to our business as a result of the following acquisition during the three-month period ended September 30, 2013.

On July 10, 2013, the Company acquired approximately 78% of the shares of Sprint Corporation (previously Sprint Nextel Corporation) (hereinafter ("Sprint")), and Sprint became a subsidiary of the Company. In addition, the Company additionally acquired approximately 2% of Sprint shares from August 1 to September 16, 2013. As a result, the Company's ownership in the outstanding Sprint common stock is approximately 80% as of March 31, 2014. The details are described in "(3) Sprint" in "Note 5. Business combinations" and in "(1) Description of reportable segment" in "Note 6. Segment information."

### 2. Basis of preparation of consolidated financial statements

#### (1) Compliance with IFRSs and first-time adoption

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Company prepared consolidated financial statements in accordance with IFRSs from the three-month period ended June 30, 2013, the first quarter of the fiscal year ended March 31, 2014. The date of transition to IFRSs is April 1, 2012. The Company applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") for transition to IFRSs. The effect of the transition to IFRSs on the Company's financial position, result of operations, and cash flows is provided in "Note 45. First-time adoption of IFRSs."

The Company's accounting policies comply with IFRSs effective at March 31, 2014, excluding the standards which have not been early adopted and exemptions permitted by IFRS 1.

#### (2) Basis of measurement

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

#### (3) Presentation currency and unit of currency

These consolidated financial statements have been presented in Japanese yen, which is the currency of the primary economic environment of SoftBank Corp. ("functional currency"), and are rounded to the nearest million yen.

#### (4) New standards, interpretations, and revisions early adopted by the Company

The Company has early adopted IAS 36 "Impairment of Assets" (amended in May, 2013), which revises the disclosure of the recoverable amount of non-financial assets regarding impairment.

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

New standards and interpretations which are newly established or amended before the approval date of the consolidated financial statements, not yet adopted by the Company and will have potential impacts are as follows. The Company is currently evaluating potential impacts.

| Standard/Interpretation |   | Mandatory adoption<br>(From the year<br>beginning) | To be adopted by<br>the SoftBank<br>Group | Outline of the new/revised standards   |
|-------------------------|---|--|---|--|
| IAS 32 (Amendments)     | Financial<br>Instruments:<br>Presentation   | January 1, 2014                                    | Fiscal year<br>ending<br>March 31, 2015   | To clarify the requirements of net<br>presentation of financial assets<br>and liabilities  |
| IFRIC 21                | Levies                                      | January 1, 2014                                    | Fiscal year<br>ending<br>March 31, 2015   | To clarify the timing of<br>recognition of liabilities related to<br>the payment of levies   |
| IFRS 9                  | Financial Instruments                       | Not determined                                     | Not determined                            | IFRS 9 replaces a part of previous<br>IAS 39. Main revisions are:<br>to revise classification into<br>measurement categories of<br>financial instruments<br>(amortized costs and fair<br>values) and measurement;<br>to revise the treatment of<br>changes in fair values of<br>financial liabilities measured<br>at fair values; and,<br>to revise the eligibility<br>requirement of hedged items<br>and hedging instruments, and<br>requirements related to the<br>effectiveness of the hedge.   |
| IFRS 15                 | Revenue from<br>contracts with<br>customers | January 1, 2017                                    | Not determined                            | IFRS 15 replaces a part of<br>previous IAS 11 and IAS 18.<br>Main revisions are:<br>to require revenue recognition<br>by the following five steps:<br>a. identify the contracts with<br>the customer<br>b. identify the performance<br>obligations in the contract<br>c. determine the transaction<br>price<br>d. allocate the transaction price<br>to each performance<br>obligation in the contract<br>e. recognise revenue when (or<br>as) a performance obligation<br>is satisfied to revise the<br>treatment for contract costs,<br>license and guarantee of<br>products, to increase the<br>disclosure related to revenue<br>recognition |

(6) Abbreviation of the notes

Abbreviations used in the notes are as follows:

| Abbreviation   | Company name/Group name                                   |
|----------------|---|
| “the Company”  | SoftBank Corp. and its subsidiaries                       |
| “Sprint”       | Sprint Corporation (previously Sprint Nextel Corporation) |
| “Alibaba”      | Alibaba Group Holding Limited                             |
| “GungHo”       | GungHo Online Entertainment, Inc.                         |
| “Clearwire”    | Clearwire Corporation                                     |
| “Supercell”    | Supercell Oy  |
| “Kahon 3”      | Kahon 3 Oy  |
| “SoftBank C&S” | SoftBank Commerce & Service Corp.                         |
| “WCP”          | Wireless City Planning Inc.                               |

### 3. Significant accounting policies

Accounting policies the Company has adopted have been applied consistently to all periods presented in these consolidated financial statements (including the consolidated statement of financial position at the date of transition to IFRSs).

#### (1) Basis of consolidation

##### a. Subsidiaries

A subsidiary is an entity that is controlled by SoftBank Corp.

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

The subsidiaries' financial statements are consolidated from the date when control is acquired ("acquisition date") until the date when the control is lost.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

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

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

All intragroup balances and transactions and unrealized gain or loss arising from intragroup transactions are eliminated on consolidation.

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

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

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

- the aggregate of the fair value of the consideration received and the fair value of any retained interest, and;
- the net carrying amount of the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary when a control is lost.

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

##### b. Associates

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

Investments in associates are accounted for using the equity method and initially recognized at cost. The investment is adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income from the date of acquisition to the date of loss of significant influence.

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

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

Any excess in the cost of acquisition of an associate over the Company's share of the net fair value of the identifiable assets and liabilities recognized at the date of acquisition is recognized as goodwill and included within the carrying amount of the investments in associates.

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



The Company applies the equity method to the financial statements of Alibaba, an associate of the Company, on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba due to the contract with Alibaba. Adjustments are made for significant transactions or events that occurred during the intervening period and which were publicly announced by Alibaba.

## (2) Business combinations

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

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefits are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits,” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” at the acquisition date; and
- assets or disposal groups that are classified as held for sale are measured in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.”

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

On an acquisition-by-acquisition basis, the Company chooses a measurement basis of non-controlling interests at either fair value or by the proportionate share of the non-controlling interests in the recognized amounts of the acquiree’s identifiable net assets. When a business combination is achieved in stages, the Company’s previously held interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss.

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

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

The Company has used the exemption in IFRS 1 and elected not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before April 1, 2012 (the date of transition to IFRSs). Goodwill arising in business combinations that occurred before the date of transition to IFRSs is carried over at the carrying amount under the previous accounting principles (Japanese Generally Accepted Accounting Principles “JGAAP”) as of the date of transition to IFRSs, and recorded by that amount after impairment test.

## (3) Foreign currency translation

### a. Transactions denominated in foreign currencies

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

Monetary items denominated in foreign currencies are translated into the functional currency at the rates prevailing at the end of the fiscal year. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into the functional currency at the rates prevailing at the date when the fair value was measured.

Exchange differences arising from translation are recognized in profit or loss, except for exchange differences arising from non-monetary available-for-sale financial assets measured through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

b. Foreign operations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) are translated into Japanese yen using exchange rates prevailing at the end of the fiscal year.

Income, expenses and cash flows are translated into Japanese yen by using the average exchange rates for each quarter. When the translated amounts do not approximate the amounts translated by the exchange rates at the dates of the transactions, the exchange rates at the transaction dates are used for the translation.

The exchange rates used in the translation are described in "Note 29. Foreign exchange rate."

Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income and cumulative differences are included in accumulated other comprehensive income.

These cumulative differences are reclassified from equity to profit or loss when the Company loses control or significant influence over the foreign operation.

With the adoption of the exemption in IFRS 1, the Company transferred all of the accumulated exchange differences to retained earnings at the date of transition to IFRSs.

(4) Financial instruments

a. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract provision of the instrument.

Financial assets and financial liabilities are measured at fair value at initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities other than 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") are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition. Transaction costs directly attributable to the acquisition of 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 into "financial assets at FVTPL," "held-to-maturity investments," "loans and receivables," and "available-for-sale financial assets." The classification depends on the nature and purpose of the financial assets and is determined at initial recognition.

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

(a) Financial assets at FVTPL

The Company designates a financial asset as a financial asset at FVTPL upon initial recognition, if:

- the financial assets are managed in accordance with the Company's documented risk management policy or investment strategy, and;
- its performance is reviewed on the fair value basis by the Company's management to make decisions about the investment plan.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with any gains or loss arising from changes in fair value, dividend income and interest income recognized in profit or loss. Fair value of financial assets at FVTPL is measured in the manner described in "(1) Categorization within the level of the fair value hierarchy" in "Note 26. Fair value of financial instruments."

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. Fair value of available-for-sale financial assets is measured in the manner described in “(1) Categorization within the level of the fair value hierarchy” in “Note 26. Fair value of financial instruments.” Exchange differences arising on monetary financial assets classified as available-for-sale financial assets, interest income calculated using the effective interest method relating to available-for-sale financial assets and dividends received are recognized in profit or loss.

(e) Impairment of financial assets

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

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

- significant financial difficulty of the issuer or borrower;
- breach of contract, such as a default or delinquency in interest or principal payments;
- high possibilities of borrowers’ bankruptcy or entering financial reorganization; or
- disappearance of an active market for the financial assets.

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

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

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

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

(f) Derecognition of financial assets

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

c. Non-derivative financial liabilities

The Company's non-derivative financial liabilities include interest-bearing debt and trade and other payables. These financial liabilities are measured at amortized cost using the effective interest method, subsequent to initial recognition.

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

d. Derivatives and hedge accounting

(a) Derivatives

The Company is engaged in derivative transactions, including foreign currency forward contract and interest rate swaps in order to manage its exposure to foreign exchange rate and interest rate risks.

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

(b) Hedge accounting

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualifying as cash flow hedges is recognized in other comprehensive income and accumulated in equity. Accumulated other comprehensive income is transferred to profit or loss through a line item relating to the hedged item in the consolidated statement of income, in the periods when the cash flows from the hedged item affect profit or loss. Any ineffective portion of changes in fair value of derivatives is recognized immediately in profit or loss.

When the hedged forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the Company removes the associated gains or losses previously recognized in accumulated other comprehensive income and includes them in the initial amount of the cost of the non-financial asset or non-financial liability (basis adjustment).

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised or when hedge no longer meets the criteria for hedge accounting.

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remains in equity and is reclassified to profit or loss when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gains or losses recognized in accumulated other comprehensive income are reclassified immediately to profit or loss.

(c) Embedded derivatives

Derivatives embedded in non-derivative host contracts ("embedded derivatives") are separated from the host contracts and accounted for as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the whole financial instruments, including embedded derivatives, are not measured at FVTPL.

e. Compound instruments

Compound instruments issued by the Company (corporate bonds with stock acquisition rights) are classified as liability and equity components in accordance with their contractual arrangements. Upon initial recognition of compound instruments, the liability component is measured based on the fair value of similar liabilities with no equity conversion option, and the equity component is measured as the difference between the fair value of the compound instrument as a whole and the fair value of the liability component.

Transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are deducted from equity.

Subsequent to initial recognition, the liability component is measured on an amortized cost basis using the effective interest method. The equity component is not remeasured after initial recognition.

f. Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

Inventories are stated at the lower of cost or net realizable value. Inventories mainly consist of mobile handsets and accessories. Their costs comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs are mainly calculated on 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.

(7) Property, plant and equipment

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

Property, plant and equipment are depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset, less its residual value. Land and construction in progress are not depreciated.

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

Buildings and structures

|           |               |
|-----------|---------------|
| Buildings | 30 – 50 years |
| Other     | 5 – 15 years  |

Telecommunications equipment

|  |               |
|--|---------------|
| Wireless equipment, switching equipment, and other network equipment | 3 – 15 years  |
| Towers   | 15 – 42 years |
| Other  | 5 – 40 years  |
| Other  | 2 – 10 years  |

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

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

## (8) Goodwill

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

Goodwill is not amortized, and is tested for impairment when there is an indication of impairment in cash-generating units to which goodwill has been allocated, and annually regardless of any indication of impairment. Impairment is described in “(11) Impairment of property, plant and equipment, intangible assets and goodwill” in “Note 3. Significant accounting policies.”

The Company’s policy for goodwill arising on the acquisition of an associate is described in “(1) Basis of consolidation” in “Note 3. Significant accounting policies.”

## (9) Intangible assets

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

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

There are intangible assets with finite useful lives and intangible assets with indefinite useful lives.

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

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

|  |              |
|--|--------------|
| Software   |              |
| Software related to wireless equipment . . . . . | 5 – 10 years |
| Other . . . . .                                  | 3 – 5 years  |
| Customer relationships . . . . .                 | 4 – 16 years |
| Favorable lease contracts . . . . .              | 3 – 23 years |
| Game titles . . . . .                            | 3 – 5 years  |
| Trademarks (with finite useful lives) . . . . .  | 34 years     |
| Other . . . . .                                  | 3 – 20 years |

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

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

Intangible assets with indefinite useful lives are as follows:

- Licenses using specific frequency spectrum granted by Federal Communications Commission (“FCC Licenses”)
- Trademarks (with indefinite useful lives)

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

The Company determined that “Sprint,” “Boost Mobile” and other trademarks have indefinite useful lives as they can be legally used continuously as long as the business continues.

The intangible assets with indefinite useful lives and the intangible assets that are not yet available for use are not amortized. The impairment of these assets is described in “(11) Impairment of tangible assets, intangible assets and goodwill” in “Note 3. Significant accounting policies.”



## (10) Leases

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

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

### a. Finance leases

(The Company as lessee)

At inception, the Company initially recognizes finance leases as assets and the lease obligation at the amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

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

### b. Operating leases

(The Company as lessee)

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

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

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

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

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

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

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

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

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

### b. Impairment of goodwill

At the end of the fiscal year and at the end of each quarter, the Company determines whether there is any indication that goodwill may be impaired.

Goodwill is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies arising from the business combination, and it is tested for impairment

annually regardless of any indication of impairment, and when there is an indication that the cash-generating unit may be impaired. If, at the time of the impairment test, the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or groups of cash-generating units and then to the other assets pro rata based on the carrying amount of each asset in the unit or groups of cash-generating units.

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

#### (12) Retirement benefits

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

The Company primarily adopts defined contribution pension plans.

SoftBank Mobile Corp. and SoftBank Telecom Corp. have frozen their defined benefit lump-sum plans since March 2006 and 2007, respectively. Liabilities for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until they are paid in the form of a lump sum at the time of future retirement of employees.

Sprint has frozen its defined benefit pension plans since December 2005. Liabilities for the defined benefit pension plans are recognized as defined benefit liabilities until they are paid as pension after the time of retirement of employees.

##### a. Defined contribution plans

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

##### b. Defined benefit plans

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

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

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and re-measurements of the net defined benefit liability (asset). Service cost and net interest are recognized in net profit or loss. Net interest is determined using the discount rate described above.

The liabilities for defined benefit plans frozen due to the transition to defined contribution plans are calculated on the basis of retirement benefits vested at the time of the transition of the plans. Therefore, service cost is not incurred for those defined benefit plans.

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

#### (13) Provisions

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

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

The Company recognizes asset retirement obligations and restructuring provision as provisions.

Restructuring provisions are recognized when the Company has a detailed formal plan for the restructuring and has raised a valid expectation to those who will be affected that the Company will carry out the restructuring by starting to implement the plan or announcing the main features of the plan.

Restructuring provisions are mainly related to network shutdown and backhaul access contracts. The details of the restructuring provision are described in "Note 23. Provisions."

#### (14) Treasury stock

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

#### (15) Share-based payments

The Company grants stock options and restricted stock unit awards as equity-settled share-based compensation. Stock options are measured at fair value at the grant date. The fair value of stock options is calculated using the Black-Scholes model and the Monte Carlo simulation, and the fair value of restricted stock units is calculated using the share price at the date of grant.

The fair value determined at the grant date is expensed over the vesting period, based on the estimate of stock options or restricted stock units that will eventually vest, with a corresponding increase in equity.

The Company regularly reviews the assumptions made and revises estimates of the number of stock options or restricted stock units that are expected to vest, when necessary.

The Company has used the exemption in IFRS 1 and elected not to apply IFRS 2 “Share-based Payment” for a part of share-based payments vested prior to April 1, 2012 (the date of transition to IFRSs).

#### (16) Revenue

The Company’s accounting policy for revenue recognition by major categories is as follows:

##### a. Mobile Communications service and sales of mobile handsets

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

In the Mobile Communications service, revenues are mainly generated from basic monthly charges, telecom service (“revenues from the mobile telecommunications service”) and other fees. Also, revenues from the sale of mobile handsets (“revenues from the sale of mobile handsets”) are generated from the sale of mobile handsets and accessories to customers or dealers.

The business flow of the above transactions consists of “Indirect sales” where the Company sells mobile handsets to dealers and enters into telecommunications services contract with customers through dealers, and “Direct sales” where the Company sells mobile handsets to customers and enters into telecommunications services contract directly with customers. The revenues are recognized respectively as follows.

##### (a) Indirect sales

Revenues from the sale of mobile handsets are recognized when mobile handsets are delivered to dealers, which is when risk and economic value are deemed to be transferred. Commission fees paid to dealers related to the sales of mobile handsets are deducted from revenues.

The mobile telecommunications services are recognized as revenue when services are provided to customers. Discounts are deducted from revenues from monthly mobile telecommunications services as a discount of mobile telecommunications charges.

Activation fees are deferred upon entering into the contract and recognized as revenues over the estimated average contract period. Upgrade fees are recognized as revenues over the estimated average usage period of handsets with the customers. Direct costs related to activation are deferred to the extent of the activation fees and upgrade fees and are amortized over the respective same period.

##### (b) Direct sales

In direct transaction, as the revenue from the sales of mobile handsets and the mobile telecommunications services, including the fees, are considered to be one transaction, the total amount of revenues are allocated to mobile handsets and telecommunications service on the basis of fair value ratio.

When handsets are sold in installments, revenue from the sales of mobile handsets is recognized based on the fair value ratio when handsets are delivered to the customers. When handsets are sold in lump-sum payment, the maximum amount of revenues to be recognized by the sale of mobile handsets are set by the amounts to be received from customers at the sales of mobile handsets. The amount of revenue allocated to the mobile telecommunication services is recognized, when the service is provided to the customers.

Points granted to customers through the customer loyalty program are deferred at their fair values of benefits to be exchanged based on the estimated point utilization rate and recognized as revenues upon customers' utilizing those points, in both direct and indirect sales.

b. Sales of game items

In games that the Company provides for mobile devices, the Company sells items that are usable in games. The revenue from the sales of those items are deferred at the time of sales, and recognized as revenue when they are actually used by the customers or over the estimated usage period, based on the characteristics of the items.

c. Fixed-line Telecommunications service

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

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

d. Internet service

In Internet service, revenues are generated mainly from premium advertising, promotion advertising, information listing service, commission from e-commerce transactions, and revenues from membership.

Revenues from premium advertising are recognized over the period in which advertisements are shown on a website. Revenue from promotion advertising is recognized when a user clicks on a promotion advertisement. Revenues from information listing service are recognized over the period in which these services are shown on a website. Revenues from commissions of e-commerce transactions are recognized when the transactions occur. Membership revenues are recognized over the period in which the memberships are valid.

(17) Sales commission fees

The Company pays sales commission fees when dealers sell the Company's mobile handsets to customers or acquire and retain engagement of telecommunications service between the Company and customers. Commission fees related to the sales of mobile handsets are deducted from the revenues from the sales of mobile handsets. Commission fees related to the acquisition and retention of engagement of telecommunications service are recognized as selling, general and administrative expenses.

(18) Income tax

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

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

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized. The recoverability of deferred tax assets is reassessed at the end of the fiscal year.

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

Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will reverse in the foreseeable future and when there will be sufficient taxable profits against which the temporary differences can be utilized.

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

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

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

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

#### (19) Earnings per share

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

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

## 4. Significant judgments and estimates

In preparing consolidated financial statements under IFRSs, management makes judgments, estimates, and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue, and expenses. These estimates and underlying assumptions are based on the management's best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of its estimates or assumptions, however, actual results in the future may differ from those estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in the future periods. Significant judgments, estimates and assumptions that affect the amounts recognized in the Company's consolidated financial statements are as follows:

- judgments if an entity is controlled by the Company in the decision making on the scope of consolidation ((1) in "Note 3. Significant accounting policies" and "Note 15. Major subsidiaries");
- estimates of fair value of assets acquired and the liabilities assumed in a business combination ((2) in "Note 3. Significant accounting policies" and "Note 5. Business combinations");
- fair value measurement of available-for-sale financial assets ((4) in "Note 3. Significant accounting policies" and (1) (2) in "Note 26. Fair value of financial instruments");
- estimates of forecasted transactions related to hedge accounting ((4) in "Note 3. Significant accounting policies");
- estimates for amortization period and impairment of financial assets measured at amortized cost ((4) in "Note 3. Significant accounting policies" and "Note 37. Other non-operating income and loss");
- fair value measurement of derivatives (including embedded derivatives) ((4) in "Note 3. Significant accounting policies," (1) (2) in "Note 26. Fair value of financial instruments," and "Note 37. Other non-operating income and loss");
- estimates of useful life of property, plant and equipment and intangible assets ((7) (9) in "Note 3. Significant accounting policies");
- estimates for impairment of property, plant and equipment, intangible assets and goodwill ((11) in "Note 3. Significant accounting policies," "Note 13. Goodwill and intangible assets" and "Note 35. Other operating income and loss");
- judgments and estimates for recognition and measurement on provisions ((13) in "Note 3. Significant accounting policies" and "Note 23. Provisions"); and
- assessment of recoverability of deferred tax assets ((18) in "Note 3. Significant accounting policies" and (4) in "Note 18. Income taxes").

During the three-month period ended June 30, 2013, in conjunction with the measurement of the carrying amount of the bonds with stock acquisition rights issued by Sprint Nextel Corporation and held by a subsidiary, Starburst II, Inc., the Company changed the underlying assumptions and related estimates for the acquisition of Sprint. These bonds with stock acquisition rights were converted into the shares of Sprint in July 2013.

The details are described in "Note 37. Other non-operating income and loss."

## 5. Business combinations

For the fiscal year ended March 31, 2013

### (1) eAccess Ltd.

#### a. Overview of consolidation

The Company and eAccess Ltd. executed a stock exchange transaction in which the Company became the parent and eAccess Ltd. became its wholly owned subsidiary as of January 1, 2013 (effective date of stock exchange), pursuant to the stock exchange agreement between two companies entered into on October 1, 2012, and to the amended stock exchange agreement entered into on November 2, 2012. Further, on January 17, 2013, eAccess Ltd. acquired and then canceled all its common stocks owned by the Company, and newly issued Class A shares (without voting rights) and Class B shares (with voting rights) to the Company. On the same day, a part of eAccess Ltd.'s Class B shares owned by the Company were transferred to 11 third-party companies.

As a result, the Company's voting rights in eAccess Ltd. decreased to 33.3%, less than the majority. However, the Company's economic ownership ratio is 99.5%, which is significantly higher than the percentage of voting rights (33.3%). Also, considering the fact that the proportion of voting rights is relatively large compared to voting rights of other holders due to the dispersion of voting rights, and considering the fact that the Company can practically appoint and dismiss directors of eAccess Ltd. pursuant to the stock transfer agreement executed between the Company and the third-party companies, the Company determined that it has substantial control over eAccess Ltd. and included it into the scope of consolidation as a subsidiary.

eAccess Ltd. conducted an absorption type merger with WILLCOM, Inc., eAccess Ltd. being the surviving company and WILLCOM, Inc. being the dissolving company, effective on June 1, 2014.

Note:

Other than voting rights, the holders of Class A shares and the holders of Class B shares are granted the same rights.

(Business description of eAccess Ltd.)

(a) Providing mobile broadband communication services

(b) Providing ADSL communication services mainly through wholesale channels

(Acquisition date)

January 1, 2013

#### b. Consideration transferred and its components

|  | <u>(Millions of yen)</u> |
|--|--------------------------|
|  | <u>Acquisition date</u>  |
|  | <u>(January 1, 2013)</u> |
| Fair value of SoftBank Corp.'s common stocks delivered at the time of acquisition of control .....   | ¥219,396                 |
| Fair value of Class B shares of eAccess Ltd. transferred at the time of acquisition of control ..... | (1,100)                  |
| Total consideration transferred .....  | A <u>¥218,296</u>        |

¥1,028 million of acquisition-related costs arising from the business combinations are recognized in "Selling, general and administrative expenses."

#### c. Exchange ratio for each class of shares, calculation method for exchange ratio, and the number and estimated value of shares delivered

(a) Exchange ratio for each class of shares

20.09 shares of SoftBank Corp.'s common stocks for one common stock of eAccess Ltd.

(b) Calculation method for exchange ratio

Stock prices (closing price) of common stock of eAccess Ltd. were ¥15,070 on September 28, 2012 and ¥45,500 on November 2, 2012, respectively. The Company and eAccess Ltd. determined the estimated value of common stocks of eAccess Ltd. through mutual consultation, taking in consideration above stock prices, as well as (1) the mobile communication services network of eAccess Ltd., (2) its customer base, and (3) synergies to be created between eAccess Ltd. and SoftBank Mobile Corp.



To ensure that exchange ratio is determined in a fair and reasonable manner, the Company and eAccess Ltd. respectively used independent financial advisors to conduct financial analyses of the exchange ratio, when entering into the amended stock exchange agreement. The Company used Mizuho Securities Co., Ltd and Plutus Consulting Co., Ltd., whereas eAccess Ltd. used Goldman Sachs Japan Co., Ltd.

(c) The number and value of shares delivered

|                                   |            |
|-----------------------------------|------------|
| The number of shares              | 69,871,312 |
| The value of shares (million yen) | ¥ 219,396  |

d. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  |             | (Millions of yen)                     |
|--|-------------|---------------------------------------|
|  |             | Acquisition date<br>(January 1, 2013) |
| Current assets                         |             | ¥ 84,069                              |
| Property, plant and equipment          |             | 147,886                               |
| Intangible assets                      |             | 113,107                               |
| Other non-current assets               |             | 38,311                                |
| Total assets                           |             | 383,373                               |
| Current liabilities                    |             | 108,073                               |
| Non-current liabilities                |             | 191,926                               |
| Total liabilities                      |             | 299,999                               |
| Net assets                             | B           | 83,374                                |
| Non-controlling interests <sup>1</sup> | C           | 417                                   |
| Goodwill <sup>2</sup>                  | A – (B – C) | ¥135,399                              |

Notes:

- Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at the acquisition date in the identifiable net assets of the acquiree at the acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development and assembled workforce, and the synergy with existing businesses.

e. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

As for the fair value of ¥30,882 million of acquired receivables and other receivables (mainly sales receivables), the total amount of contracts is ¥33,754 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥2,872 million.

f. Increase in cash from acquisition of control over subsidiary

|  | (Millions of yen)                     |
|--|---------------------------------------|
|  | Acquisition date<br>(January 1, 2013) |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control | ¥29,796                               |
| Proceeds from transfer of Class B shares of eAccess Ltd.                             | 1,100                                 |
| Increase in cash from the acquisition of control over the subsidiary                 | ¥30,896                               |

g. Sales and net income of the acquiree

The amount of the acquiree's sales and net income before elimination of inter-company transactions and after the acquisition date are ¥53,013 million and ¥5,382 million respectively, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2013.

For the fiscal year ended March 31, 2014

(2) GungHo Online Entertainment, Inc.

a. Overview of consolidation

Masayoshi Son, chairman and CEO of the SoftBank Corp., has entered into a Memorandum of Understanding on Exercise of Voting Rights for Deferment of Execution of Pledges (the “MOU”) with respect to the shares of GungHo on April 1, 2013, with Heartis G.K. (the “Heartis”; percentage of voting interest: 18.5%), which is the second largest shareholder of GungHo and Taizo Son’s asset management company and of which Taizo Son, chairman of GungHo, is the representative director. Under the MOU, in order to have Son Holdings Inc., of which Masayoshi Son is a director and which is a Masayoshi Son’s asset management company, defer the execution of pledges over the shares of GungHo held by Heartis, Heartis has agreed, effective as of April 1, 2013, to the effect that at the shareholders meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son’s directions. Also, a subsidiary of the Company, SoftBank Mobile Corp., undertook the Tender Offer from April 1, 2013 to April 26, 2013 and acquired 6.37% of GungHo shares (purchase price: ¥24,976 million). The Company and Heartis together came to represent the majority of the voting rights in GungHo’s shares (percentage of voting interest: 58.50%) and GungHo Online Entertainment changed from an equity method associate to a subsidiary of the Company.

With this transaction, the Company expects that it will be able to enhance mobile contents, and to improve the efficiency in operation of the mobile communications business and profitability competitiveness by combining smartphone-focused development capability and infrastructure held by the Company, and planning and creating capabilities in the smartphone game industry held by GungHo.

(Business description of GungHo)

- (a) Planning, development, operation and distribution of online games
- (b) Planning, development and sales of mobile content
- (c) Planning, development and sales of character goods
- (d) Planning, development and distribution of other entertainment content

(Acquisition date)

April 1, 2013

b. Consideration transferred and its components

|  | <u>(Millions of yen)</u> |
|--|--------------------------|
|  | <u>Acquisition date</u>  |
|  | <u>(April 1, 2013)</u>   |
| Payment by cash . . . . .  | ¥ 24,976                 |
| Fair value of equity interests in GungHo already held at the time of the acquisition . . . . . | 153,620                  |
| Total consideration transferred . . . . . A  | <u>¥178,596</u>          |

Acquisition-related costs of ¥109 million arising from the business combinations are recognized in “Selling, general and administrative expenses.”

As a result of the reevaluation of 33.63% in equity interest already held at the time of the acquisition of control by the Company in GungHo at fair value on the acquisition date, the Company recognized a gain on the step acquisition of ¥150,120 million. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

c. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  | (Millions of yen)                   |
|--|-------------------------------------|
|  | Acquisition date<br>(April 1, 2013) |
| Current assets . . . . .                         | ¥ 36,903                            |
| Intangible assets . . . . .                      | 80,814                              |
| Other non-current assets . . . . .               | 4,511                               |
| Total assets . . . . .                           | 122,228                             |
| Current liabilities . . . . .                    | 10,897                              |
| Non-current liabilities . . . . .                | 29,949                              |
| Total liabilities . . . . .                      | 40,846                              |
| Net assets . . . . .                             | B 81,382                            |
| Non-controlling interests <sup>1</sup> . . . . . | C 48,818                            |
| Goodwill <sup>2</sup> . . . . .                  | A – (B – C) ¥146,032                |

Notes:

1. Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at acquisition date in the identifiable net assets of the acquiree at acquisition date.
2. Goodwill  
Goodwill reflects excess earning power expected from the future business development and assembled workforce for game development and other and the synergy with existing businesses.

d. Decrease in cash from acquisition of control over subsidiary

|  | (Millions of yen)                   |
|--|-------------------------------------|
|  | Acquisition date<br>(April 1, 2013) |
| Payment for the acquisition by cash . . . . .  | ¥(24,976)                           |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . | 11,025                              |
| Decrease in cash from the acquisition of control over the subsidiary . . . . .             | ¥(13,951)                           |

e. Sales and net income of the acquiree

The amount of the acquiree's sales and net income before elimination of inter-company transactions and after the acquisition date are ¥181,056 million and ¥42,857 million respectively, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

(3) Sprint

a. Overview of consolidation

On October 15, 2012, the Company and Sprint entered into a series of definitive agreements under which the Company will invest in Sprint. After the completion of negotiations, the Company and Sprint agreed to amend a portion of the transaction on June 11, 2013.

On July 10, 2013, SoftBank Corp. capitalized Sprint, through a wholly owned subsidiary, Starburst I, Inc. in the U.S., with an additional \$18.5 billion and the total investment of SoftBank Corp. amounted to \$21.6 billion, including \$3.1 billion of corporate bonds with stock acquisition rights issued by Sprint Nextel Corporation (the "Bond") invested by Starburst II, Inc. on October 22, 2012. Of the invested amounts of \$21.6 billion, \$16.6 billion was distributed to existing individual Sprint's shareholders and \$5 billion is used to strengthen Sprint. The Bond held by Starburst II, Inc. was converted into shares.

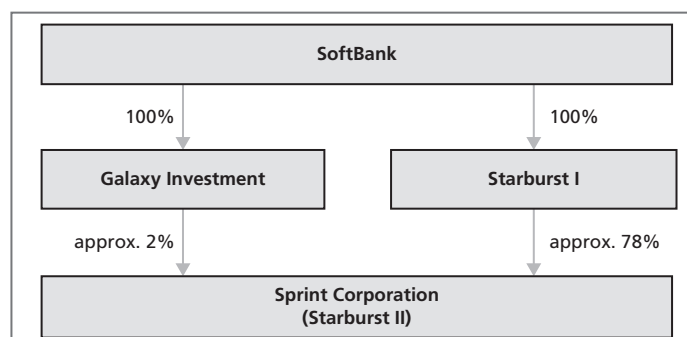
Through the transaction, approximately 72% of Sprint Nextel Corporation shares were acquired for \$7.65 per share in cash, and the remaining shares were converted into Sprint shares on a one-to-one basis, which succeeded Sprint Nextel Corporation and became listed on the New York Stock Exchange.

As a result of the transaction, Starburst I, Inc., owns approximately 78% of the shares of Sprint and Sprint became a subsidiary of SoftBank Corp.

Prior to the transaction, Clearwire, a company providing high-speed wireless communication services in the U.S., became a wholly owned subsidiary of Sprint on July 9, 2013.

From August 1, 2013 to September 16, 2013, SoftBank Corp., through Galaxy Investment Holdings, Inc., a wholly owned subsidiary in the U.S., additionally purchased approximately 2% of the shares of Sprint (purchase price: \$500 million). As a result, the Company's ownership in the outstanding Sprint common stock became approximately 80% as of March 31, 2014.

(Structure after completion of the transaction)



b. Purposes of consolidation

- (a) Enables the Company to establish an operating base as one of the largest mobile Internet companies in the world. The combined subscriber base will be one of the largest between the U.S. and Japan\*.
- (b) Enables the Company to leverage its deep expertise in smartphones and next-generation mobile networks, and its track record of success in competing in mature markets with large incumbents, to enhance competitiveness of Sprint in the U.S.
- (c) Provides Sprint \$5.0 billion of new capital for its mobile network, strategic investments, and balance sheet as part of its continued efforts to fortify its operating base towards future growth.

Note:

Based on Telecommunications Carriers Association ("TCA") data and disclosed material by relevant companies as of the end of June 2013.

c. Summary of Sprint

| Name                             | Sprint Corporation   |
|----------------------------------|--|
| Address                          | 6200 Sprint Parkway, Overland Park, Kansas   |
| Name and title of representative | Dan Hesse, Chief Executive Officer and Director  |
| Business description             | Holding company<br>Provision of telecommunications services through its operating subsidiaries   |
| Note                             | The Chairman of the Board and the Vice Chairman of the Board were assumed by Masayoshi Son, the Chairman & CEO of SoftBank Corp. and Ronald Fisher, Director of SoftBank Corp., respectively.<br>Adm. Mike Mullen, former Chairman of the Joint Chiefs of Staff, has been appointed as the Director in charge of security. |
| Consolidated sales               | \$35,493 million (Fiscal year ended December 2013, US GAAP)  |

d. Acquisition date

July 10, 2013

e. Consideration transferred and its components

|   |   | (Millions of yen)                   |
|---|---|-------------------------------------|
|   |   | Acquisition date<br>(July 10, 2013) |
| Payment by cash . . . . .   |   | ¥1,875,149                          |
| Conversion of corporate bonds with stock acquisition right held at the time of<br>acquisition . . . . . |   | 313,534                             |
| Total consideration transferred . . . . .   | A | ¥2,188,683                          |

Acquisition-related costs of ¥12,106 million arising from the business combination are recognized in “Selling, general and administrative expenses,” with ¥3,751 million for the fiscal year ended March 31, 2013, and ¥8,355 million for the fiscal year ended March 31, 2014.

f. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  |                 | (Millions of yen)                   |
|--|-----------------|-------------------------------------|
|  |                 | Acquisition date<br>(July 10, 2013) |
| Current assets                                       |                 |                                     |
| Cash and cash equivalents . . . . .                  |                 | ¥ 447,873                           |
| Trade and other receivables <sup>1</sup> . . . . .   |                 | 322,957                             |
| Other financial assets . . . . .                     |                 | 111,764                             |
| Inventories . . . . .                                |                 | 105,318                             |
| Other current assets . . . . .                       |                 | 42,655                              |
| Total current assets . . . . .                       |                 | 1,030,567                           |
| Non-current assets                                   |                 |                                     |
| Property, plant and equipment <sup>2</sup> . . . . . |                 | 1,291,364                           |
| Intangible assets <sup>2</sup> . . . . .             |                 | 5,301,283                           |
| Other financial assets . . . . .                     |                 | 23,938                              |
| Other non-current assets . . . . .                   |                 | 12,394                              |
| Total non-current assets . . . . .                   |                 | 6,628,979                           |
| Total assets . . . . .                               |                 | 7,659,546                           |
| Current liabilities                                  |                 |                                     |
| Interest-bearing debt <sup>2</sup> . . . . .         |                 | 86,961                              |
| Trade and other payables . . . . .                   |                 | 632,348                             |
| Income taxes payables . . . . .                      |                 | 4,553                               |
| Provisions <sup>3</sup> . . . . .                    |                 | 106,630                             |
| Other current liabilities . . . . .                  |                 | 282,501                             |
| Total current liabilities . . . . .                  |                 | ¥1,112,993                          |
| Non-current liabilities                              |                 |                                     |
| Interest-bearing debt <sup>2</sup> . . . . .         |                 | ¥2,668,163                          |
| Other financial liabilities . . . . .                |                 | 5,662                               |
| Defined benefit liabilities . . . . .                |                 | 65,763                              |
| Provisions <sup>3</sup> . . . . .                    |                 | 143,739                             |
| Deferred tax liabilities <sup>4</sup> . . . . .      |                 | 1,409,387                           |
| Other non-current liabilities . . . . .              |                 | 184,106                             |
| Total non-current liabilities . . . . .              |                 | 4,476,820                           |
| Total liabilities . . . . .                          |                 | 5,589,813                           |
| Net assets . . . . .                                 | B               | 2,069,733                           |
| Non-controlling interests <sup>5</sup> . . . . .     | C               | 467,910                             |
| Basis adjustment <sup>6</sup> . . . . .              | D               | 311,659                             |
| Goodwill <sup>7</sup> . . . . .                      | A – (B – C) – D | ¥ 275,201                           |

Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. The above amounts, which are provisional fair values based on the best estimate at present, may change for a year from the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date, may be obtained.

From the acquisition date, provisional amounts of assets, liabilities and non-controlling interests on the acquisition date have been adjusted. Major adjustments are as follows: Intangible assets increased by ¥25,660 million due to additional analysis performed by Sprint management related to the value assigned to certain FCC Licenses<sup>8</sup>. Deferred tax liabilities decreased by ¥13,699 million primarily due to adjustments related to FCC Licenses. Non-controlling interest increased by ¥30,204 million. Accordingly, goodwill decreased by ¥19,217 million.

The above JPY amount is translated at the exchange rate (USD = JPY101.14) as of the acquisition date.

#### Notes

1. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected As for the fair value of ¥322,957 million of acquired receivables and other receivables (mainly sales receivables), the total amount of contracts is ¥343,792 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥20,835 million.
2. Property, plant and equipment, intangible assets and interest-bearing debt  
The components are described in "Note 12. Property, plant and equipment." "Note 13. Goodwill and Intangible assets" and "(1) Components of interest-bearing debt" in "Note 19. interest-bearing debt."
3. Provisions  
Provisions recognized by the business combination are mainly asset retirement obligations, lease exit costs related to the shutdown of the Nextel Platform, and exit costs related to payments that will continue to be made under Sprint's backhaul access contracts for which it will no longer be receiving any economic benefit. Backhaul is an intermediary network which connects the cell towers to the local switching center.
4. Deferred tax liabilities  
Deferred tax liabilities recognized by this business combination are mainly temporary differences related to FCC Licenses, and trademarks with indefinite useful lives.
5. Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests in the identifiable net assets of the acquiree at the acquisition date.
6. Basis adjustment  
The Company entered into a foreign currency forward contract to hedge exchange risks resulting from the investment in Sprint. This scheduled transaction was designated as a cash flow hedge. ¥311,659 million, the fair value of the hedging instruments at the acquisition date was deducted from the initial amount of goodwill which was recognized from the acquisition.
7. Goodwill  
Goodwill reflects excess earning power expected from the future business development and the synergy with existing businesses.
8. FCC Licenses  
Licenses issued by the U.S. Federal Communications Commission for use of specified frequency bands.

#### g. Decrease in cash from acquisition of control over subsidiary

|  | (Millions of yen)                                 |
|--|---|
|  | <u>Acquisition date</u><br><u>(July 10, 2013)</u> |
| Payment for the acquisition by cash . . . . .  | ¥(1,875,149)                                      |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . . .                   | 447,873   |
| Decrease in cash from the acquisition of control over the subsidiary . . . . .                                   | <u>(1,427,276)</u>                                |
| Proceeds from settlement of foreign currency forward contract for acquisition of control of subsidiary . . . . . | 310,104   |
| Decrease in cash from the acquisition of control over the subsidiary, net . . . . .                              | <u>¥(1,117,172)</u>                               |

#### h. Purchase commitments

Purchase commitments increased through the business combination were ¥2,555,706 million at the acquisition date. These mainly arose from outstanding contracts relating to purchase of telecommunications equipment, purchase of mobile handsets, and connection with the other telecommunications carriers.

#### i. Sales and net loss of the acquiree

The amounts of the acquiree's sales and net loss before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥2,601,031 million and ¥188,396 million, respectively.

In addition, the above net loss includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.



(4) WILLCOM, Inc.

a. Overview of consolidation

The Company owns 100% of shares issued by WILLCOM, Inc. However, WILLCOM, Inc. was in the process of rehabilitation under the Corporate Reorganization Act and the Company did not have effective control over WILLCOM, Inc. Therefore, WILLCOM, Inc. was not treated as a subsidiary.

WILLCOM, Inc. made prepayments of rehabilitation claims and rehabilitation security interests in June 2013, and filed a petition with the Tokyo District Court for the termination of its rehabilitation proceedings. WILLCOM, Inc. received an order of termination of rehabilitation proceedings from the Tokyo District Court on July 1, 2013. Consequently, WILLCOM, Inc. became a subsidiary of the Company.

WILLCOM, Inc. conducted an absorption type merger with eAccess Ltd., eAccess Ltd. being the surviving company and WILLCOM, Inc. being the dissolving company, effective on June 1, 2014.

(Business description of WILLCOM, Inc.)

Telecommunication business

(Acquisition date)

July 1, 2013

b. Consideration transferred and its components

|  |   | (Millions of yen)                  |
|--|---|------------------------------------|
|  |   | Acquisition date<br>(July 1, 2013) |
| Fair value of equity interest in WILLCOM, Inc. already held at the time of the acquisition |   | ¥104,070                           |
| Total consideration transferred  | A | ¥104,070                           |

As a result of the reevaluation of 100% equity interest already held by the Company at the time of the acquisition of control in WILLCOM, Inc. at fair value, the Company recognized a gain of ¥103,766 million. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

c. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  |             | (Millions of yen)                  |
|--|-------------|------------------------------------|
|  |             | Acquisition date<br>(July 1, 2013) |
| Current assets                         |             | ¥ 80,843                           |
| Property, plant and equipment          |             | 46,026                             |
| Intangible assets                      |             | 43,639                             |
| Other non-current assets               |             | 14,883                             |
| Total assets                           |             | 185,391                            |
| Current liabilities                    |             | 83,958                             |
| Non-current liabilities                |             | 16,284                             |
| Total liabilities                      |             | 100,242                            |
| Net assets                             | B           | 85,149                             |
| Non-controlling interests <sup>1</sup> | C           | 222                                |
| Goodwill <sup>2</sup>                  | A – (B – C) | ¥ 19,143                           |

Notes:

- Non-controlling interests  
Non-controlling interests is from WILLCOM OKINAWA, Inc. (proportionate interest held by the Company is 80%), a subsidiary of WILLCOM, Inc., and it is measured based on the proportionate interests after the acquisition in the identifiable net assets of the acquiree at the acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development, assembled workforce and the synergy with existing business.

- d. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

The main components of acquired trade and other receivables are installment receivables and the fair value is ¥31,039 million. The total amount of contractual receivables is ¥31,328 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥289 million.

- e. Increase in cash from acquisition of control over subsidiary

|  | (Millions of yen)                                |
|--|--|
|  | <u>Acquisition date</u><br><u>(July 1, 2013)</u> |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . . . | ¥14,043  |
| Increase in cash from the acquisition of control over the subsidiary . . . . .                 | <u>¥14,043</u>                                   |

- f. Sales and net loss of the acquiree

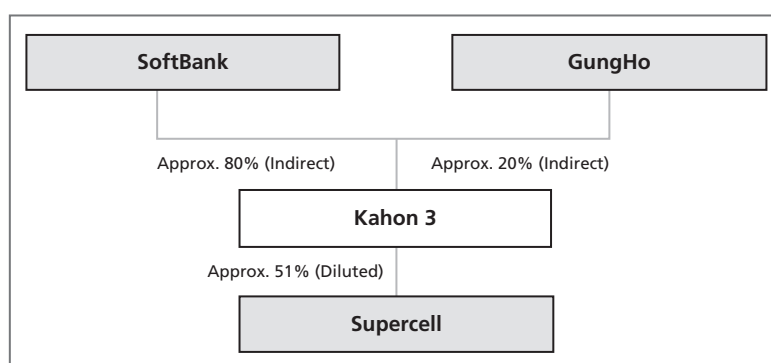
The amounts of the acquiree's sales and net loss before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥124,068 million and ¥4,823 million, respectively.

In addition, the above net loss includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

## (5) Supercell Oy

- a. Overview of consolidation

SoftBank Corp. and GungHo, a subsidiary of SoftBank Corp., communally established Kahon 3, a special purpose company in Finland, SoftBank Corp. indirectly investing \$1,224 million (investing ratio of approximately 80%) and GungHo indirectly investing approximately \$306 million (investing ratio of approximately 20%). Through Kahon 3, the special purpose company, SoftBank Corp. and GungHo acquired approximately 51% (diluted) of voting stock of Supercell, with a total of \$1.53 billion (¥150,720 million) on October 31, 2013. Accordingly, Supercell, a mobile game company headquartered in Finland, became a subsidiary of SoftBank Corp.



- b. Purpose of consolidation

Supercell is a mobile game company headquartered in Finland. This new strategic partnership with SoftBank Corp. and GungHo will help accelerate Supercell's goal of becoming "the first truly global games company."

GungHo started its online game business in 2002, and it has since accumulated significant expertise and produced notable results in the development and operation of online games. Through the transaction, GungHo will leverage Supercell's position among the apps in the Games category of the App Store and marketing power abroad to enhance its global expansion.

c. Summary of Supercell

| Name                             | Supercell Oy  |
|----------------------------------|---|
| Address                          | Itämerenkatu 11-13 00180 Helsinki Finland                       |
| Name and title of representative | Ilkka Paananen, CEO   |
| Business description             | Mobile/Social interactive entertainment                         |
| Common stock                     | €2,500  |
| Date of foundation               | May 14, 2010  |
| Consolidated sales               | €519,093 thousands (the year ended December 2013, Finnish GAAP) |

d. Acquisition date

October 31, 2013

e. Consideration transferred and its components

|   |   | (Millions of yen)                      |
|---|---|--|
|   |   | Acquisition date<br>(October 31, 2013) |
| Payment by cash . . . . .                 |   | ¥140,397                               |
| Total consideration transferred . . . . . | A | ¥140,397                               |

Acquisition-related costs of ¥3,114 million arising from the business combination are recognized in “Selling, general and administrative expenses.”

Kahon 3 acquired common and preferred stocks of Supercell and options, which can convert the preferred stocks to common stocks (“conversion options”), for a total of ¥150,720 million. The consideration transferred for the business combination is ¥140,397 million, deducting the fair value of ¥10,323 million for the preferred stocks and the conversion options from the total amount of ¥150,720 million to acquire Supercell.

The fair value of ¥10,323 million for the preferred stocks and the conversion option is deducted from capital surplus as “Acquisition of options to convert to subsidiaries’ common stocks” in the consolidated statement of changes in equity.

f. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  |             | (Millions of yen)                      |
|--|-------------|--|
|  |             | Acquisition date<br>(October 31, 2013) |
| Current assets . . . . .                         |             | ¥ 22,123                               |
| Intangible assets . . . . .                      |             | 119,204                                |
| Other non-current assets . . . . .               |             | 73                                     |
| Total assets . . . . .                           |             | 141,400                                |
| Current liabilities . . . . .                    |             | 22,518                                 |
| Non-current liabilities . . . . .                |             | 23,993                                 |
| Total liabilities . . . . .                      |             | 46,511                                 |
| Net assets . . . . .                             | B           | 94,889                                 |
| Non-controlling interests <sup>1</sup> . . . . . | C           | 53,295                                 |
| Goodwill <sup>2</sup> . . . . .                  | A – (B – C) | ¥ 98,803                               |

Consideration transferred is allocated to acquired assets and assumed liabilities based on a fair value on the acquisition date. The above amounts, which are provisional fair values based on the best estimate at present, may change for a year from the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date may be obtained.

Notes:

- Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured based on the proportionate interests at acquisition date in the identifiable net assets of the acquiree at acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development and assembled workforce for game development and other, and the synergy with existing businesses.

g. Decrease from acquisition of control over subsidiaries

|  | (Millions of yen)                                    |
|--|--|
|  | <u>Acquisition date</u><br><u>(October 31, 2013)</u> |
| Payment for the acquisition by cash . . . . .  | ¥(140,397)   |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control . . . . . | 2,495  |
| Decrease in cash from the acquisition of control over the subsidiary . . . . .                 | <u>¥(137,902)</u>                                    |

h. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥54,841 million and ¥3,799 million, respectively.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

(6) Brightstar Corp.

a. Overview of consolidation

The Company completed the acquisition of all common and preferred stocks of Brightstar Corp., a mobile device distributor in the United States, and the establishment of the organizational structure related to the transaction on January 30, 2014. Accordingly, Brightstar Corp. became a subsidiary of the Company. At the completion of the transaction, the Company owns approximately 57% of the voting rights of Brightstar Global Group Inc. that owns 100% of Brightstar Corp.

In the transaction, SoftBank Corp. invested a total of \$1.26 billion (¥128.4 billion) into Brightstar Global Group Inc., of which SoftBank Corp. owns all the interests. SoftBank Corp. received newly-issued common stocks of Brightstar Global Group Inc., newly-issued non-voting preferred stocks of Brightstar Global Group Inc. that have an aggregate liquidation preference of \$860 million, and warrant (the "Warrant") that provides SoftBank Corp. with the rights to acquire a number of common stocks of Brightstar Global Group Inc. for de minimis value. The Warrant entitles SoftBank Corp. to raise its ownership of the common stocks of Brightstar Global Group Inc. to approximately 70% over five years. Brightstar Global Group Inc. acquired all common and preferred stocks (including payment of accrued dividends) of Brightstar Corp. from existing shareholders for consideration of \$1.11 billion and newly issued common stocks Brightstar Global Group Inc. representing approximate 43% of the common shares issued.

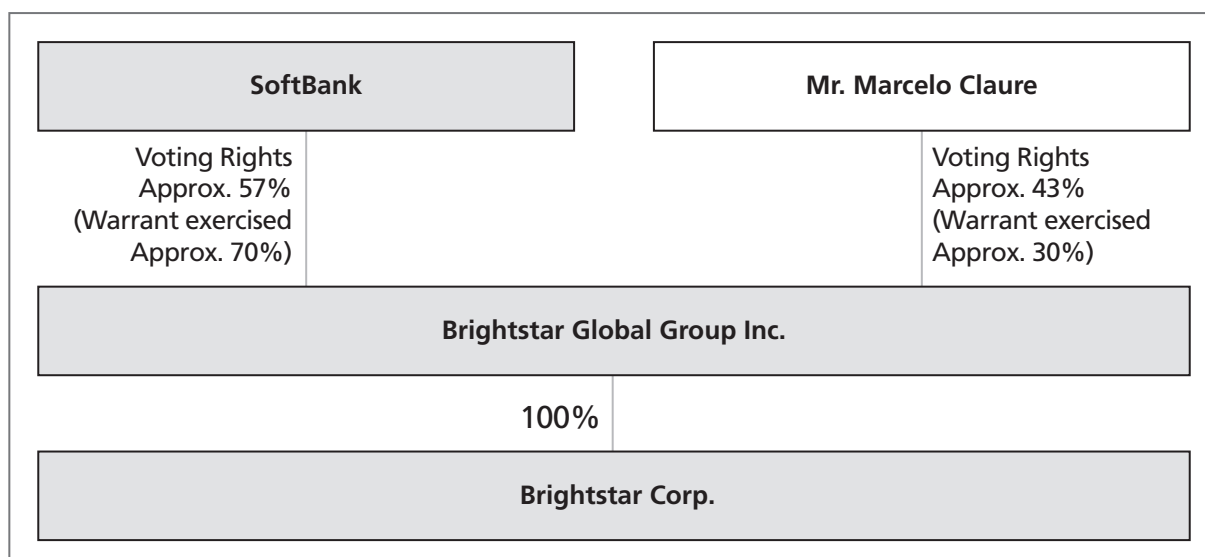
As a result of the transaction, SoftBank Corp. owns approximately 57% of the voting rights and common shares of the Brightstar Global Group Inc. that owns 100% of Brightstar Corp., and Marcelo Claure, Chairman and CEO of Brightstar Corp., owns approximately 43%. Accordingly, Brightstar Corp. became a subsidiary of SoftBank Corp. The Company accounts for Brightstar Global Group Inc. as an acquiree.

The Company used \$1.11 billion out of the total investment of \$1.26 billion to complete the Brightstar Corp. share purchases, and the remaining \$0.15 billion of SoftBank Corp.'s investment will be contributed to Brightstar Corp. in order to fund, among other, ongoing corporate activities.

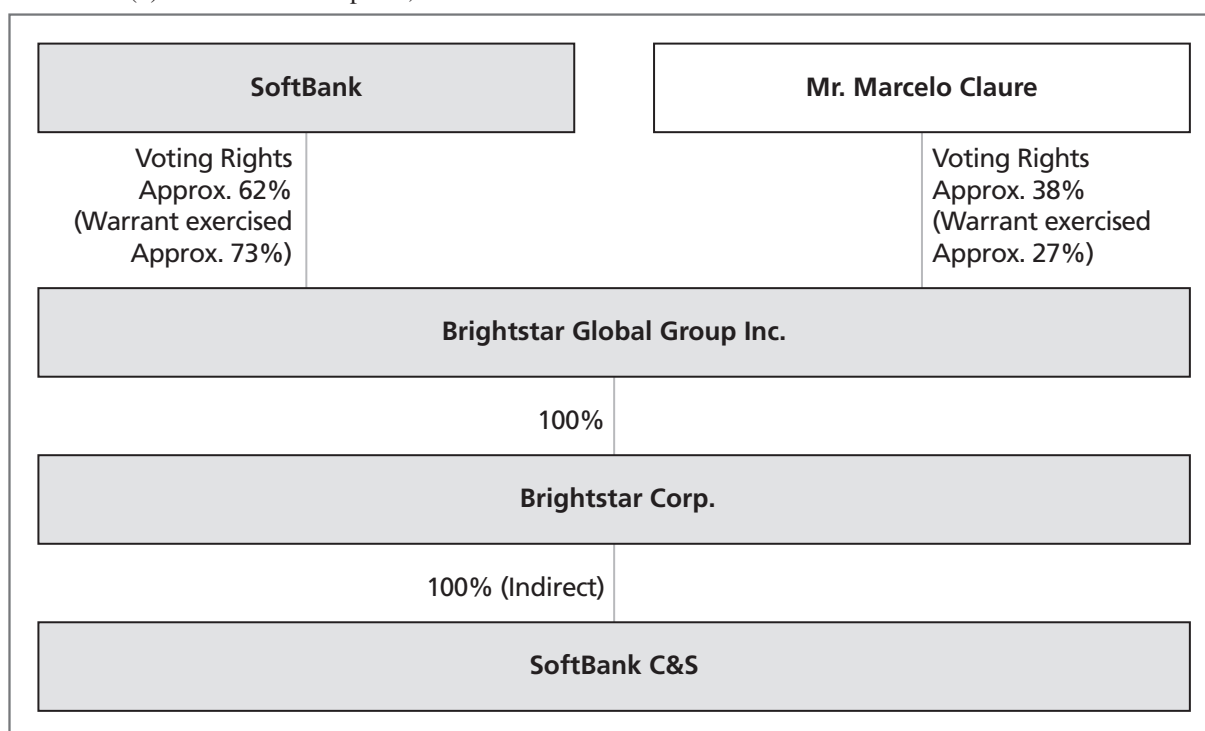
The Company plans to ratably exercise the Warrant to increase its ownership in Brightstar Global Group Inc. to obtain approximately 70% of the voting power, and common stock, over the five year vest period.

SoftBank BB Corp., a subsidiary of SoftBank Corp., divided its commerce and service business and newly established SoftBank C&S on April 1, 2014. All shares of SoftBank C&S held by SoftBank Corp. were transferred to SB C&S Holdings G.K., a wholly-owned subsidiary of Brightstar Corp., and SoftBank Corp. acquired additional common stocks of Brightstar Global Group Inc. As a result, the Company's ownership share of the voting rights and common stocks of Brightstar Global Group Inc. became approximately 62% (approximately 73% after the exercise of the Warrant) on April 1, 2014.

(a) Structure as of March 31, 2014



(b) Structure as of April 1, 2014



b. Purpose of consolidation

Brightstar Corp. is one of the world's largest specialized wireless distributors and a leading provider of diversified services focused on enhancing the performance and results of the key participants in the wireless device value chain: manufacturers, operators and retailers. Its services include Supply Chain Solutions, Handset Protection & Insurance, Buyback and Trade-in Solutions, Multi-Channel Retail Solutions, and Financial Services. Today, Brightstar Corp. provides services in over 125 countries and has a local presence in over 50 countries.

The Company acquired Sprint in July 2013, expanding its business operations from Japan to the U.S. With Brightstar Corp. becoming a subsidiary, the Company aims to strengthen its purchasing scale for mobile devices and further increase competitiveness both in Japan and the U.S.

c. Summary of Brightstar Corp.

| <u>Name</u>                      | <u>Brightstar Corp.</u>                                       |
|----------------------------------|---|
| Address                          | 9725 NW 117th Ave, #300 Miami, Florida, U.S.A.                |
| Name and title of representative | Marcelo Claure, Chairman and Chief Executive Officer          |
| Business description             | Mobile device distribution                                    |
| Common stock                     | \$2,000   |
| Date of foundation               | September 23, 1997  |
| Consolidated sales               | \$7,227,879 thousands (the year ended December 2013, US GAAP) |

d. Acquisition date

January 30, 2014

e. Consideration transferred and its components

|   |   | <u>(Millions of yen)</u>  |
|---|---|---------------------------|
|   |   | <u>Acquisition date</u>   |
|   |   | <u>(January 30, 2014)</u> |
| Payment by cash . . . . .                 |   | ¥128,378                  |
| Total consideration transferred . . . . . | A | <u>¥128,378</u>           |

Acquisition-related costs of ¥1,190 million arising from the business combination are recognized in “Selling, general and administrative expenses.”

f. Fair value of assets and liabilities, non-controlling interests and goodwill on the acquisition date

|  |             | <u>(Millions of yen)</u>  |
|--|-------------|---------------------------|
|  |             | <u>Acquisition date</u>   |
|  |             | <u>(January 30, 2014)</u> |
| Current assets . . . . .                         |             | ¥340,644                  |
| Intangible assets . . . . .                      |             | <u>74,991</u>             |
| Total assets . . . . .                           |             | 415,635                   |
| Current liabilities . . . . .                    |             | 260,518                   |
| Non-current liabilities . . . . .                |             | <u>82,835</u>             |
| Total liabilities . . . . .                      |             | 343,353                   |
| Net assets . . . . .                             | B           | 72,282                    |
| Non-controlling interests <sup>1</sup> . . . . . | C           | <u>3,761</u>              |
| Goodwill <sup>2</sup> . . . . .                  | A – (B – C) | <u>¥ 59,857</u>           |

Consideration transferred is allocated to acquired assets and assumed liabilities based on fair value on the acquisition date. The above amounts, which are provisional fair values based on the best estimate at present, may change for a year from the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date may be obtained.

Notes:

- Non-controlling interests  
Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at acquisition date in the identifiable net assets of the acquiree at acquisition date.
- Goodwill  
Goodwill reflects excess earning power expected from the future business development and the synergy with existing businesses.

g. Estimation of fair values of acquired receivables, contractual amounts receivables and amounts not expected to be collected

As for fair value of ¥190,802 million of acquired receivables and other receivables (mainly sales receivables), the total amount of contracts is ¥192,194 million and the estimate of the contractual cash flows not expected to be collected at the acquisition date is ¥1,392 million.



h. Decrease in cash from acquisition of control over subsidiary

|  | (Millions of yen)                                    |
|--|--|
|  | <u>Acquisition date</u><br><u>(January 30, 2014)</u> |
| Payment for the acquisition by cash .....  | ¥(128,378)   |
| Cash and cash equivalents held by the acquiree at the time of acquisition of control ..... | 41,428   |
| Decrease in cash from the acquisition of control over the subsidiary .....                 | <u>¥ (86,950)</u>                                    |

i. Sales and net loss of the acquiree

The amounts of the acquiree's sales and net loss before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2014, are ¥137,534 million and ¥1,704 million, respectively.

In addition, the above net loss includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

- (7) Consolidated net sales and consolidated net income and loss assuming that the business combination was completed at the beginning of the fiscal year

For the fiscal year ended March 31, 2013

Following is pro forma information (unaudited) of the consolidated performance of the Company for the fiscal year ended March 31, 2013, assuming that the business combination of eAccess Ltd. was completed and control was acquired as of April 1, 2012.

|                              | (Millions of yen)                                 |
|------------------------------|---|
|                              | <u>Fiscal year ended</u><br><u>March 31, 2013</u> |
| Sales (pro forma) .....      | ¥3,338,731  |
| Net income (pro forma) ..... | 428,553   |

For the fiscal year ended March 31, 2014

Following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2014, assuming that the business combinations of WILLCOM, Inc., Supercell and Brightstar Corp. were completed and controls were acquired as of April 1, 2013.

|                              | (Millions of yen)                                 |
|------------------------------|---|
|                              | <u>Fiscal year ended</u><br><u>March 31, 2013</u> |
| Sales (pro forma) .....      | ¥8,291,358  |
| Net income (pro forma) ..... | 465,234   |

## 6. Segment information

(1) Description of reportable segments

The Company's reportable segments are components of business activities for which discrete financial information is available, and such information is regularly reviewed by the Company's board of directors in order to make decisions about the allocation of the resources and assess its performance.

The Company has four reportable segments, the Mobile Communications segment, the Sprint segment, the Fixed-line Telecommunications segment, and the Internet segment.

The Mobile Communications segment provides, mainly through SoftBank Mobile Corp., mobile communication services, and sale of mobile handsets and accessories, in addition, produces and distributes online games for smartphones and other devices through GungHo and Supercell.

The Sprint segment provides, through Sprint, mobile communication services, sale of mobile handsets and accessories accompanying the mobile communication services, and the fixed-line telecommunication services in the U.S.

The Fixed-line Telecommunications segment provides, mainly through SoftBank Telecom Corp., telecommunication services such as data communication and fixed-line telephone service for corporate customers. It also provides, mainly through SoftBank BB Corp., broadband service for individual customers.

The Internet segment provides, mainly through Yahoo Japan Corporation, Internet-based advertising operations.

The Sprint segment is newly established for the fiscal year ended March 31, 2014 by the consolidation of Sprint in July 2013.

The Company previously had four segments, the Mobile Communications segments, the Broadband Infrastructure segments, the Fixed-line Telecommunications segments, and the Internet Culture segments until the year ended March 31, 2013. However, with the consolidation of eAccess Ltd. in January 2013, GungHo in April 2013, and Sprint in July 2013, the Company changed its reportable segments for the fiscal year ended March 31, 2014 as the business size and operating regions of the Company changed significantly.

For the fiscal year ended March 31, 2014, the previous Fixed-line Telecommunications segment and the Broadband Infrastructure segment were integrated and included in the Fixed-line Telecommunications segment. Also the previous Internet Culture segment was presented as the Internet segment. Commerce & Service segment of SoftBank BB Corp. was previously included in "Other." However it was included in the Mobile Communications segment, considering the stronger connection with mobile communications.

Segment information for the fiscal year ended March 31, 2013 is presented in accordance with the reportable segment after the change.

## (2) Net sales and income of reportable segments

Accounting policies for reportable segments are the same as the policies described in "Note 3. Significant accounting policies."

Income of reportable segments is based on income excluding "Gain from remeasurement relating to business combination" and "Other operating income (loss)" from operating income as follows:

Segment income = (net sales – cost of sales – selling, general and administrative expenses) in each segment

Intersegment transactions are conducted under the same general business conditions as applied for external customers.

The following is the information about the Company's net sales and income by reportable segments. The Company also discloses "EBITDA (segment income before depreciation and amortization)" by reportable segments.

For the fiscal year ended March 31, 2013

| (Millions of yen)  |                       |           |                               |                 |                  |
|--|-----------------------|-----------|-------------------------------|-----------------|------------------|
|  | Reportable segments   |           |                               |                 |                  |
|  | Mobile Communications | Sprint    | Fixed-line Telecommunications | Internet        |                  |
| Net sales  |                       |           |                               |                 |                  |
| Customers .....  | ¥2,330,871            | ¥—        | ¥437,873                      | ¥353,481        | ¥3,121,125       |
| Intersegment .....   | 14,759                | —         | 93,155                        | 3,128           | 101,042          |
| Total .....  | <u>2,345,630</u>      | <u>—</u>  | <u>531,028</u>                | <u>356,609</u>  | <u>3,235,267</u> |
| EBITDA .....   | 797,343               | —         | 168,061                       | 193,290         | 1,158,694        |
| Depreciation and amortization .....                            | <u>(280,223)</u>      | <u>—</u>  | <u>(53,829)</u>               | <u>(12,570)</u> | <u>(346,622)</u> |
| Segment income .....   | <u>¥ 517,120</u>      | <u>¥—</u> | <u>¥114,232</u>               | <u>¥180,720</u> | <u>¥812,072</u>  |
| Gain from remeasurement relating to business combination ..... |                       |           |                               |                 |                  |
| Other operating income (loss) .....                            |                       |           |                               |                 |                  |
| Operating income .....   |                       |           |                               |                 |                  |
| Finance cost .....   |                       |           |                               |                 |                  |
| Equity in loss of associates .....                             |                       |           |                               |                 |                  |
| Other non-operating loss .....                                 |                       |           |                               |                 |                  |
| Income before income tax .....                                 |                       |           |                               |                 |                  |

For the fiscal year ended March 31, 2014

|   | (Millions of yen)        |                     |                                  |                 |          |
|---|--------------------------|---------------------|----------------------------------|-----------------|----------|
|   | Reportable segments      |                     |                                  |                 |          |
|   | Mobile<br>Communications | Sprint <sup>3</sup> | Fixed-line<br>Telecommunications | Internet        |          |
| Net sales   |                          |                     |                                  |                 |          |
| Customers .....   | ¥3,142,663               | ¥2,600,743          | ¥442,152                         | ¥396,554        | ¥6       |
| Intersegment .....  | 22,855                   | 288                 | 105,938                          | 3,315           |          |
| Total .....   | <u>3,165,518</u>         | <u>2,601,031</u>    | <u>548,090</u>                   | <u>399,869</u>  | <u>6</u> |
| EBITDA .....  | 1,003,934                | 417,245             | 170,689                          | 204,318         | 1        |
| Depreciation and amortization .....                               | (394,984)                | (418,461)           | (62,077)                         | (15,369)        | (        |
| Segment income (loss) .....                                       | <u>¥ 608,950</u>         | <u>¥ (1,216)</u>    | <u>¥108,612</u>                  | <u>¥188,949</u> | <u>¥</u> |
| Gain from remeasurement relating to business<br>combination ..... |                          |                     |                                  |                 |          |
| Other operating loss .....  |                          |                     |                                  |                 |          |
| Operating income .....  |                          |                     |                                  |                 |          |
| Finance cost .....  |                          |                     |                                  |                 |          |
| Equity in income of associates .....                              |                          |                     |                                  |                 |          |
| Other non-operating income .....                                  |                          |                     |                                  |                 |          |
| Income before income tax .....                                    |                          |                     |                                  |                 |          |

Notes:

1. "Other" includes Fukuoka SoftBank HAWKS-related business.
2. "Reconciliations" includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment.
3. The Sprint segment includes the results of Sprint after the acquisition date.

(3) Geographical information

a. Net sales to customers

|             | (Millions of yen)                   |                                     |
|-------------|-------------------------------------|-------------------------------------|
|             | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Japan ..... | ¥3,176,897                          | ¥3,828,104                          |
| U.S. ....   | 5,377                               | 2,680,486                           |
| Other ..... | 20,262                              | 158,061                             |
| Total ..... | <u>¥3,202,536</u>                   | <u>¥6,666,651</u>                   |

Sales are categorized based on the location of customers.

The increase in the U.S. for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

b. Non-current assets (excluding financial asset and deferred tax asset)

|             | (Millions of yen)      |                         |                         |
|-------------|------------------------|-------------------------|-------------------------|
|             | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Japan ..... | ¥2,574,581             | ¥3,405,286              | ¥ 4,041,462             |
| U.S. ....   | 210                    | 228                     | 7,153,279               |
| Other ..... | 6,118                  | 7,938                   | 268,853                 |
| Total ..... | <u>¥2,580,909</u>      | <u>¥3,413,452</u>       | <u>¥11,463,594</u>      |

The increase in the U.S. as of March 31, 2014 is mainly due to the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

## 7. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Cash and demand deposits .....                         | ¥ 568,783              | ¥ 792,701               | ¥1,203,146              |
| Time deposits (maturities of three-months or less) ... | 451,250                | 645,694                 | 509,115                 |
| MMF .....  | —                      | —                       | 193,104                 |
| Other .....  | 1,080                  | 662                     | 58,125                  |
| Total .....  | <u>¥1,021,113</u>      | <u>¥1,439,057</u>       | <u>¥1,963,490</u>       |

The increase of cash and cash equivalents as of March 31, 2014 is mainly due to the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

As of March 31, 2013, it is contractually required to have ¥25,000 million or more of cash and deposits as redemption fund (April 1, 2012: none, March 31, 2014: none).

Argentina began experiencing foreign exchange restrictions both for purchases in the country and for transfers of foreign currency abroad. The Argentine government has requested that the Central Bank approve foreign exchange transactions before they are executed. Our Argentine subsidiaries had cash and cash equivalents of ¥8,874 million as of March 31, 2014 (April 1, 2012: none, March 31, 2013: none).

The amount of cash and cash equivalents pledged as collateral for interest-bearing debt or other is described in “(4) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

## 8. Trade and other receivables

The components of trade and other receivables are as follows:

|                                 | (Millions of yen)      |                         |                         |
|---------------------------------|------------------------|-------------------------|-------------------------|
|                                 | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Trade receivables               | ¥457,725               | ¥506,400                | ¥1,176,453              |
| Installment receivables         | 345,083                | 368,418                 | 438,521                 |
| Other                           | 5,772                  | 82,313                  | 94,533                  |
| Allowance for doubtful accounts | (21,678)               | (20,824)                | (39,962)                |
| Total                           | <u>¥786,902</u>        | <u>¥936,307</u>         | <u>¥1,669,545</u>       |

The increase in trade and other receivables for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint and Brightstar Corp. The details of the business combinations are described in “(3) Sprint” and “(6) Brightstar Corp.” in “Note 5. Business combinations.”

Installment receivables represent receivables arising from the Company’s advance payments to dealers on behalf of its customers who chose to purchase mobile handsets by installments in indirect sales. The amounts are charged to customers together with telecommunication service fees over the periods of installment payments.

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

## 9. Other financial assets

The components of other financial assets are as follows:

|   | (Millions of yen)      |                         |                         |
|---|------------------------|-------------------------|-------------------------|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Current   |                        |                         |                         |
| Marketable securities                                     | ¥ 3,794                | ¥ 4,373                 | ¥109,935                |
| Time deposits (maturities of three-months over) and other | 2,474                  | 6,617                   | 37,342                  |
| Derivative financial assets                               | 1,896                  | 203,829                 | 13,975                  |
| Other   | 2,235                  | 14,420                  | 3,475                   |
| Total   | <u>10,399</u>          | <u>229,239</u>          | <u>164,727</u>          |
| Non-current   |                        |                         |                         |
| Installment receivables                                   | 110,987                | 114,498                 | 147,355                 |
| Investment securities                                     | 158,983                | 437,881                 | 108,171                 |
| Other   | 59,100                 | 93,968                  | 156,691                 |
| Allowance for doubtful accounts                           | (10,471)               | (11,700)                | (10,524)                |
| Total   | <u>¥318,599</u>        | <u>¥634,647</u>         | <u>¥401,693</u>         |

Installment receivables are described in “Note 8. Trade and other receivables.”

## 10. Inventories

The components of inventories are as follows:

|                                   | (Millions of yen)      |                         |                         |
|-----------------------------------|------------------------|-------------------------|-------------------------|
|                                   | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Merchandise and finished products | ¥42,618                | ¥46,137                 | ¥243,864                |
| Other                             | 13,065                 | 8,131                   | 7,813                   |
| Total                             | <u>¥55,683</u>         | <u>¥54,268</u>          | <u>¥251,677</u>         |

The increase in inventories for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint and Brightstar Corp. The details of the business combinations are described in “(3) Sprint” and “(6) Brightstar Corp.” in “Note 5. Business combinations.”



The amount of inventories pledged as collateral for interest-bearing debt or other is described in “(4) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

Write-downs of inventories recognized as an expense during the fiscal year are as follows:

|                                      | (Millions of yen)                   |                                     |
|--------------------------------------|-------------------------------------|-------------------------------------|
|                                      | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Write-downs of inventories . . . . . | ¥5,425                              | ¥11,144                             |

## 11. Other current assets and other non-current assets

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

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| <b>Current</b>                                 |                        |                         |                         |
| Prepaid expense . . . . .                      | ¥45,369                | ¥ 61,483                | ¥145,130                |
| Consumption tax receivable and other . . . . . | 13,982                 | 39,582                  | 98,374                  |
| Other . . . . .                                | 25,663                 | 26,083                  | 49,717                  |
| <b>Total</b> . . . . .                         | <u>85,014</u>          | <u>127,148</u>          | <u>293,221</u>          |
| <b>Non-current</b>                             |                        |                         |                         |
| Long-term prepaid expense . . . . .            | 84,903                 | 127,244                 | 152,080                 |
| Other . . . . .                                | 587                    | 1,938                   | 15,181                  |
| <b>Total</b> . . . . .                         | <u>¥85,490</u>         | <u>¥129,182</u>         | <u>¥167,261</u>         |

## 12. Property, plant and equipment

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

|                               | (Millions of yen)           |                                 |                |                             |                 |                   |
|-------------------------------|-----------------------------|---------------------------------|----------------|-----------------------------|-----------------|-------------------|
| Historical cost               | Buildings and<br>structures | Telecommunications<br>equipment | Land           | Construction<br>in progress | Other           | Total             |
| As of April 1, 2012 . . . . . | ¥192,391                    | ¥2,160,227                      | ¥72,542        | ¥ 92,525                    | ¥168,961        | ¥2,686,646        |
| Purchase . . . . .            | 6,103                       | 48,767                          | 1,308          | 571,343                     | 4,655           | 632,176           |
| Business combinations . .     | 1,430                       | 133,126                         | 308            | 12,512                      | 1,140           | 148,516           |
| Disposals . . . . .           | (3,522)                     | (180,170)                       | (311)          | (1,604)                     | (29,032)        | (214,639)         |
| Transfer of accounts . . .    | 9,655                       | 465,649                         | 89             | (519,695)                   | 42,057          | (2,245)           |
| Exchange differences . .      | 5                           | —                               | —              | —                           | 92              | 97                |
| Other . . . . .               | 1,327                       | (945)                           | —              | (1,543)                     | 1,178           | 17                |
| As of March 31, 2013 . . . .  | <u>207,389</u>              | <u>2,626,654</u>                | <u>73,936</u>  | <u>153,538</u>              | <u>189,051</u>  | <u>3,250,568</u>  |
| Purchase . . . . .            | 6,237                       | 31,786                          | —              | 918,906                     | 12,326          | 969,255           |
| Business combinations . .     | 141,548                     | 833,751                         | 18,369         | 305,734                     | 45,211          | 1,344,613         |
| Disposals . . . . .           | (4,890)                     | (179,404)                       | (111)          | (12,825)                    | (37,795)        | (235,025)         |
| Transfer of accounts . . .    | 16,507                      | 1,009,932                       | 34             | (1,100,586)                 | 73,600          | (513)             |
| Exchange differences . .      | 2,499                       | 26,200                          | 323            | 2,363                       | 1,214           | 32,599            |
| Other . . . . .               | 1,806                       | (1,653)                         | —              | (607)                       | (3,958)         | (4,412)           |
| As of March 31, 2014 . . . .  | <u>¥371,096</u>             | <u>¥4,347,266</u>               | <u>¥92,551</u> | <u>¥ 266,523</u>            | <u>¥279,649</u> | <u>¥5,357,085</u> |

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

|   | (Millions of yen)               |                                     |             |                                 |                   |                     |
|---|---------------------------------|-------------------------------------|-------------|---------------------------------|-------------------|---------------------|
| <u>Accumulated depreciation and impairment losses</u> | <u>Buildings and structures</u> | <u>Telecommunications equipment</u> | <u>Land</u> | <u>Construction in progress</u> | <u>Other</u>      | <u>Total</u>        |
| As of April 1, 2012 . . . . .                         | ¥ (81,580)                      | ¥(1,120,528)                        | ¥(6)        | ¥ (580)                         | ¥(106,767)        | ¥(1,309,461)        |
| Depreciation . . . . .                                | (10,175)                        | (209,365)                           | —           | —                               | (34,134)          | (253,674)           |
| Disposals . . . . .                                   | 3,384                           | 116,542                             | —           | 259                             | 25,898            | 146,083             |
| Transfer of accounts . . . . .                        | (1)                             | 65                                  | —           | 66                              | 24                | 154                 |
| Exchange differences . . . . .                        | (2)                             | —                                   | —           | —                               | (51)              | (53)                |
| Other . . . . .                                       | (731)                           | (788)                               | —           | (17)                            | (1,466)           | (3,002)             |
| As of March 31, 2013 . . . . .                        | (89,105)                        | (1,214,074)                         | (6)         | (272)                           | (116,496)         | (1,419,953)         |
| Depreciation . . . . .                                | (27,896)                        | (444,070)                           | —           | —                               | (58,896)          | (530,862)           |
| Impairment loss . . . . .                             | —                               | (3,961)                             | —           | (5,594)                         | —                 | (9,555)             |
| Disposals . . . . .                                   | 4,532                           | 148,963                             | —           | 5,611                           | 32,680            | 191,786             |
| Transfer of accounts . . . . .                        | (30)                            | (2,357)                             | —           | 24                              | (248)             | (2,611)             |
| Exchange differences . . . . .                        | (312)                           | (4,321)                             | —           | —                               | (394)             | (5,027)             |
| Other . . . . .                                       | 352                             | (382)                               | —           | (156)                           | 5,650             | 5,464               |
| As of March 31, 2014 . . . . .                        | <u>¥(112,459)</u>               | <u>¥(1,520,202)</u>                 | <u>¥(6)</u> | <u>¥ (387)</u>                  | <u>¥(137,704)</u> | <u>¥(1,770,758)</u> |

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

|                                | (Millions of yen)               |                                     |             |                                 |              |              |
|--------------------------------|---------------------------------|-------------------------------------|-------------|---------------------------------|--------------|--------------|
| <u>Carrying amounts</u>        | <u>Buildings and structures</u> | <u>Telecommunications equipment</u> | <u>Land</u> | <u>Construction in progress</u> | <u>Other</u> | <u>Total</u> |
| As of April 1, 2012 . . . . .  | ¥110,811                        | ¥1,039,699                          | ¥72,536     | ¥ 91,945                        | ¥ 62,194     | ¥1,377,185   |
| As of March 31, 2013 . . . . . | ¥118,284                        | ¥1,412,580                          | ¥73,930     | ¥153,266                        | ¥ 72,555     | ¥1,830,615   |
| As of March 31, 2014 . . . . . | ¥258,637                        | ¥2,827,064                          | ¥92,545     | ¥266,136                        | ¥141,945     | ¥3,586,327   |

The increase resulting from “Business combinations” for the fiscal year ended March 31, 2013 is mainly due to the consolidation of eAccess Ltd. The details of the business combination are described in “(1) eAccess Ltd.” in “Note 5. Business combinations.”

The increase resulting from “Business combinations” for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The components of the carrying amounts of property, plant and equipment recognized as a result of the consolidation of Sprint in July 2013 are as follows. The details of the acquisition are described in “(3) Sprint” in “Note 5. Business combinations.”

|  | (Millions of yen)                                 |
|--|---|
|  | <u>Acquisition date</u><br><u>(July 10, 2013)</u> |
| Buildings and structures . . . . .     | ¥ 140,270   |
| Telecommunications equipment . . . . . | 794,524   |
| Land . . . . .                         | 18,362  |
| Construction in progress . . . . .     | 298,928   |
| Other . . . . .                        | 39,280  |
| Total . . . . .                        | <u>¥1,291,364</u>                                 |

Impairment loss is included in “Other operating income” in the consolidated statement of income. The detail of the impairment loss is described in “Note 35. Other operating income and loss.”

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

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Buildings and structures . . . . .     | ¥ 40,136               | ¥ 38,962                | ¥ 41,367                |
| Telecommunications equipment . . . . . | 476,531                | 540,372                 | 731,858                 |
| Land . . . . .                         | 49,360                 | 49,360                  | 49,360                  |
| Construction in progress . . . . .     | 36                     | —                       | 1,569                   |
| Other . . . . .                        | 23,873                 | 30,906                  | 44,252                  |
| Total . . . . .                        | <u>¥589,936</u>        | <u>¥659,600</u>         | <u>¥868,406</u>         |

Finance lease obligations of the Company are pledged through the lessor's retaining the property right of lease assets.

The amount of property, plant and equipment pledged as collateral for interest-bearing debt or other is described in “(4) Assets pledged as collateral” in “Note 19, Interest-bearing debt.”

Assets with limited property rights due to the installment purchase are described in “(5) Assets with limited property rights” in “Note 19, Interest-bearing debt.”

### 13. Goodwill and intangible assets

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

|                       |            | (Millions of yen)                              |              |            |  |                           |
|-----------------------|------------|--|--------------|------------|--|---------------------------|
|                       |            | Intangible assets with indefinite useful lives |              |            | Intangible assets with finite useful lives |                           |
| Historical cost       |            | Goodwill                                       | FCC Licenses | Trademarks | Software                                   | Customer relationships    |
|                       |            |  |              |            |  | Favorable lease contracts |
| As of April 1, 2012   | ¥ 781,454  | ¥ —  | ¥ —          | ¥ —        | ¥ 604,221                                  | ¥ —                       |
| Purchase              | —          | —  | —            | —          | 48,383                                     | —                         |
| Internal development  | —          | —  | —            | —          | 4,469                                      | —                         |
| Business combinations | 147,061    | —  | 3,790        | 23,250     | 89,394                                     | —                         |
| Disposals             | —          | —  | —            | (25,921)   | —  | —                         |
| Transfer of accounts  | —          | —  | —            | 105,138    | —  | —                         |
| Exchange differences  | —          | —  | —            | 17         | —  | —                         |
| Other                 | —          | —  | —            | 1,089      | —  | —                         |
| As of March 31, 2013  | 928,515    | —  | 3,790        | 760,646    | 89,394                                     | —                         |
| Purchase              | —          | 30,146   | —            | 46,081     | —  | —                         |
| Internal development  | —          | —  | —            | 3,838      | —  | —                         |
| Business combinations | 602,499    | 3,612,994                                      | 616,000      | 154,536    | 747,689                                    | 148,979                   |
| Disposals             | —          | (47)   | —            | (40,415)   | —  | —                         |
| Transfer of accounts  | —          | 2,430  | —            | 182,529    | —  | (64,000)                  |
| Exchange differences  | 11,208     | 64,003   | 10,589       | 4,163      | 12,370                                     | 2,620                     |
| Other                 | (129)      | —  | —            | (281)      | —  | —                         |
| As of March 31, 2014  | ¥1,542,093 | ¥3,709,526                                     | ¥630,379     | ¥1,111,097 | ¥849,453                                   | ¥151,539                  |

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

| Accumulated amortization and impairment losses | (Millions of yen) |  |            |  |                        |                           |
|--|-------------------|--|------------|--|------------------------|---------------------------|
|  | Goodwill          | Intangible assets with indefinite useful lives |            | Intangible assets with finite useful lives |                        |                           |
|  |                   | FCC Licenses                                   | Trademarks | Software                                   | Customer relationships | Favorable lease contracts |
| As of April 1, 2012                            | ¥(3,543)          | ¥—   | ¥ —        | ¥(293,466)                                 | ¥ —                    | ¥ —                       |
| Amortization                                   | —                 | —  | —          | (81,046)                                   | (5,518)                | —                         |
| Disposals                                      | —                 | —  | —          | 25,180                                     | —                      | —                         |
| Transfer of accounts                           | —                 | —  | —          | (183)                                      | —                      | —                         |
| Exchange differences                           | —                 | —  | —          | (6)  | —                      | —                         |
| Other  | —                 | —  | —          | 160  | —                      | —                         |
| As of March 31, 2013                           | (3,543)           | —  | —          | (349,361)                                  | (5,518)                | —                         |
| Amortization                                   | —                 | —  | —          | (152,269)                                  | (155,017)              | —                         |
| Impairment loss                                | (5,822)           | —  | (7,404)    | (654)                                      | (8,655)                | —                         |
| Disposals                                      | —                 | —  | —          | 39,165                                     | —                      | —                         |
| Transfer of accounts                           | —                 | —  | —          | (345)                                      | —                      | —                         |
| Exchange differences                           | (552)             | —  | —          | (869)                                      | (2,769)                | (227)                     |
| Other  | 129               | —  | —          | 622  | —                      | (11,091)                  |
| As of March 31, 2014                           | ¥(9,788)          | ¥—   | ¥(7,404)   | ¥(463,711)                                 | ¥(171,959)             | ¥(11,318)                 |

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

| Carrying amounts     | (Millions of yen) |  |            |  |                        |                           |
|----------------------|-------------------|--|------------|--|------------------------|---------------------------|
|                      | Goodwill          | Intangible assets with indefinite useful lives |            | Intangible assets with finite useful lives |                        |                           |
|                      |                   | FCC Licenses                                   | Trademarks | Software                                   | Customer relationships | Favorable lease contracts |
| As of April 1, 2012  | ¥ 777,911         | ¥ —  | ¥ —        | ¥310,755                                   | ¥ —                    | ¥ —                       |
| As of March 31, 2013 | ¥ 924,972         | ¥ —  | ¥ 3,790    | ¥411,285                                   | ¥ 83,876               | ¥ —                       |
| As of March 31, 2014 | ¥1,532,305        | ¥3,709,526                                     | ¥622,975   | ¥647,386                                   | ¥677,494               | ¥140,217                  |

Increase due to “Business combination” for the fiscal year ended March 31, 2013 is as follows:

- As a result of consolidating eAccess Ltd. as a subsidiary in January 2013, the Company recognized customer relationships of ¥84,684 million. The details of the acquisition are described in “(1) eAccess Ltd.” in “Note 5. Business combinations.”

Increase due to “Business combinations” for the fiscal year ended March 31, 2014 is as follows:

- As a result of consolidating GungHo as a subsidiary in April 2013, the Company recognized game title of ¥77,796 million. The details of the acquisition are described in “(2) GungHo Online Entertainment, Inc.” in “Note 5. Business combinations.”
- The components of the carrying amounts of intangible assets recognized as a result of consolidating Sprint as a subsidiary in July 2013 are as follows. The details of the acquisition are described in “(3) Sprint” in “Note 5. Business combinations.”

|  | (Millions of yen)                                 |
|--|---|
|  | <u>Acquisition date</u><br><u>(July 10, 2013)</u> |
| Intangible assets with indefinite useful lives |   |
| FCC Licenses .....                             | ¥3,612,994  |
| Trademarks .....                               | 600,266   |
| Intangible assets with finite useful lives     |   |
| Software .....                                 | 138,330   |
| Customer relationships .....                   | 700,192   |
| Favorable lease contracts .....                | 148,979   |
| Trademarks .....                               | 52,593  |
| Other .....                                    | 47,929  |
| Total .....                                    | <u>¥5,301,283</u>                                 |

- As a result of consolidating WILLCOM, Inc. as a subsidiary, in July 2013, the Company recognized customer relationships of ¥25,004 million. The details of the acquisition are described in “(4) WILLCOM, Inc.” in “Note 5. Business Combination.”
- As a result of consolidating Supercell Oy as a subsidiary in October 2013, the Company recognized game title of ¥119,099 million. The details of the acquisition are described in “(5) Supercell Oy” in “Note 5. Business Combination.”
- As a result of consolidating Brightstar Corp. as a subsidiary in January 2014, the Company recognized customer relationships of ¥22,493 million and trademarks (intangible assets with indefinite useful lives) of ¥12,120 million. The details of the acquisition are described in “(6) Brightstar Corp.” in “Note 5. Business Combination.”

“FCC Licenses” are licenses to use specific frequency spectrum granted by Federal Communications Commission. As long as the Company acts within the requirements of regulatory authorities, the renewal and extension of FCC Licenses are reasonably certain at minimal cost. Therefore, it is determined that FCC licenses have indefinite useful lives.

The Company determined that “Sprint” and “Boost Mobile” trademarks have indefinite useful lives as they can be legally used continuously as long as the business continues.

Customer relationships reflect excessive earning capacity in the future expected from the existing customers of the acquiree at the time of business combinations.

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

Game title reflects excessive earning capacity in the future expected from the existing game title of the acquiree at the time of the business combinations.

Amortization is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses are included in “Other operating income and loss” in the consolidated statement of income. The details of the impairment losses are described in “Note 35. Other operating income and loss.”



The carrying amount of internally generated intangible assets related to software is ¥47,604 million (April 1, 2012: ¥12,282 million, March 31, 2013: ¥12,862 million).

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

|                | (Millions of yen)   |                      |                      |
|----------------|---------------------|----------------------|----------------------|
|                | As of April 1, 2012 | As of March 31, 2013 | As of March 31, 2014 |
| Software ..... | <u>¥127,832</u>     | <u>¥167,337</u>      | <u>¥207,713</u>      |

The Company's finance lease obligations are secured by the lessor retaining the property rights of the leased assets.

The amount of intangible assets pledged as collateral for interest-bearing debt are described in “(4) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

The intangible assets with limited property rights due to installment purchase are described in “(5) Assets with limited property rights” in “Note 19. Interest-bearing debt.”

Goodwill acquired as a part of business combinations is allocated to cash generating unit groups that are expected to benefit from the synergies arising from the combination.

Amounts of goodwill and intangible assets with indefinite useful lives allocated to cash generating unit groups are as follows:

|                               |   | (Millions of yen)                              |                      |                      |
|-------------------------------|---|--|----------------------|----------------------|
|                               |   | Goodwill                                       |                      |                      |
|                               |   | As of April 1, 2012                            | As of March 31, 2013 | As of March 31, 2014 |
| Reportable segments           | Cash generating unit group                    |  |                      |                      |
| Mobile Communications         | SoftBank Mobile and other <sup>1</sup> . . .  | ¥727,914                                       | ¥863,253             | ¥ 882,397            |
|                               | GungHo <sup>2</sup> .....                     | —  | —                    | 146,032              |
|                               | Supercell <sup>3</sup> .....                  | —  | —                    | 103,463              |
|                               | Brightstar Corp. and other <sup>4</sup> . . . | —  | —                    | 59,979               |
|                               | Total .....                                   | 727,914  | 863,253              | 1,191,871            |
| Sprint                        | Sprint <sup>5</sup> .....                     | —  | —                    | 280,045              |
| Fixed-line Telecommunications | SoftBank Telecom <sup>6</sup> .....           | 27,920   | 27,920               | 27,920               |
| Internet                      | Yahoo <sup>7</sup> .....                      | 18,574   | 30,296               | 31,050               |
| —                             | Other .....                                   | 3,503  | 3,503                | 1,419                |
| Total .....                   |   | <u>¥777,911</u>                                | <u>¥924,972</u>      | <u>¥1,532,305</u>    |
|                               |   | (Millions of yen)                              |                      |                      |
|                               |   | Intangible assets with indefinite useful lines |                      |                      |
|                               |   | As of April 1, 2012                            | As of March 31, 2013 | As of March 31, 2014 |
| Reportable segments           | Cash generating unit group                    |  |                      |                      |
| Mobile Communications         | SoftBank Mobile and other <sup>1</sup> . . .  | ¥—   | ¥3,790               | ¥ —                  |
|                               | Brightstar Corp. and other <sup>4</sup> . . . | —  | —                    | 12,145               |
|                               | Total .....                                   | —  | 3,790                | 12,145               |
| Sprint                        | Sprint <sup>5</sup> .....                     | —  | —                    | 4,320,356            |
| Total .....                   |   | <u>¥—</u>                                      | <u>¥3,790</u>        | <u>¥4,332,501</u>    |

Notes:

1. The cash generating unit group is comprised of SoftBank Mobile Corp., eAccess Ltd., WILLCOM. Inc., and WCP.
2. This cash generating unit group is comprised of GungHo Online Entertainment, Inc. and its group companies.
3. This cash generating unit group is comprised of Supercell Oy and its group companies.
4. This cash generating unit group is comprised of Brightstar Global Group Inc. and its group companies and commerce & service business of SoftBank BB Corp.
5. This cash generating unit group is comprised of Sprint Corporation and its group companies.
6. This cash generating unit group is comprised of SoftBank Telecom Corp. and SoftBank Telecom Partners Corp.
7. This cash generating unit group is comprised of Yahoo Japan Corporation and its group companies.

How the recoverable amount of cash generating unit group is estimated as follows.

Value in use: SoftBank Mobile and other, Supercell, Brightstar Corp. and other, SoftBank Telecom, Yahoo Japan Corporation and other.

Fair value less disposal cost: GungHo and Sprint

Value in use is mainly assessed by discounting to the present value the estimated the cash flows in the next five years based on the financial budget approved by the management, which reflects past experience and external information, using pretax weighted average cost of capital 6.77-23.56% of the cash generating unit (fiscal year ended March 31, 2013: 6.85-10.07%). Cash flows from after five years are assumed to be at the same level as the fifth year with a zero growth rate, considering its uncertainty.

The fair value less disposal cost is based on active market price (share price).

As a result of impairment test of goodwill and intangible assets with indefinite useful lives, ¥5,822 million of impairment loss on goodwill allocated to other cash generating unit group is recognized for the fiscal year ended March 31, 2014 (no significant impairment loss is recognized for the fiscal years ended March 31, 2013).

As for goodwill allocated to Brightstar Corp., the value in use of the cash generating unit group to which the goodwill is allocated is higher than the carrying amount. However there is a possibility that the impairment loss will be recognized if pretax weighted average cost of capital used in the calculation for the value in use increases by approximately 1.5%.

The Company determined that for the significant cash generating unit group other than above, the recoverable amount is unlikely to decrease below the carrying value, even if major assumptions used in the impairment test change to a reasonably foreseeable extent.

#### 14. Leases

##### (1) Finance leases

(As lessee)

The Company has leased assets, including the FUKUOKA YAFUOKU! DOME, wireless equipment, switching equipment, power supply systems and transmission facilities.

The components of finance lease obligations are as follows:

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| The total minimum lease payments           |                        |                         |                         |
| Within 1 year                              | ¥166,645               | ¥203,794                | ¥ 281,641               |
| 1 to 5 years                               | 444,296                | 556,930                 | 742,615                 |
| Over 5 years                               | 4                      | 23,392                  | 15,715                  |
| Total                                      | 610,945                | 784,116                 | 1,039,971               |
| Deduction—future financial expense         | (21,921)               | (27,381)                | (44,761)                |
| Present value of finance lease obligations | <u>¥589,024</u>        | <u>¥756,735</u>         | <u>¥ 995,210</u>        |

The increase of present value of finance lease obligations for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The details of the acquisition are described in “(3) Sprint” in “Note 5. Business combinations.” The present value of finance lease obligations recognized upon the consolidation of Sprint in July 2013 is described in “(1) Components of interest-bearing debt” in “Note 19. Interest-bearing debt.”

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

|               | (Millions of yen)      |                         |                         |
|---------------|------------------------|-------------------------|-------------------------|
|               | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Within 1 year | ¥157,302               | ¥192,658                | ¥264,295                |
| 1 to 5 years  | 431,718                | 541,897                 | 716,679                 |
| Over 5 years  | 4                      | 22,180                  | 14,236                  |
| Total         | <u>¥589,024</u>        | <u>¥756,735</u>         | <u>¥995,210</u>         |

The outstanding balance by maturity year of financial lease obligations is described in “(2) Financial risk management (c) Liquidity risk” in “Note 25. Financial instrument.”

Certain lease contracts have financial covenants. Major contents are described in “(2) Financial covenants” in “Note 19. Interest-bearing debt.”

(2) Operating leases

(As lessee)

The Company utilizes towers, land and buildings for the placement of telecommunications equipment, frequency spectrum, and telecommunication lines through operating leases transaction. Certain operating lease contracts have automatic renewal option and escalation clauses.

In addition to non-cancelable period, automatic renewal option is included in the lease term to the extent, it is at the inception of the lease, reasonably certain that the option will be exercised. For operating lease with escalation clauses or a portion of which is free of charge, the total operating lease payment amount is amortized over the lease term by straight line method.

Cell sites leases

Cell site leases in the U.S. are generally provided by the cell phone tower operators who provide tower and ground space to place Sprint-owned antennae, radio, and related equipment. The contract terms generally provide for an initial non-cancelable term of 5 to 12 years with up to five renewal options for five years each. At the establishment of the cell sites leases, it is assumed that at least one renewal option is exercised for contracts less than 10 years.

Cell sites leases in Japan contains only land or buildings for the placement of cell sites. Most of the contract terms are 10 years or 20 years. At the establishment of the cell sites leases, it is reasonably certain that they will be used until the contract term.

Spectrum leases (U.S.)

U.S. leased spectrum agreements have renewal options. For those contracts, it is reasonably certain that, at the inception of the transaction, all the renewal options will be used and terms including renewal terms are up to 30 years.

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

|                     | (Millions of yen)          |                            |
|---------------------|----------------------------|----------------------------|
|                     | As of<br>March 31,<br>2013 | As of<br>March 31,<br>2014 |
| Within 1 year ..... | ¥ 82,061                   | ¥ 339,417                  |
| 1 to 5 years .....  | 217,266                    | 1,098,640                  |
| Over 5 years .....  | 115,872                    | 1,413,650                  |
| Total .....         | <u>¥415,199</u>            | <u>¥2,851,707</u>          |

Total future minimum lease payments in the future related to non-cancelable operating leases as of March 31, 2014 includes ¥2,408,314 million of minimum lease payments of Sprint, consolidated as a subsidiary in July 2013. This is mainly related to the cell site leases and spectrum leases.

Operating lease payments recognized as expenses for the fiscal year ended March 31, 2014 is ¥339,961 million (fiscal year ended March 31, 2013: ¥129,523 million).

## 15. Major subsidiaries

### (1) Organizational structure

The Company's major subsidiaries are as follows:

| Company Name   | Reportable segments           | Location    | Ownership percentage of voting rights(%) |                      |                      |
|--|-------------------------------|-------------|--|----------------------|----------------------|
|  |                               |             | As of April 1, 2012                      | As of March 31, 2013 | As of March 31, 2014 |
| SoftBank Mobile Corp. ....   | Mobile Communications         | Tokyo       | 100                                      | 100                  | 100                  |
| BB Mobile Corp. ....   | Mobile Communications         | Tokyo       | 100                                      | 100                  | 100                  |
| WILLCOM, Inc. ....   | Mobile Communications         | Tokyo       | 100                                      | 100                  | 100                  |
| GungHo Online Entertainment, Inc. <sup>1</sup> ....                | Mobile Communications         | Tokyo       | 33.7                                     | 33.6                 | 40.2                 |
| Wireless City Planning Inc. <sup>2</sup> ....                      | Mobile Communications         | Tokyo       | 33.3                                     | 33.3                 | 33.3                 |
| eAccess Ltd. <sup>3</sup> ....                                     | Mobile Communications         | Tokyo       | —  | 33.3                 | 33.3                 |
| Brightstar Global Group Inc. ....                                  | Mobile Communications         | U.S.A.      | —  | —                    | 57.2                 |
| Brightstar Corp. ....  | Mobile Communications         | U.S.A.      | —  | —                    | 100                  |
| GRAVITY Co., Ltd. ....   | Mobile Communications         | South Korea | —  | —                    | 59.3                 |
| Supercell Oy ....  | Mobile Communications         | Finland     | —  | —                    | 54.9                 |
| Sprint Corporation <sup>4</sup> (formerly Starburst II, Inc.) .... | Sprint                        | U.S.A.      | —  | 100                  | 79.9                 |
| Sprint Communications, Inc. ...                                    | Sprint                        | U.S.A.      | —  | —                    | 100                  |
| SoftBank BB Corp. ....   | Fixed-line Telecommunications | Tokyo       | 100                                      | 100                  | 100                  |
| SoftBank Telecom Corp. ...   | Fixed-line Telecommunications | Tokyo       | 100                                      | 100                  | 100                  |
| Yahoo Japan Corporations <sup>5</sup> ....                         | Internet                      | Tokyo       | 42.2                                     | 42.5                 | 42.9                 |
| IDC Frontier Inc. ....   | Internet                      | Tokyo       | 100                                      | 100                  | 100                  |
| Carview Corporation ....   | Internet                      | Tokyo       | 52.2                                     | 52.2                 | 53.8                 |
| ValueCommerce Co., Ltd. ....                                       | Internet                      | Tokyo       | 43.5                                     | 50.7                 | 50.6                 |
| Mobiletech Corporation ....  | Other                         | Tokyo       | 100                                      | 100                  | 100                  |
| SB Energy Corp. ....   | Other                         | Tokyo       | 100                                      | 100                  | 100                  |
| SoftBank Payment Service Corp. ....                                | Other                         | Tokyo       | 100                                      | 100                  | 100                  |
| Fukuoka SoftBank HAWKS Corp. ....                                  | Other                         | Fukuoka     | 100                                      | 100                  | 100                  |
| SBBM Corporation ....  | Other                         | Tokyo       | 100                                      | 100                  | 100                  |
| ITmedia Inc. ....  | Other                         | Tokyo       | 59.8                                     | 59.7                 | 59.1                 |
| SoftBank Technology Corp. ....                                     | Other                         | Tokyo       | 55.5                                     | 55.5                 | 55.5                 |
| Vector Inc. ....   | Other                         | Tokyo       | 52.4                                     | 52.4                 | 52.4                 |
| SFJ Capital Limited ....   | Other                         | Cayman      | 100                                      | 100                  | 100                  |
| SB CHINA HOLDINGS PTE LTD ....                                     | Other                         | Singapore   | 100                                      | 100                  | 100                  |
| SoftBank Ventures Korea Inc. ....                                  | Other                         | South Korea | 100                                      | 100                  | 100                  |
| SoftBank Korea Corp. ....  | Other                         | South Korea | 100                                      | 100                  | 100                  |
| Starburst I, Inc. ....   | Other                         | U.S.A.      | —  | 100                  | 100                  |
| SoftBank Holdings Inc. ....  | Other                         | U.S.A.      | 100                                      | 100                  | 100                  |
| SoftBank America Inc. ....   | Other                         | U.S.A.      | 100                                      | 100                  | 100                  |
| SoftBank Ranger Venture Investment Partnership ...                 | Other                         | South Korea | 100                                      | 100                  | 100                  |
| SoftBank Capital Fund '10 L.P. ....                                | Other                         | U.S.A.      | 98.0                                     | 98.0                 | 98.0                 |

Notes:

- The Company does not own the majority of voting rights in GungHo. However, Heartis, which owns 18.50% of the voting rights in GungHo, has agreed, effective as of April 1, 2013, to the effect that it will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son's directions at the shareholders meeting of GungHo. The Company and Heartis together came to represent the majority of the voting rights in GungHo's shares. As a result, the Company determined that it has control over GungHo and included it into the scope of consolidation.

2. The Company does not own the majority of WCP's voting rights. However, the Company determined that it has control over WCP and included it into the scope of consolidation, considering the fact that SoftBank Corp.'s directors constitute the majority of members of WCP's board of directors and that WCP's business activities significantly depend on the Company.
3. The Company does not own the majority of voting rights in eAccess Ltd. However, the Company's economic ownership ratio is 99.5%, which is significantly higher than the percentage of voting rights (33.3%). Also, considering the fact that the proportion of voting rights is relatively large compared to voting rights of other holders due to the dispersion of voting rights, and considering the fact that the Company can practically appoint and dismiss directors of eAccess Ltd. pursuant to the stock transfer agreement executed between the Company and 11 third-party companies, the Company determined that it has control over eAccess Ltd. and included it into the scope of consolidation as a subsidiary.
4. The Company established wholly-owned subsidiary Starburst II, Inc. in October, 2012. On July 10, 2013, the Company completed its investment in Sprint Nextel Corporation, which became a subsidiary of the Company. Through this investment, Starburst II, Inc. changed its name to Sprint Corporation, and the Company acquired approximately 78% of the shares of Sprint Corporation. Subsequently, the Company acquired approximately an additional 2% shares. The details of the acquisition are described in "(3) Sprint" in "Note 5. Business combinations."
5. The Company does not own a majority of voting rights in Yahoo Japan Corporation. However, the Company determined that it has control over Yahoo Japan Corporation and included it into the scope of consolidation, considering the fact that the Company holds 42.9% voting rights of Yahoo Japan Corporation and SoftBank Corp.'s directors constitute the majority of members of Yahoo Japan Corporation's board of directors.

(2) Condensed consolidated financial information and other information on subsidiaries with significant non-controlling interests

a. Sprint (Sprint Corporation and its group companies)

(a) General information

|  | <u>As of March 31, 2014</u>             |
|--|---|
| Ownership ratio of the non-controlling interests (%) . . . . .                                     | 20.1                                    |
|  | <u>(Millions of yen)</u>                |
| Accumulated amount attributable to the non-controlling interests of the subsidiary group . . . . . | ¥405,630                                |
|  | <u>(Millions of yen)</u>                |
|  | <u>Fiscal year ended March 31, 2014</u> |
| Net loss allocated to the non-controlling interests of subsidiary group . . . . .                  | ¥(38,636)                               |

(b) Condensed consolidated financial information

|                                    | <u>(Millions of yen)</u>                |
|------------------------------------|---|
|                                    | <u>As of March 31, 2014</u>             |
| Current assets . . . . .           | ¥1,178,581                              |
| Non-current assets . . . . .       | 7,133,494                               |
| Current liabilities . . . . .      | 1,019,329                               |
| Non-current liabilities . . . . .  | 5,084,260                               |
| Net assets . . . . .               | <u>¥2,208,486</u>                       |
|                                    | <u>(Millions of yen)</u>                |
|                                    | <u>Fiscal year ended March 31, 2014</u> |
| Net sales . . . . .                | ¥2,601,031                              |
| Net loss . . . . .                 | <u>(188,396)</u>                        |
| Total comprehensive loss . . . . . | <u>(183,263)</u>                        |

Above are the net sales, net income and total comprehensive income of Sprint after the acquisition date.

No dividends were paid to the non-controlling interests by Sprint after the acquisition date.

|   | (Millions of yen)                           |
|---|---|
|   | <u>Fiscal year ended<br/>March 31, 2014</u> |
| Net cash provided by operating activities . . . . .                       | ¥ 24,999                                    |
| Net cash used in investing activities . . . . .                           | (564,880)                                   |
| Net cash provided by financing activities . . . . .                       | 586,912                                     |
| Effect of exchange rate changes on cash and cash<br>equivalents . . . . . | 16,658                                      |
| Increase in cash and cash equivalents . . . . .                           | <u>¥ 63,689</u>                             |

Above are the cash flows of Sprint after the acquisition date.

b. Yahoo (Yahoo Japan Corporation and its group companies)

(a) General information

|   | <u>As of<br/>April 1, 2012</u> | <u>As of<br/>March 31, 2013</u> | <u>As of<br/>March 31, 2014</u> |
|---|--------------------------------|---------------------------------|---------------------------------|
| Ownership ratio of the non-controlling<br>interests (%) . . . . . | 57.8                           | 57.5                            | 57.1                            |

(Millions of yen)

|  |          |          |          |
|--|----------|----------|----------|
| Accumulated amount attributable to the non-<br>controlling interests of subsidiary group . . . . . | ¥264,030 | ¥312,448 | ¥356,740 |
|--|----------|----------|----------|

(Millions of yen)

|  | <u>Fiscal year ended<br/>March 31, 2013</u> | <u>Fiscal year ended<br/>March 31, 2014</u> |
|--|---|---|
| Net income allocated to the non-controlling<br>interests of subsidiary group . . . . . | ¥ 67,600                                    | ¥ 73,318                                    |

(b) Condensed consolidated financial information

(Millions of yen)

|                                   | <u>As of<br/>April 1, 2012</u> | <u>As of<br/>March 31, 2013</u> | <u>As of<br/>March 31, 2014</u> |
|-----------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Current assets . . . . .          | ¥452,365                       | ¥569,918                        | ¥658,706                        |
| Non-current assets . . . . .      | 124,847                        | 193,060                         | 210,890                         |
| Current liabilities . . . . .     | 94,076                         | 193,943                         | 218,335                         |
| Non-current liabilities . . . . . | 2,740                          | 3,707                           | 3,934                           |
| Net assets . . . . .              | ¥480,396                       | ¥565,328                        | ¥647,327                        |

(Millions of yen)

|                                      | <u>Fiscal year ended<br/>March 31, 2013</u> | <u>Fiscal year ended<br/>March 31, 2014</u> |
|--------------------------------------|---|---|
| Net sales . . . . .                  | ¥363,955                                    | ¥408,515                                    |
| Net income . . . . .                 | 118,175                                     | 129,566                                     |
| Total comprehensive income . . . . . | 121,410                                     | 135,030                                     |

Dividends paid to the non-controlling interests by Yahoo Japan Corporation for the fiscal year ended March 31, 2014 is ¥13,229 million (fiscal year ended March 1, 2013: ¥11,616 million).

(Millions of yen)

|   | <u>Fiscal year ended<br/>March 31, 2013</u> | <u>Fiscal year ended<br/>March 31, 2014</u> |
|---|---|---|
| Net cash provided by operating activities . . . . .                       | ¥139,398                                    | ¥134,572                                    |
| Net cash provided by (used in) investing<br>activities . . . . .          | 55,094                                      | (53,129)                                    |
| Net cash used in financing activities . . . . .                           | (40,186)                                    | (9,053)                                     |
| Effect of exchange rate changes on cash and cash<br>equivalents . . . . . | 312   | 359   |
| Increase in cash and cash equivalents . . . . .                           | <u>¥154,618</u>                             | <u>¥ 72,749</u>                             |



## 16. Investments accounted for using the equity method

### (1) Condensed consolidated financial information and other of the significant associates

Alibaba Group Holding Limited

#### a. General information

Alibaba (registered in Cayman) operates online marketplace “Taobao Marketplace,” “Tmall,” “Alibaba.com” and other through its group company.

#### b. Condensed consolidated financial information

IFRS condensed consolidated financial information of Alibaba are as follows.

The Company applies the equity method to the consolidated financial statements of Alibaba on a three-month time lag, as it is impracticable to conform the reporting period of Alibaba due to the contract with Alibaba. Also, this note discloses the condensed consolidated financial information of Alibaba on a three-month time lag. Adjustments are made for significant transactions or events which occurred during the intervening period and which were publicly announced by Alibaba.

|   | (Millions of yen)      |                         |                         |
|---|------------------------|-------------------------|-------------------------|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Current assets . . . . .                                | ¥317,581               | ¥610,054                | ¥1,178,723              |
| Non-current assets . . . . .                            | 256,672                | 323,337                 | 672,785                 |
| Current liabilities . . . . .                           | 149,534                | 382,690                 | 680,910                 |
| Non-current liabilities . . . . .                       | 13,761                 | 621,917                 | 790,289                 |
| Equity  |                        |                         |                         |
| Total equity attributable to owners of the parent . . . | 378,601                | (80,632)                | 363,226                 |
| Non-controlling interests . . . . .                     | ¥ 32,357               | ¥ 9,416                 | ¥ 17,083                |

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Net sales . . . . .                              | ¥407,867                            | ¥801,093                            |
| Net income . . . . .                             | 65,732                              | 323,923                             |
| Other comprehensive income, net of tax . . . . . | 1,275                               | 22,433                              |
| Total comprehensive income . . . . .             | ¥ 67,007                            | ¥346,356                            |

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Net income attributable to owners of the parent . . . . .                                | ¥63,078                             | ¥323,306                            |
| Other comprehensive income attributable to owners of the parent,<br>net of tax . . . . . | 1,370                               | 22,183                              |
| Total comprehensive income attributable to owners of the<br>parent . . . . .             | ¥64,448                             | ¥345,489                            |

There is no dividend received from Alibaba for the fiscal years ended March 31, 2013 and 2014.

The consolidation between total equity attributable to owners of the parent based on the condensed consolidated financial information above and the carrying amount of the interests in Alibaba is as follows:

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Total equity attributable to owners of the parent . . . . .                                | ¥378,601               | ¥(80,632)               | ¥363,226                |
| Interest ratio (%) . . . . .   | 31.89                  | 36.90                   | 36.26                   |
| Interests of the Company . . . . .   | 120,736                | (29,753)                | 131,706                 |
| Goodwill . . . . .   | —                      | 51,948                  | 58,521                  |
| Accumulated amortization of goodwill on the IFRS<br>transition date <sup>1</sup> . . . . . | (5,729)                | (8,020)                 | (8,624)                 |
| Other <sup>2</sup> . . . . .   | (29,582)               | 37,773                  | (50,485)                |
| Carrying amount of the interests in Alibaba . . . . .                                      | ¥ 85,425               | ¥ 51,948                | ¥131,118                |

Note:

1. Goodwill recorded by Alibaba from business combinations before the IFRS transition date was amortized over the periods in which economic benefits were reasonably expected to be realized, when the Company applied the equity method to the investment in Alibaba under previous accounting principles (JGAAP). The adjustment amount above reflects the accumulated amortization of goodwill at the date of transition to IFRSs.
2. Other relates to adjustments mainly related to organization restructurings such as the transfer of Taobao shares in 2005 and the purchase of treasury stocks by Alibaba from Yahoo! Inc. in the U.S. in 2012.

(2) Aggregated information on investment in insignificant associates

Aggregated information of insignificant investment accounted for using the equity method, other than (1) above (total amount of the Company's interests), is as follows:

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Carrying amount of the interests related to associates . . . . . | ¥123,101               | ¥156,716                | ¥173,200                |

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Net income (loss) . . . . .                      | ¥ (9,684)                           | ¥ 7,622                             |
| Other comprehensive income, net of tax . . . . . | 11,147                              | 9,108                               |
| Total comprehensive income . . . . .             | ¥ 1,463                             | ¥16,730                             |

## 17. Structured entities

(1) Consolidated structured entities

SoftBank Corp. and its subsidiaries own some investment funds which are structured entities consolidated by the Company. These funds are structured as venture funds in the form of partnership and limited partnership for investment, and designed so that the voting rights or similar rights would not be the determinant in evaluating control. The Company evaluated that it controls the operation of those structured entities.

The Company is engaged in some investment commitment contracts with certain consolidated structured entities.

The Company has not provided, nor intends to provide any significant financial support or other significant support to the consolidated structured entities without contractual obligation.

(2) Unconsolidated structured entities

SoftBank Corp. and its subsidiaries own some investment funds, which are structured entities unconsolidated by the Company. These funds are structured as venture funds in the form of partnerships, limited partnerships for investment and investment trusts, and designed so that the voting rights or similar rights would not be the determinant in evaluating control. The third party controls the operation of those structured entities. The funds are financed by the subscription by its partners.

The scale of the unconsolidated structured entities, the carrying amount of the investment in the entities by the Company, and the potential maximum loss exposure of the Company are as follows:

|   | (Millions of yen)      |                         |                         |
|---|------------------------|-------------------------|-------------------------|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Total assets of the unconsolidated structured entities (aggregate amount) . . . . . | ¥214,079               | ¥277,593                | ¥359,396                |
| The maximum loss exposure of the Company  |                        |                         |                         |
| The carrying amount of the investment recognized by the Company . . . . .           | 43,128                 | 50,007                  | 63,352                  |
| Commitment contracts related to additional investment . . . . .                     | 7,940                  | 12,743                  | 16,445                  |
| Total . . . . .   | ¥ 51,068               | ¥ 62,750                | ¥ 79,797                |

The investment recognized by the Company is included in “Investments accounted for using the equity method” or “Other financial assets (non-current)” in the consolidated statement of financial position. There is no liability to recognize for the Company related to nonconsolidated structured entities.

The potential maximum loss exposure incurred from the involvement with the structured entities is limited to the total of the carrying amount of the Company’s investment and commitment regarding additional investment.

The Company’s maximum loss exposure represents the potential maximum loss amount, and does not indicate any estimated loss amount by being involved with structured entities.

The Company has not provided, nor intends to provide any financial support or other significant support to the unconsolidated structured entities above without contractual obligation.

## 18. Income taxes

### (1) Tax expenses

The components of income tax expenses are as follows:

|                                 | (Millions of yen)                   |                                     |
|---------------------------------|-------------------------------------|-------------------------------------|
|                                 | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Current tax expenses . . . . .  | ¥(279,259)                          | ¥(343,333)                          |
| Deferred tax expenses . . . . . | 1,592                               | (2,885)                             |
| Total . . . . .                 | <u>¥(277,667)</u>                   | <u>¥(346,218)</u>                   |

In Japan, the Act on the Partial Revision of the Act on income (Article 10, 2014) was issued on March 31, 2014, and the special corporation tax for reconstruction is not imposed from the fiscal year started April 1, 2014. The statutory effective tax rate used for the deferred tax assets and liabilities where the timing of the reversal of the related temporary difference is expected during the fiscal year ending March 31, 2015 is changed from 38.0% to 35.6%. There is no material impact from this change.

### (2) Reconciliation of statutory effective tax rate and actual tax rate

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

|   | (Unit: %)                           |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Statutory effective tax rate . . . . .                              | 38.0                                | 38.0                                |
| Effect from evaluating recoverability of deferred tax asset . . . . | 2.1                                 | 11.3                                |
| Gain from remeasurement relating to business combination . . .      | (0.2)                               | (10.4)                              |
| Equity in (income) loss of associates . . . . .                     | 0.0                                 | (2.7)                               |
| Other . . . . .   | <u>(1.1)</u>                        | <u>0.9</u>                          |
| Actual tax rate . . . . .   | <u>38.8</u>                         | <u>37.1</u>                         |

The Company is subject to income taxes, residence taxes and deductible business tax. The statutory effective tax rate for the fiscal year ended March 31, 2014 based on these taxes is 38.0% (fiscal year ended March 31, 2014: 38.0%), except for foreign subsidiaries that are subject to income taxes at their respective location.

(3) The components of deferred tax assets and deferred tax liabilities

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

|   | As of<br>April 1,<br>2012 | Recognized in<br>profit or loss | Recognized<br>other<br>comprehen<br>income |
|---|---------------------------|---------------------------------|--|
| <b>For the fiscal year ended March 31, 2013</b> |                           |                                 |  |
| Deferred tax assets                             |                           |                                 |  |
| Property, plant and equipment                   | ¥ 77,984                  | ¥ 459                           | ¥ —  |
| Accrued expenses and other liabilities          | 65,409                    | 10,133                          | (3,133)                                    |
| Net operating loss carryforwards                | 13,244                    | (11,162)                        | —  |
| Other   | 39,869                    | (9,511)                         | (4,942)                                    |
| Total   | 196,506                   | (10,081)                        | (4,942)                                    |
| Deferred tax liabilities                        |                           |                                 |  |
| Customer relationships                          | —                         | 2,093                           | —  |
| Trademarks                                      | —                         | 21                              | —  |
| Available-for-sale financial assets             | (26,971)                  | 1,754                           | (2,642)                                    |
| Cash flow hedges                                | —                         | —                               | (70,462)                                   |
| Other   | (31,477)                  | 7,805                           | —  |
| Total   | (58,448)                  | 11,673                          | (73,102)                                   |
| Net   | ¥138,058                  | ¥ 1,592                         | ¥(73,144)                                  |

Note:

The increase resulting from “Business combinations” is due to the consolidation of eAccess Ltd. The details of the acquisition are described in “(1) eAccess Ltd.” in

|   |                            |                                 | (M)   |
|---|----------------------------|---------------------------------|---|
|   | As of<br>March 31,<br>2013 | Recognized in<br>profit or loss | Recognized in<br>other<br>comprehensive<br>income |
| <b>For the fiscal year ended March 31, 2014</b>                         |                            |                                 |   |
| Deferred tax assets   |                            |                                 |   |
| Property, plant and equipment . . . . .                                 | ¥ 81,434                   | ¥(25,124)                       | ¥ —   |
| Accrued expenses and other liabilities . . . . .                        | 81,668                     | (70,205)                        | 71  |
| Net operating loss carryforwards and tax credit carryforwards . . . . . | 7,467                      | 20,340                          | —   |
| Other . . . . .   | 40,279                     | 4,700                           | (1)   |
| Total . . . . .   | <u>210,848</u>             | <u>(70,289)</u>                 | <u>70</u>   |
| Deferred tax liabilities  |                            |                                 |   |
| FCC Licenses . . . . .  | —                          | (16,305)                        | —   |
| Customer relationships . . . . .  | (30,753)                   | 62,683                          | —   |
| Trademarks . . . . .  | (1,351)                    | 1,739                           | —   |
| Available-for-sale financial assets . . . . .                           | (27,886)                   | —                               | 22,381  |
| Cash flow hedges . . . . .  | (72,059)                   | —                               | 72,029  |
| Other . . . . .   | (24,388)                   | 19,287                          | —   |
| Total . . . . .   | <u>(156,437)</u>           | <u>67,404</u>                   | <u>94,410</u>                                     |
| Net . . . . .   | <u>¥ 54,411</u>            | <u>¥ (2,885)</u>                | <u>¥94,480</u>                                    |

Note:

The increase resulting from “Business combinations” is mainly due to the consolidation of Sprint as a subsidiary. The details of the acquisition are described in “(3)

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

|                                | (Millions of yen)      |                         |                         |
|--------------------------------|------------------------|-------------------------|-------------------------|
|                                | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Deferred tax assets .....      | ¥183,409               | ¥ 175,390               | ¥ 172,732               |
| Deferred tax liabilities ..... | (45,351)               | (120,979)               | (1,533,021)             |
| Net .....                      | <u>¥138,058</u>        | <u>¥ 54,411</u>         | <u>¥(1,360,289)</u>     |

- (4) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

Deductible temporary differences, net operating loss carryforwards, and tax credit carryforwards unaccompanied by the recognition of deferred tax assets are as follows. The amounts below are taxable basis.

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Deductible temporary differences ..... | ¥53,100                | ¥ 83,278                | ¥180,755                |
| Net operating loss carryforwards ..... | 33,819                 | 53,730                  | 783,219                 |
| Tax credit carryforwards .....         | —                      | —                       | 26,584                  |
| Total .....                            | <u>¥86,919</u>         | <u>¥137,008</u>         | <u>¥990,558</u>         |

The increase for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

Expiration of net operating loss carryforwards, and tax credit carryforwards unaccompanied by recognition of deferred tax assets is as follows. There is no deductible temporary difference with expiry date.

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Net operating loss carryforwards (tax basis)     |                        |                         |                         |
| 1st year .....                                   | ¥ 804                  | ¥ 4,185                 | ¥ 8,520                 |
| 2nd year .....                                   | 4,024                  | 3,136                   | 4,218                   |
| 3rd year .....                                   | 3,016                  | —                       | 16,268                  |
| 4th year .....                                   | —                      | —                       | 23,566                  |
| 5th year and thereafter and no expiry date ..... | <u>25,975</u>          | <u>46,409</u>           | <u>730,647</u>          |
| Total .....                                      | <u>¥33,819</u>         | <u>¥53,730</u>          | <u>¥783,219</u>         |

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Tax credit carryforwards (tax basis)             |                        |                         |                         |
| 1st year .....                                   | ¥—                     | ¥—                      | ¥ 861                   |
| 2nd year .....                                   | —                      | —                       | 36                      |
| 3rd year .....                                   | —                      | —                       | 210                     |
| 4th year .....                                   | —                      | —                       | 7,388                   |
| 5th year and thereafter and no expiry date ..... | <u>—</u>               | <u>—</u>                | <u>18,089</u>           |
| Total .....                                      | <u>¥—</u>              | <u>¥—</u>               | <u>¥26,584</u>          |

In addition to above, total deductible temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax assets related to the investment in subsidiaries and associates as of March 31, 2014 are ¥108,548 million (April 1, 2012: ¥85,074 million, March 31, 2013: ¥114,087 million).

- (5) Taxable temporary differences unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries

Total taxable temporary differences (before multiplying by the tax rate) unaccompanied by the recognition of deferred tax liabilities related to the investment in subsidiaries as of March 31, 2014 are ¥642,305 million (April 1, 2012: ¥182,568 million, March 31, 2013: ¥265,895 million).



## 19. Interest-bearing debt

### (1) Components of interest-bearing debt

The components of interest-bearing debt are as follows:

|   | (Millions of yen)   |                      |                      | Average interest rate (%) | Maturity                |
|---|---------------------|----------------------|----------------------|---------------------------|-------------------------|
|   | As of April 1, 2012 | As of March 31, 2013 | As of March 31, 2014 |                           |                         |
| Current                                 |                     |                      |                      |                           |                         |
| Short-term borrowings                   | ¥ 114,625           | ¥ 458,313            | ¥ 270,529            | 1.25                      | —                       |
| Commercial paper                        | —                   | —                    | 32,000               | 0.13                      | —                       |
| Current portion of long-term borrowings | 496,073             | 631,232              | 393,566              | 0.95                      | —                       |
| Current portion of corporate bonds      | 142,686             | 204,837              | 139,300              | 4.50                      | —                       |
| Current portion of lease obligations    | 157,302             | 192,658              | 264,295              | 1.84                      | —                       |
| Current portion of installment payables | 15,985              | 47,088               | 48,209               | 1.86                      | —                       |
| Total                                   | <u>926,671</u>      | <u>1,534,128</u>     | <u>1,147,899</u>     | <u>—</u>                  | <u>—</u>                |
| Non-current                             |                     |                      |                      |                           |                         |
| Long-term borrowings                    | 619,517             | 510,856              | 2,243,855            | 1.34                      | Apr., 2015 - Nov., 2020 |
| Corporate bonds                         | 458,520             | 791,919              | 4,743,073            | 5.96                      | Apr., 2015 - Dec., 2040 |
| Lease obligations                       | 431,722             | 564,077              | 730,915              | 2.00                      | Apr., 2015 - Sep., 2023 |
| Preferred securities                    | 195,920             | 197,468              | 199,156              | 2.04                      | — <sup>3</sup>          |
| Installment payables                    | 57,594              | 109,405              | 105,155              | 1.53                      | Apr., 2015 - Feb., 2019 |
| Total                                   | <u>¥1,763,273</u>   | <u>¥2,173,725</u>    | <u>¥8,022,154</u>    | <u>—</u>                  | <u>—</u>                |

#### Notes:

1. Average interest rate represents the weighted average interest rate to the balance as of March 31, 2014.
2. Maturity represents the maturity of the Outstanding balance as of March 31, 2014.
3. Maturity is not determined in the contract, however early redemption will be available and be scheduled in May 2015.
4. The components of interest-bearing debt recognized as a result of the consolidation of Sprint in July 2013 are as follows. The details of the acquisition are described in “(3) Sprint” in “Note 5. Business combinations.”

|   | (Millions of yen)                |
|---|----------------------------------|
|   | Acquisition date (July 10, 2013) |
| Current                                 |                                  |
| Current portion of long-term borrowings | ¥ 13,380                         |
| Current portion of corporate bonds      | 63,317                           |
| Current portion of lease obligations    | 10,264                           |
| Total                                   | <u>86,961</u>                    |
| Non-current                             |                                  |
| Long-term borrowings                    | 34,854                           |
| Corporate bonds                         | 2,590,208                        |
| Lease obligations                       | 43,101                           |
| Total                                   | <u>¥2,668,163</u>                |

5. SoftBank Corp. has entered into a loan agreement (the “permanent loan”) with a maximum total amount of borrowing of ¥1,980 billion with financial institutions on September 13, 2013 to refinance the bridge loan for the consolidation of Sprint and other existing borrowings and debts by executing borrowing on September 27, 2013 and on September 30, 2013.

The summary of the permanent loan is as follows:

Summary of the permanent loan

| <u>Borrower</u>                                | <u>SoftBank Corp.</u>   |
|--|---|
| Lenders  | Mizuho Bank, Ltd.<br>Sumitomo Mitsui Banking Corporation<br>The Bank of Tokyo-Mitsubishi UFJ, Ltd.<br>Deutsche Bank AG<br>Credit Agricole CIB<br>and other in total 19 institutions |
| Date of contract                               | September 13, 2013  |
| Maximum total amount of borrowing and maturity | Total amount of borrowing limit ¥1.98 trillion<br>(Breakdown)<br>Facility A ¥1.1 trillion (Maturity: September 13, 2018)<br>Facility B ¥880 billion (Maturity: September 14, 2020)  |
| Loan drawdown amount and date                  | ¥1.85 trillion on September 27, 2013<br>¥130 billion on September 30, 2013  |
| Primary use of loan proceeds                   | Repayment of bridge loan for Sprint consolidation<br>Repayment of some existing borrowings at SoftBank Corp.<br>Repayment of some existing debts at eAccess Ltd.                    |
| Collateral                                     | Not applicable  |
| Guarantors                                     | SoftBank Mobile Corp. and SoftBank Telecom Corp.  |
| Financial covenants                            | The permanent loan has financial covenants.<br>The details are described in “(2) Financial covenants” in “Note 19. Interest-bearing debt.”  |

## 6. Summary of the issuance condition of bonds is as follows:

| Company name /Name of bond                        | Date of<br>issuance              | Balance of<br>issue amount | As of April 1,<br>2012<br>(Millions of yen) | As of Mar<br>2013<br>(Millions of yen) |
|---|----------------------------------|----------------------------|---|--|
| SoftBank Corp.                                    |                                  |                            | ¥ 64,934                                    |  |
| 29 <sup>th</sup> Unsecured Straight Bond .....    | Sep. 18, 2009                    | ¥ —million                 | (64,934)                                    | ¥ 129,9                                |
| 33 <sup>rd</sup> Unsecured Straight Bond .....    | Sep. 17, 2010                    | ¥ —million                 | 129,715                                     | (129,9                                 |
| 36 <sup>th</sup> Unsecured Straight Bond .....    | Jun. 17, 2011                    | ¥100,000 million           | 99,561                                      | 99,6                                   |
| 39 <sup>th</sup> Unsecured Straight Bond .....    | Sep. 24, 2012                    | ¥100,000 million           | —   | 99,3                                   |
| 41 <sup>st</sup> Unsecured Straight Bond .....    | Mar. 12, 2013                    | ¥300,000 million           | —   | 295,5                                  |
| 42 <sup>nd</sup> Unsecured Straight Bond .....    | Mar. 1, 2013                     | ¥ 70,000 million           | —   | 69,7                                   |
| 43 <sup>rd</sup> Unsecured Straight Bond .....    | Jun. 20, 2013                    | ¥400,000 million           | —   |  |
| USD-denominated Senior Notes due year 2020 .....  | Apr. 23, 2013                    | \$ 2,485 million           | —   |  |
| Euro-denominated Senior Notes due year 2020 ..... | Apr. 23, 2013                    | € 625 million              | —   |  |
| Other .....                                       | Dec. 30, 2003 -<br>Nov. 29, 2013 | ¥214,900 million           | 306,996<br>(77,752)                         | 239,4<br>(74,9                         |
| Subtotal .....                                    |                                  |                            | 601,206<br>(142,686)                        | 933,8<br>(204,8                        |
| Sprint Corporation 7.25% Notes due 2021 .....     | Sep. 11, 2013                    | \$ 2,250 million           | —   |  |
| 7.875% Notes due 2023 .....                       | Sep. 11, 2013                    | \$ 4,250 million           | —   |  |
| 7.125% Notes due 2024 .....                       | Dec. 12, 2013                    | \$ 2,500 million           | —   |  |
| Subtotal .....                                    |                                  |                            | —   |  |
| Sprint Communications, Inc. <sup>9</sup>          |                                  |                            |   |  |
| Export Development Canada                         |                                  |                            |   |  |
| Facility (Tranche 2) .....                        | Jan. 20, 2011                    | \$ 500 million             | —   |  |
| 6% Senior Notes due 2016 .....                    | Nov. 15, 2006                    | \$ 2,000 million           | —   |  |
| 9.125% Senior Notes due 2017 .....                | Mar. 1, 2012                     | \$ 1,000 million           | —   |  |
| 8.375% Senior Notes due 2017 .....                | Aug. 10, 2009                    | \$ 1,300 million           | —   |  |
| 9% Guaranteed Notes due 2018 .....                | Nov. 9, 2011                     | \$ 3,000 million           | —   |  |
| 7% Guaranteed Notes due 2020 .....                | Mar. 1, 2012                     | \$ 1,000 million           | —   |  |
| 7% Senior Notes due 2020 .....                    | Aug. 14, 2012                    | \$ 1,500 million           | —   |  |
| 11.5% Senior Notes due 2021 .....                 | Nov. 9, 2011                     | \$ 1,000 million           | —   |  |
| 9.25% Debentures due 2022 .....                   | Apr. 15, 1992                    | \$ 200 million             | —   |  |
| 6% Senior Notes due 2022 .....                    | Nov. 14, 2012                    | \$ 2,280 million           | —   |  |
| Subtotal .....                                    |                                  |                            |   |  |
| Sprint Capital Corporation <sup>9</sup>           |                                  |                            |   |  |
| 6.9% Senior Notes due 2019 .....                  | May 6, 1999                      | \$ 1,729 million           | ¥ —   | ¥ —                                    |
| 6.875% Senior Notes due 2028 .....                | Nov. 16, 1998                    | \$ 2,475 million           | —   |  |
| 8.75% Senior Notes due 2032 .....                 | Mar. 14, 2002                    | \$ 2,000 million           | —   |  |
| Subtotal .....                                    |                                  |                            |   |  |
| Clearwire Communications LLC <sup>9</sup>         |                                  |                            |   |  |
| 14.75% First-Priority Senior                      |                                  |                            |   |  |
| Secured Notes due 2016 <sup>10</sup> .....        | Jan. 27, 2012                    | \$ 300 million             | —   |  |
| 8.25% Exchangeable Notes due 2040 .....           | Dec. 8, 2010                     | \$ 629 million             | ¥ —   | ¥ —                                    |
| Subtotal .....                                    |                                  |                            |   |  |

| <u>Company name /Name of bond</u>                 | <u>Date of issuance</u> | <u>Balance of issue amount</u> | <u>As of April 1, 2012<br/>(Millions of yen)</u> | <u>As of March 31, 2013<br/>(Millions of yen)</u> |
|---|-------------------------|--------------------------------|--|---|
| eAccess Ltd.                                      |                         |                                |  |   |
| USD-denominated Senior Notes due year 2018 .....  | Apr. 1, 2011            | \$ 420 million                 | —  | 39,011  |
| Euro-denominated Senior Notes due year 2018 ..... | Apr. 1, 2011            | € 200 million                  | —  | 23,891  |
| Subtotal .....                                    |                         |                                | —  | 62,902  |
| Brightstar Corp.                                  |                         |                                |  |   |
| 9.50% senior notes due 2016 .....                 | Nov. 30, 2010           | \$ 350 million                 | —  | —   |
| 7.25% senior notes due 2018 .....                 | Jul. 26, 2013           | \$ 250 million                 | —  | —   |
| Subtotal .....                                    |                         |                                | —  | —   |
| Other companies .....                             |                         |                                |  |   |
| Straight Bond .....                               | May 25, 2012            | ¥ 200 million                  | —  | —   |
|   | May 31, 1999 -          |                                |  |   |
| USD-denominated straight Bond <sup>10</sup> ..... | Apr. 23, 2007           | \$ 182 million                 | —  | —   |
| Subtotal .....                                    |                         |                                | —  | —   |
| Total .....                                       |                         |                                | ¥ 601,206<br>(142,686)                           | ¥ 996,751<br>(204,831)                            |

## Notes:

7. Figures in parentheses as of April 1, 2012, March 31, 2013 and March 31, 2014 represent the current portion.
8. Balance of issue amount is as of March 31, 2014.
9. Sprint Communications, Inc., Sprint Capital Corporation and Clearwire Communications LLC are Sprint Corporation subsidiaries.
10. Collaterals are pledged against these bonds. The details of the pledged collaterals are described in “(4) Assets pledged as collateral.”

## (2) Financial covenants

## a. Financial covenants on interest-bearing debts of SoftBank Corp.

SoftBank Corp.’s interest-bearing debt includes financial covenants and the major financial covenants are as follows.

- (a) The amount of the SoftBank Corp.’s net assets at the end of the fiscal year must not fall below 75% of the Company’s net assets.
- (b) The consolidated statement of financial position of SoftBank Corp. and BB Mobile Corp. at the end of the fiscal year must not be in deficit, and the consolidated statement of financial position of SoftBank Mobile Corp., SoftBank BB Corp. and SoftBank Telecom Corp. at the end of the fiscal year must not be in deficit.
- (c) In the SoftBank Corp.’s consolidated financial statement, operating income (loss) or net income (loss) attributable to owners of SoftBank Corp. must not result in losses for two consecutive years.
- (d) Adjusted net interest-bearing debts<sup>1</sup> or leverage ratios<sup>2</sup> designated in the loan agreement must not exceed respective limits for the annual reporting period and at the end of the second quarter.

## Notes:

1. Adjusted net interest-bearing debts:  
Amounts deducting cash and cash equivalents from interest-bearing debts in the consolidated statement of financial position. Certain adjustments are made from the subject.

2. Leverage ratio:  
Adjusted net interest-bearing debt / adjusted EBITDA<sup>3</sup>
3. Adjusted EBITDA:  
Certain adjustments are made to EBITDA such as excluding listed subsidiaries such as Sprint.

b. Financial covenants on interest-bearing debts of Sprint

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

- (a) Holders of a portion (\$20.1 billion) of notes issued by Sprint are provided with the right to require Sprint to repurchase the notes if there is a change of control and if there is a decline, to a certain extent, in ratings of the applicable notes by the Rating Services. Also, holders of certain bonds issued by Clearwire and other subsidiaries (\$481 million) are provided with the right to require the repurchase of the notes if a change of control triggering event occurs.
- (b) It is required that as of the last day of each quarter, Sprint's ratio of total indebtedness\* to EBITDA (as defined) should not exceed a threshold level. Exceeding the ratio could result in the maturities being accelerated. The limit for the ratio was 6.25 as of March 31, 2014.

Note:

\* Total indebtedness: the sum of Sprint's outstanding debt (excluding trade payable) and guarantee of indebtedness, with certain adjustments such as excluding amounts agreed based on contracts with lenders.

(3) Borrowings related to equity securities lending contract

The Company entered into a securities lending contract regarding its certain subsidiary stocks, and received cash of ¥150,000 million (April 1, 2012: ¥93,000 million, March 31, 2013: ¥93,000 million) as contractual collateral. The amount received is recognized as short-term borrowings and included in interest-bearing debt.

(4) Assets pledged as collateral

Assets pledged as collateral for liabilities are as follows:

| (Millions of yen)                    |                        |                         |                         |
|--------------------------------------|------------------------|-------------------------|-------------------------|
|                                      | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Cash and cash equivalents            | ¥ —                    | ¥ 60,011                | ¥ 8,656                 |
| Trade and other receivables          | —                      | 26,285                  | 115,243                 |
| Inventories                          | —                      | 2,291                   | 25,332                  |
| Other (current)                      | 100                    | 3,696                   | 7,106                   |
| Property, plant and equipment        | —                      | 133,497                 | 96,845                  |
| Intangible assets                    | —                      | 27,075                  | 10,101                  |
| Other financial assets (non-current) | —                      | 291,837                 | 14,114                  |
| Other (non-current)                  | —                      | 10,775                  | 11,398                  |
| Total                                | ¥100                   | ¥555,467                | ¥288,795                |

Liabilities related to these assets pledged as collateral are as follows:

| (Millions of yen)                       |                        |                         |                         |
|---|------------------------|-------------------------|-------------------------|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Trade and other payables                | ¥ 935                  | ¥ —                     | ¥ —                     |
| Interest-bearing debt                   |                        |                         |                         |
| Short-term borrowings                   | —                      | 242,004                 | 12,938                  |
| Current portion of long-term borrowings | 28                     | 31,198                  | 38,423                  |
| Current portion of corporate bonds      | —                      | —                       | 44                      |
| Long-term borrowings                    | 65                     | 83,893                  | 52,307                  |
| Corporate bonds                         | —                      | —                       | 18,658                  |
| Total                                   | ¥1,028                 | ¥357,095                | ¥122,370                |

Other than the above, \$14.6 billion (before consolidation adjustments) of the assets of our subsidiary, Clearwire Communications LLC, is pledged as collateral for the \$0.3 billion corporate bond issued by Clearwire Communications LLC as of March 31, 2014.

For short-time borrowings (bridge loan) of ¥250,000 million related to the acquisition of Sprint as of March 31, 2013, in addition to the above assets pledged as collateral, Starburst I, Inc. stocks owned by the Company and Starburst II, Inc. stocks owned by Starburst I, Inc. were pledged as collateral. Starburst I, Inc. and Starburst II, Inc. were consolidated subsidiaries as of March 31, 2013.

#### (5) Assets with limited property rights

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

|                               | (Millions of yen)      |                         |                         |
|-------------------------------|------------------------|-------------------------|-------------------------|
|                               | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Property, plant and equipment | ¥55,241                | ¥105,501                | ¥119,089                |
| Intangible assets             | 17,007                 | 34,602                  | 37,783                  |
| Other non-current assets      | 247                    | 234                     | 251                     |
| Total                         | <u>¥72,495</u>         | <u>¥140,337</u>         | <u>¥157,123</u>         |

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

|   | (Millions of yen)      |                         |                         |
|---|------------------------|-------------------------|-------------------------|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Interest-bearing debt                   |                        |                         |                         |
| Current portion of installment payables | ¥15,985                | ¥ 35,016                | ¥ 41,746                |
| Installment payables                    | 57,594                 | 105,663                 | 104,813                 |
| Total                                   | <u>¥73,579</u>         | <u>¥140,679</u>         | <u>¥146,559</u>         |

Other than above, the lessor retains the property right of leased assets in finance lease obligation. The details are described in “Note 12. Property, plant and equipment,” “Note 13. Goodwill and intangible assets” and “Note 14. Leases.”

#### (6) Components of increase (decrease) in short-term interest-bearing debt, net

The components of “Increase (decrease) in short-term interest-bearing debt, net” in the consolidated statement of cash flows are as follows:

|   | (Millions of yen)                   |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Fiscal Year Ended<br>March 31, 2013 | Fiscal Year Ended<br>March 31, 2014 |
| Net increase (decrease) of short-term borrowings* | ¥345,572                            | ¥(233,794)                          |
| Net increase of commercial paper                  | —                                   | 32,000                              |
| Total   | <u>¥345,572</u>                     | <u>¥(201,794)</u>                   |

Note:

\* The Company borrowed permanent loan in September 2013 and refinanced the bridge loan which was made for the consolidation of Sprint. The increase and decrease in short-term borrowings for the fiscal year ended March 31, 2014 include the increase of borrowings of ¥1,034.9 billion on July 10, 2013, from the bridge loan and the decrease of borrowings by the repayment of the bridge loan in the amount of ¥1,284.9 billion (including the amount of repayment of ¥250 billion on December 21, 2012).

#### (7) Components of proceeds from long-term interest-bearing debt

The components of “Proceeds from long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal Year Ended<br>March 31, 2013 | Fiscal Year Ended<br>March 31, 2014 |
| Proceeds from long-term borrowings                           | ¥ 474,703                           | ¥2,587,755                          |
| Proceeds from issuance of corporate bonds                    | 480,000                             | 1,665,232                           |
| Proceeds from sale and leaseback of newly acquired equipment | 369,882                             | 445,307                             |
| Total  | <u>¥1,324,585</u>                   | <u>¥4,698,294</u>                   |



(8) Components of repayment of long-term interest-bearing debt

The components of “Repayment of long-term interest-bearing debt” in the consolidated statement of cash flows are as follows:

|   | (Millions of yen)                   |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Fiscal Year Ended<br>March 31, 2013 | Fiscal Year Ended<br>March 31, 2014 |
| Repayment of long-term borrowings ..... | ¥(574,753)                          | ¥(1,133,313)                        |
| Redemption of corporate bonds .....     | (95,826)                            | (533,538)                           |
| Payment of lease obligations .....      | (207,509)                           | (253,283)                           |
| Payment of installment payables .....   | (20,779)                            | (51,460)                            |
| Total .....                             | <u>¥(898,867)</u>                   | <u>¥(1,971,594)</u>                 |

**20. Trade and other payables**

The components of trade and other payables are as follows.

|                          | Millions of yen        |                         |                         |
|--------------------------|------------------------|-------------------------|-------------------------|
|                          | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Operating payables ..... | ¥964,451               | ¥887,850                | ¥1,602,803              |
| Other .....              | 11,381                 | 84,819                  | 103,153                 |
| Total .....              | <u>¥975,832</u>        | <u>¥972,669</u>         | <u>¥1,705,956</u>       |

Increase in operating payables and other for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint and Brightstar Corp. as subsidiaries. The details of the business combinations are described in “(3) Sprint” and “(6) Brightstar Corp.” in “Note 5. Business combinations.”

**21. Other financial liabilities**

The components of other financial liabilities are as follows:

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Current                                |                        |                         |                         |
| Derivative financial liabilities ..... | <u>¥ 1,206</u>         | <u>¥ 4,833</u>          | <u>¥ 5,847</u>          |
| Non-current                            |                        |                         |                         |
| Long-term payables .....               | 29,009                 | 30,180                  | 24,716                  |
| Other .....                            | <u>8,161</u>           | <u>8,474</u>            | <u>16,435</u>           |
| Total .....                            | <u>¥37,170</u>         | <u>¥38,654</u>          | <u>¥41,151</u>          |

## 22. Other current liabilities and other non-current liabilities

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

|                                      | (Millions of yen)      |                         |                         |
|--------------------------------------|------------------------|-------------------------|-------------------------|
|                                      | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Current                              |                        |                         |                         |
| Unearned income                      | ¥ 2,171                | ¥ 2,326                 | ¥130,848                |
| Short-term accrued employee benefits | 35,527                 | 41,508                  | 100,594                 |
| Accrued interest expenses            | 4,234                  | 5,278                   | 66,789                  |
| Consumption tax payable and others   | 13,261                 | 13,660                  | 61,795                  |
| Deferred revenue (current)           | 10,009                 | 16,653                  | 61,461                  |
| Withholding tax payable              | 1,318                  | 34,666                  | 60,711                  |
| Other                                | 27,635                 | 28,543                  | 52,750                  |
| Total                                | <u>94,155</u>          | <u>142,634</u>          | <u>534,948</u>          |
| Non-Current                          |                        |                         |                         |
| Unfavorable lease contracts          | —                      | —                       | 129,434                 |
| Deferred revenue                     | 71,016                 | 71,656                  | 102,273                 |
| Other                                | 8,569                  | 8,531                   | 50,555                  |
| Total                                | <u>¥79,585</u>         | <u>¥ 80,187</u>         | <u>¥282,262</u>         |

The increase of other Current liabilities and other non-current liabilities for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

Unfavorable lease contracts were recognized as liabilities based on the estimated fair value of the unfavorable portion of future cash flows, at the time of business combination of Sprint, if the terms of operating lease contracts in which the acquiree is the lessee are unfavorable compared to market terms. Reversal of unfavorable lease contracts are deducted from operating lease expense.

## 23. Provisions

The changes in the provisions are as follows:

|                                 | (Millions of yen)               |                             |                |                 |
|---------------------------------|---------------------------------|-----------------------------|----------------|-----------------|
|                                 | Asset retirement<br>obligations | Restructuring<br>provisions | Other          | Total           |
| As of April 1, 2013             | ¥ 23,367                        | ¥ —                         | ¥ —            | ¥ 23,367        |
| Recognition of provisions       | 5,754                           | 4,106                       | 4,064          | 13,924          |
| Business combinations           | 98,828                          | 123,644                     | 29,775         | 252,247         |
| Interest due to passage of time | 5,609                           | 3,413                       | 575            | 9,597           |
| Used                            | (19,646)                        | (40,136)                    | (7,788)        | (67,570)        |
| Reversal of provisions          | —                               | (3,789)                     | (1,272)        | (5,061)         |
| Exchange differences            | 1,468                           | 1,442                       | 412            | 3,322           |
| Other                           | 219                             | (10)                        | —              | 209             |
| As of March 31, 2014            | 115,599                         | 88,670                      | 25,766         | 230,035         |
| Current liabilities             | 22,290                          | 51,626                      | 19,199         | 93,115          |
| Non-current liabilities         | 93,309                          | 37,044                      | 6,567          | 136,920         |
| Total                           | <u>¥115,599</u>                 | <u>¥ 88,670</u>             | <u>¥25,766</u> | <u>¥230,035</u> |

The increase in business combinations for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

### Asset retirement obligations

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal of equipment, such as part of base stations, certain offices (including the head office), data centers, and network centers. The estimate is based on the assumption at present and subject to changes depending on revised future assumptions.

### ***Restructuring provision***

The restructuring provision consists mainly of the network shutdown provision and the backhaul\* access provision.

#### **(Network shutdown provision)**

The network shutdown provision resulted from Sprint recognizing lease exit costs mainly related to the shutdown of the Nextel Platform. Also, certain network shutdown costs were recognized in connection with the acquisition of business in certain markets from U.S. Cellular.

The majority of the network shutdown provision is expected to be utilized by March 31, 2015. The amount and timing of these costs are estimated based upon current network plans which are subject to modification.

#### **(Backhaul access provision)**

The backhaul access provision reflects exit costs related to payments that will continue to be made under Sprint's backhaul access contracts for which it will no longer be receiving any economic benefit. The majority of the backhaul access provision relates to Sprint's network modernization activities and is expected to be utilized by March 31, 2016. The amount and timing of these costs are estimates based upon current network plans which are subject to modifications.

Note:

\* Blackhaul is an intermediary network which connects the cell towers to the local switching center.

### **24. Retirement benefits**

The Company primarily has defined contribution pension plans for its employees.

#### **(1) Defined contribution plans**

Retirement benefit cost of defined contribution plans are as follows:

|   | (Millions of yen)                   |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Retirement benefit cost of defined contribution plans . . . . . | ¥2,428                              | ¥7,895                              |

#### **(2) Defined benefit plans**

##### **(Japan)**

SoftBank Mobile Corp. and SoftBank Telecom Corp. have frozen the defined benefit lump-sum plans since March 2007 and March 2006, respectively.

All the employees who worked at SoftBank Mobile Corp. and SoftBank Telecom Corp. at the time when the defined benefit lump-sum plans were frozen are eligible for the frozen defined benefit lump-sum plans.

SoftBank Mobile Corp. and SoftBank Telecom Corp. are responsible for providing the defined benefit lump-sum plans to recipients directly. Obligations for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until the benefits are paid in the form of lump-sum payment at the time of future retirement of employees.

##### **(U.S.)**

Sprint has a defined benefit pension plan for certain of its employees. Sprint has frozen the defined benefit pension plan since December 2005. Obligations for the frozen defined benefit pension plan are recognized as defined benefit liabilities until the until the benefits are paid as pension after the time of retirement of employees.

a. Changes in the present value of defined benefit obligations and the fair value of plan assets

Changes in the present value of defined benefit obligations and the fair value of plan assets are as follows:

For the fiscal year ended March 31, 2013

|   | (Millions of yen)<br>Japan |
|---|----------------------------|
| Defined benefit liabilities, net                                      |                            |
| As of April 1, 2012 .....   | ¥14,953                    |
| Changes in the present value of defined benefit obligations:          |                            |
| As of April 1, 2012 .....   | 14,953                     |
| Service cost .....  | 15                         |
| Interest cost .....   | 183                        |
| Remeasurements:   |                            |
| Actuarial gains arising from changes in demographic assumptions ..... | (175)                      |
| Actuarial losses arising from changes in financial assumptions .....  | 118                        |
| Experience adjustments .....  | (48)                       |
| Benefits paid .....   | (540)                      |
| As of March 31, 2013 .....  | 14,506                     |
| Defined benefit liabilities, net                                      |                            |
| As of March 31, 2013 .....  | <u>¥14,506</u>             |

For the fiscal year ended March 31, 2014

|  | (Millions of yen) |                 |                 |
|--|-------------------|-----------------|-----------------|
|  | Japan             | U.S.            | Total           |
| Defined benefit liabilities, net                                     |                   |                 |                 |
| As of April 1, 2013 .....  | ¥14,506           | ¥ —             | ¥ 14,506        |
| Changes in the present value of defined benefit obligations:         |                   |                 |                 |
| As of April 1, 2013 .....  | 14,506            | —               | 14,506          |
| Business combinations .....  | 81                | 235,358         | 235,439         |
| Service cost .....   | 17                | 9               | 26              |
| Interest cost .....  | 166               | 9,036           | 9,202           |
| Remeasurements:  |                   |                 |                 |
| Actuarial losses arising from changes in demographic assumptions ..  | —                 | 498             | 498             |
| Actuarial losses arising from changes in financial assumptions ..... | 198               | 11,617          | 11,815          |
| Experience adjustments .....   | 0                 | (1,582)         | (1,582)         |
| Benefits paid .....  | (923)             | (5,284)         | (6,207)         |
| Exchange differences .....   | —                 | 4,134           | 4,134           |
| Other .....  | 51                | (201)           | (150)           |
| As of March 31, 2014 .....   | 14,096            | 253,585         | 267,681         |
| Changes in the fair value of plan assets:                            |                   |                 |                 |
| As of April 1, 2013 .....  | —                 | —               | —               |
| Business combinations .....  | —                 | (169,595)       | (169,595)       |
| Interest income .....  | —                 | (6,601)         | (6,601)         |
| Remeasurements:  |                   |                 |                 |
| Return on plan assets .....  | —                 | (13,874)        | (13,874)        |
| Benefits paid .....  | —                 | 4,545           | 4,545           |
| Employer contributions .....   | —                 | (1,787)         | (1,787)         |
| Exchange differences .....   | —                 | (3,328)         | (3,328)         |
| As of March 31, 2014 .....   | —                 | (190,640)       | (190,640)       |
| Defined benefit liabilities, net                                     |                   |                 |                 |
| As of March 31, 2014 .....   | <u>¥14,096</u>    | <u>¥ 62,945</u> | <u>¥ 77,041</u> |

b. Fair value of plan assets.

Fair value of plan assets is as follows:

As of March 31, 2014 (U.S.)

|  | (Millions of yen)   |   |          |
|--|---|---|----------|
|  | Plan assets<br>with quoted<br>prices in active<br>markets | Plan assets without<br>quoted prices<br>in active markets | Total    |
| U.S. equities .....                            | ¥55,433   | ¥ —   | ¥ 55,433 |
| International equities (other than U.S.) ..... | 29,618  | —   | 29,618   |
| Fixed income investments .....                 | —   | 60,258  | 60,258   |
| Real estate investments .....                  | —   | 13,185  | 13,185   |
| Other .....                                    | 5,945   | 26,201  | 32,146   |
| Total .....                                    | ¥90,996   | ¥99,644   | ¥190,640 |

The targeted investment allocation ratio is set based on an asset allocation policy for the investment portfolio of the pension plan to achieve a long-term nominal rate of return, net of fees, which exceeds the plan's long-term expected rate of return on investments for funding purpose.

The plan's long-term expected rate of return on investments for funding purpose as of March 31, 2014 is 7.75%. The current targeted investment allocation ratio is as noted below. The actual allocation is allowed to deviate from the targeted investment allocation ratio by plus or minus 5%.

- U.S. equities: 38%
- International equities (other than U.S.): 16%
- Fixed income investments: 28%
- Real estate investments: 9%
- Other: 9%

c. Actuarial assumptions

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

|                         | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |      |
|-------------------------|------------------------|-------------------------|-------------------------|------|
|                         | Japan                  | Japan                   | Japan                   | U.S. |
| Discount rate (%) ..... | 1.1                    | 1.0                     | 1.0                     | 4.9  |

d. Sensitivity analysis

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

The effect of the movements in main actuarial assumptions on defined benefit obligations is as follows:

As of March 31, 2013

|                     | Effect on defined benefit obligations |                          |
|---------------------|---------------------------------------|--------------------------|
|                     | Changes in rate                       | Japan                    |
| Discount rate ..... | 0.5% increase                         | Decrease of ¥714 million |
|                     | 0.5% decrease                         | Increase of ¥757 million |

As of March 31, 2014

|                     |                 | Effect on defined benefit obligations |                                |                                |
|---------------------|-----------------|---------------------------------------|--------------------------------|--------------------------------|
|                     | Changes in rate | Japan                                 | U.S.                           | Total                          |
| Discount rate ..... | 0.5% increase   | Decrease of<br>¥672 million           | Decrease of<br>¥18,320 million | Decrease of<br>¥18,992 million |
|                     | 0.5% decrease   | Increase of<br>¥712 million           | Increase of<br>¥20,790 million | Increase of<br>¥21,502 million |

e. Effects on future cash flows

(a) Funding for the plan and expected contributions to the plan for the next fiscal year

(U.S.)

The policy is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. ¥7,050 million is expected to be contributed to the plan for the year ending March 31, 2015.

(b) Maturity analysis of defined benefit obligations

(Japan)

As of March 31, 2014, the weighted average duration of defined benefit obligations is 10.0 years (10.3 years as of March 31, 2013).

(U.S.)

As of March 31, 2014, the weighted average duration of defined benefit obligations is 16.3 years.

## 25. Financial instruments

### (1) Capital management

Our policy is to realize and maintain optimum capital composition to keep mid- and long-term sustainable growth and maximize our corporate value.

Major indicators used for our capital management are as follows:

- Equity capital
- Equity capital ratio

Note:

Equity capital is the amount of "Equity attributable to owners of the parent." Equity capital ratio represents "Equity attributable to owners of the parent" divided by "Total liabilities and equity."

Equity capital and equity capital ratio is as follows:

|                                    | (Millions of yen)      |                         |                         |
|------------------------------------|------------------------|-------------------------|-------------------------|
|                                    | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Equity capital . . . . .           | ¥892,635               | ¥1,612,756              | ¥1,955,374              |
| Equity capital ratio (%) . . . . . | 17.0                   | 22.3                    | 11.7                    |

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

### (2) Financial risk management

As we operate in a wide range of markets, the Company faces a variety of financial risks (currency risk, price risk, interest rate risk, credit risk, and liquidity risk) in its operations. The Company manages its risks based on established policies to prevent and reduce these financial risks.

Derivative transactions entered into by the Company are conducted and controlled based on the Company's internal rules and procedures for derivative transactions and are limited to the extent of actual demands.

a. Market risk

(a) Currency risk

The Company is engaged in international businesses through investments, financial contributions and establishment of joint ventures. The Company undertakes transactions denominated in foreign currencies, through borrowings from foreign subsidiaries and purchase from foreign vendors. Consequently, there is currency risk from changes in currency rates mainly in U.S. dollars.

To manage this risk, the Company continuously monitors exchange rates and manages exchange rate exposures of the Company. The Company also uses foreign currency forward contracts to hedge the risk.



i. Foreign exchange sensitivity analysis

Exposure to foreign exchange risk on financial instruments related to the U.S. dollar, our major foreign currency, is as follows:

|   | (Millions of yen)    |                      |
|---|----------------------|----------------------|
|   | As of March 31, 2013 | As of March 31, 2014 |
| Net exposure affecting income before income tax   |                      |                      |
| [in asset (liability) position] .....             | ¥ 20,821             | ¥14,859              |
| Net exposure affecting other comprehensive income |                      |                      |
| [in asset (liability) position] .....             | 1,621,307            | 28,548               |

Net exposures affecting income before income tax includes the foreign exchange risk exposures from monetary financial instruments denominated in foreign currency (including those used in internal transactions) whose exchange differences are recognized in profit or loss and the foreign exchange risk exposures from derivatives related to forecast transactions.

Net exposure affecting other comprehensive income includes the foreign exchange risk exposures from available-for-sale financial assets whose exchange differences are recognized in other comprehensive income and foreign exchange risk exposures from derivatives (cash flow hedge) related to forecast transactions. The main components of the net exposure affecting other comprehensive income as of March 31, 2013 is the \$17.0 billion foreign currency forward contract to which hedge accounting was applied as cash flow hedge regarding the acquisition of Sprint.

The following table presents the effect of a 1% appreciation of the Japanese yen against the U.S. dollar on income before income tax and other comprehensive income (before net of tax effect) regarding the financial instruments with the above foreign currency risk exposure, assuming that all other factors are constant. The analysis does not include the effect of translating assets and liabilities of foreign operations into the presentation currency, which is detailed in "Note 29. Foreign exchange rate."

|   | (Millions of yen)                |                                  |
|---|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
| Increase (decrease) in income before income tax .....                     | ¥ (208)                          | ¥(149)                           |
| Increase (decrease) in other comprehensive income before tax effect ..... | (16,213)                         | (285)                            |

ii. Foreign exchange contracts

Foreign exchange contracts are entered to reduce exposure to foreign exchange risk on the amount to be paid or received in certain transactions denominated in foreign currencies. The details of foreign exchange contracts are as follow:

**Foreign exchange contracts to which hedge accounting is applied**

|   | (Millions of yen)  |            |  |            |  |            |
|---|--|------------|--|------------|--|------------|
|   | As of April 1, 2012  |            | As of March 31, 2013                                       |            | As of March 31, 2014                                       |            |
|   | Contract amounts (of which maturing in more than one year) | Fair value | Contract amounts (of which maturing in more than one year) | Fair value | Contract amounts (of which maturing in more than one year) | Fair value |
| Foreign currency forward contracts              |  |            |  |            |  |            |
| Regarding Sprint acquisition <sup>1</sup> ..... | ¥—   | ¥—         | ¥1,411,990 (—)   | ¥189,357   | ¥ —  | ¥ —        |
| Other .....                                     | —  | —          | 1,519 (—)  | 220        | 2,756 (—)  | 85         |
| Currency swap contracts .....                   | —  | —          | —  | —          | 324,382 (324,382)  | 4,566      |
| Total .....                                     | ¥—   | ¥—         | ¥1,413,509 (—)   | ¥189,577   | ¥ 327,138 (324,382)  | ¥4,651     |

The above foreign exchange contracts are designated as cash flow hedge.

**Foreign exchange contracts to which hedge accounting is not applied**

| (Millions of yen)   |  |            |  |            |  |            |
|---|--|------------|--|------------|--|------------|
|   | As of April 1, 2012  |            | As of March 31, 2013                                       |            | As of March 31, 2014                                       |            |
|   | Contract amounts (of which maturing in more than one year) | Fair value | Contract amounts (of which maturing in more than one year) | Fair value | Contract amounts (of which maturing in more than one year) | Fair value |
| Foreign currency forward contracts . . . . .                | ¥53,599  |            | ¥ 51,974   |            | ¥ 79,025   |            |
|   | (—)  | ¥1,683     | (—)  | ¥ 5,901    | (—)  | ¥ 818      |
| Currency swap contracts . . . . .                           | —  | —          | 56,957   | 12,141     | 87,055   | 20,741     |
|   |  |            | (56,957)   |            | (56,957)   |            |
| Foreign exchange margin transactions <sup>2</sup> . . . . . | —  | —          | 621,557  | 4,033      | 600,663  | 7,205      |
|   |  |            | (—)  |            | (—)  |            |
| Total . . . . .   | ¥53,599  | ¥1,683     | ¥730,488   | ¥22,075    | ¥766,743   | ¥28,764    |
|   | (—)  |            | (56,957)   |            | (56,957)   |            |

Notes:

1. These are derivative transactions that arose from the transactions regarding acquisition of Sprint. For the loss from derivatives please see "Note 37. Other non-operating income and loss" for details.
2. This is from the subsidiary. YJFX, Inc.'s foreign exchange margin transactions business.

**(b) Price risk**

For the purpose of business strategy, the Company holds securities traded in active markets, including listed stock, and is exposed to market price fluctuation risk.

To manage this risk, the Company continuously monitors financial conditions of security issuers and stock market fluctuation.

**i. Price sensitivity analysis**

The table below presents the effect of 10% decrease in market price regarding the securities traded in active markets on other comprehensive income before tax effect in the consolidated statement of comprehensive income, assuming that all other factors are constant.

|   | (millions of yen)                |                                  |
|---|----------------------------------|----------------------------------|
|   | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
| Increase (decrease) in other comprehensive income before tax effect . . . . . | ¥(3,511)                         | ¥(2,753)                         |

**ii. Option contracts**

The details of option contracts are as follows:

**Option contracts to which hedge accounting is not applied**

| (Millions of yen)                       |  |            |  |            |  |            |
|---|--|------------|--|------------|--|------------|
|   | As of April 1, 2012  |            | As of March 31, 2013                                       |            | As of March 31, 2014                                       |            |
|   | Contract amounts (of which maturing in more than one year) | Fair value | Contract amounts (of which maturing in more than one year) | Fair value | Contract amounts (of which maturing in more than one year) | Fair value |
| Stock acquisition rights                |  |            |  |            |  |            |
| Regarding Sprint acquisition* . . . . . | ¥—   | ¥—         | ¥ 291,555  | ¥15,706    | ¥ —  | ¥ —        |
|   |  |            | (291,555)  |            |  |            |
| Other . . . . .                         | —  | —          | —  | —          | 2,106  | 719        |
|   |  |            |  |            | (2,106)  |            |
| Total . . . . .                         | ¥—   | ¥—         | ¥ 291,555  | ¥15,706    | ¥ 2,106  | ¥719       |
|   |  |            | (291,555)  |            | (2,106)  |            |

Note:

\* Stock acquisition rights are the embedded derivative in bonds with stock acquisition rights issued by Sprint Nextel Corporation. For the loss from derivatives, please see “Note 37. Other non-operating income and loss.”

### (c) Interest rate risk

The Company raises funds through issuing interest-bearing debts. Certain interest-bearing debts are issued with floating interest rates and are exposed to interest rate risk.

In order to prevent and reduce interest rate fluctuation risk, the Company maintains an appropriate mixture of fixed and floating interest rate debts. For certain borrowings and bonds with floating interest rates, the Company also utilizes derivative transactions such as interest rate swaps in order to hedge interest rate fluctuation risk, converting floating interests into fixed interests. For floating interest rate debts, the Company continuously monitors interest rate fluctuation.

#### i. Interest rate sensitivity analysis

The table below presents the effect of 1% increase in interest rates regarding the floating interest rate debts on income before income tax in the consolidated statement of income, assuming that all other factors are constant. The analysis does not include floating interest rate debt whose interests are fixed by interest rate swaps and other derivative transactions.

| (Millions of yen)   |                                     |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Increase (decrease) in income before income tax . . . . . | ¥(10,469)                           | ¥(24,631)                           |

#### ii. Interest rate contracts

The details of interest rate contracts are as follows:

#### *Interest rate contracts to which hedge accounting is applied*

| (Millions of yen)            |   |            |   |            |   |            |
|------------------------------|---|------------|---|------------|---|------------|
|                              | As of April 1, 2012   |            | As of March 31, 2013  |            | As of March 31, 2014  |            |
|                              | Contract amounts<br>(of which maturing in more than one year) | Fair value | Contract amounts<br>(of which maturing in more than one year) | Fair value | Contract amounts<br>(of which maturing in more than one year) | Fair value |
| Interest rate swap . . . . . | ¥ 99,000<br>(84,000)  | ¥(993)     | ¥ 94,000<br>(10,000)  | ¥(515)     | ¥10,000<br>(—)  | ¥(24)      |

The above interest rate swap contract is designated as a cash flow hedge.

#### b. Credit risk

In the course of the Company’s business, trade and other receivables, and other financial assets (including deposits, equity securities, receivables and derivatives) are exposed to credit risk of its counterparties.

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

The carrying amount of financial instruments, net of impairment, which is presented in the statement of financial position, as well as the amount of lending commitments, represents the Company’s maximum exposure to credit risk on financial assets. The value of collateral held and other credit enhancements are not included. The details of lending commitments are described in “Note 42. Contingencies.”

There were no financial or non-financial assets acquired as a result of foreclosure of collateral or enforcement of other credit enhancements during the years ended March 31, 2013 and 2014.

(a) Financial assets not impaired individually

The table below presents aging analysis of financial assets not impaired individually. The amounts in the analysis are presented at carrying amount before netting allowance for doubtful accounts.

As of April 1, 2012

| (Millions of yen)                         |            |                |                     |                      |                    |             |
|---|------------|----------------|---------------------|----------------------|--------------------|-------------|
|   | Before due | Past due       |                     |                      |                    |             |
|   |            | Within 1 month | 1 month to 3 months | 3 months to 6 months | 6 months to 1 year | Over 1 year |
| Trade and other receivables . .           | ¥767,018   | ¥17,401        | ¥5,120              | ¥3,834               | ¥6,576             | ¥8,553      |
| Other financial assets . . . . .          | 144,008    | 666            | 206                 | 224                  | 393                | 821         |
| Total . . . . .                           | ¥911,026   | ¥18,067        | ¥5,326              | ¥4,058               | ¥6,969             | ¥9,374      |
| Allowance for doubtful accounts . . . . . |            |                |                     |                      |                    |             |
| Total . . . . .                           |            |                |                     |                      |                    | (22,205)    |
| Total . . . . .                           |            |                |                     |                      |                    | ¥932,615    |

As of March 31, 2013

| (Millions of yen)                         |            |                |                     |                      |                    |             |
|---|------------|----------------|---------------------|----------------------|--------------------|-------------|
|   | Before due | Past due       |                     |                      |                    |             |
|   |            | Within 1 month | 1 month to 3 months | 3 months to 6 months | 6 months to 1 year | Over 1 year |
| Trade and other receivables . .           | ¥ 889,268  | ¥36,557        | ¥11,023             | ¥4,809               | ¥5,117             | ¥7,267      |
| Other financial assets . . . . .          | 180,665    | 1,458          | 166                 | 159                  | 277                | 603         |
| Total . . . . .                           | ¥1,069,933 | ¥38,015        | ¥11,189             | ¥4,968               | ¥5,394             | ¥7,870      |
| Allowance for doubtful accounts . . . . . |            |                |                     |                      |                    |             |
| Total . . . . .                           |            |                |                     |                      |                    | (19,105)    |
| Total . . . . .                           |            |                |                     |                      |                    | ¥1,118,264  |

As of March 31, 2014

| (Millions of yen)                         |            |                |                     |                      |                    |             |
|---|------------|----------------|---------------------|----------------------|--------------------|-------------|
|   | Before due | Past due       |                     |                      |                    |             |
|   |            | Within 1 month | 1 month to 3 months | 3 months to 6 months | 6 months to 1 year | Over 1 year |
| Trade and other receivables . .           | ¥1,468,458 | ¥109,005       | ¥67,726             | ¥32,642              | ¥21,006            | ¥7,887      |
| Other financial assets . . . . .          | 264,187    | 1,652          | 203                 | 197                  | 272                | 623         |
| Total . . . . .                           | ¥1,732,645 | ¥110,657       | ¥67,929             | ¥32,839              | ¥21,278            | ¥8,510      |
| Allowance for doubtful accounts . . . . . |            |                |                     |                      |                    |             |
| Total . . . . .                           |            |                |                     |                      |                    | (37,686)    |
| Total . . . . .                           |            |                |                     |                      |                    | ¥1,936,172  |

(b) Individually impaired financial assets

Individually impaired financial assets are as follows:

| (Millions of yen)                         |                     |                      |
|---|---------------------|----------------------|
|   | As of April 1, 2012 | As of March 31, 2013 |
| Trade and other receivables . . . . .     | ¥ 78                | ¥ 3,090              |
| Other financial assets . . . . .          | 9,883               | 11,072               |
| Allowance for doubtful accounts . . . . . | (9,944)             | (13,419)             |
| Total . . . . .                           | ¥ 17                | ¥ 743                |
|   |                     | ¥ 152                |

(c) Allowance for doubtful accounts

The table below presents changes in the allowance for doubtful accounts. The allowance for doubtful accounts is mainly for trade receivables to the customers.

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Balance at the beginning of the period | ¥32,149                             | ¥ 32,524                            |
| Provisions                             | 3,508                               | 48,726                              |
| Used                                   | (3,166)                             | (30,103)                            |
| Other                                  | 33                                  | (661)                               |
| Balance at the end of the period       | ¥32,524                             | ¥ 50,486                            |

Provisions for and reversal of doubtful accounts are recorded in “Selling, general and administrative expenses” and “Other non-operating income (loss)” in the consolidated statement of income.

c. Liquidity risk

In order to prevent and reduce liquidity risk, the Company maintains access to diversified fund raising sources including both indirect financing, such as bank loans and leases, and direct financing, such as issuance of bonds and commercial paper and securitization, taking market conditions and current/ non-current debt ratios into consideration. As for fund management, the Company invests its funds in short-term deposits and MMF.

The Company also continuously monitors its forecast and actual movement of cash flows and liquid funds.

(a) Commitment lines of credit and other credit facilities

The Company has entered into commitment lines of credit and other credit facilities with various financial institutions to reduce liquidity risk. The Company’s credit facilities are as follows:

|                   | (Millions of yen)    |                      |
|-------------------|----------------------|----------------------|
|                   | As of March 31, 2013 | As of March 31, 2014 |
| Credit facilities | ¥1,540,927           | ¥2,880,885           |
| Drawn             | 411,986              | 2,453,368            |
| Undrawn           | ¥1,128,941           | ¥ 427,517            |

Notes:

1. The credit facilities amount as of March 31, 2013 included the bridge loan facility of ¥1,284,900 million (of which, ¥250,000 million was drawn and ¥1,034,900 million was undrawn) entered into on December 18, 2012 with various banks for the acquisition of Sprint. On September 22, 2013 and September 30, 2013, the bridge loan facility was refinanced into a permanent loan and was fully repaid. This permanent loan (facility and the amount of borrowing was ¥1,980,000 million with no undrawn amount) is included as of March, 31, 2014. Major terms and conditions of the contract are described in “(1) Components of interest-bearing debt, note 4” in “Note 19. Interest-bearing debt.”
2. Permanent loan and other certain commitment contain financial covenants. Please see “(1) Components of interest-bearing debt, note 4” and “(2) Financial covenants” in “Note 19. Interest-bearing debt” for details.

(b) The Analysis of financial liabilities by maturities

The table below presents the analysis of financial liabilities (including derivatives) by maturities. The receivables and payables are shown on a net basis.

As of April 1, 2012

|                                      |                  |                        |                  | (Million yen)  |
|--------------------------------------|------------------|------------------------|------------------|----------------|
|                                      | Carrying amount  | Contractual cash flows | Within 1 year    | 1 year or more |
| Non-derivative financial liabilities |                  |                        |                  |                |
| Interest-bearing debt                |                  |                        |                  |                |
| Short-term borrowings                | ¥ 114,625        | ¥ 114,625              | ¥ 114,625        | ¥ —            |
| Long-term borrowings                 |                  |                        |                  |                |
| (including current portion)          | 1,115,590        | 1,120,264              | 496,682          | 422,880        |
| Corporate bonds                      |                  |                        |                  |                |
| (including current portion)          | 601,206          | 604,888                | 144,988          | 205,000        |
| Lease obligations                    | 589,024          | 589,024                | 157,302          | 124,700        |
| Preferred securities                 | 195,920          | 200,000                | —                | —              |
| Installment payables                 | 73,579           | 74,246                 | 16,209           | 16,209         |
| Trade and other payables             | 975,832          | 975,832                | 961,845          | 12,800         |
| Other financial liabilities          | 37,170           | 37,170                 | —                | 3,800          |
| Total                                | <u>3,702,946</u> | <u>3,716,049</u>       | <u>1,891,651</u> | <u>785,400</u> |
| Derivative financial liabilities     |                  |                        |                  |                |
| Other financial liabilities          |                  |                        |                  |                |
| Foreign exchange contracts           | 213              | 213                    | 213              | —              |
| Interest rate swaps contracts        | 993              | 993                    | 993              | —              |
| Total                                | <u>¥ 1,206</u>   | <u>¥ 1,206</u>         | <u>¥ 1,206</u>   | <u>¥ —</u>     |



As of March 31, 2013

|   |                    |                           |                  | (Million)        |
|---|--------------------|---------------------------|------------------|------------------|
|   | Carrying<br>amount | Contractual<br>cash flows | Within<br>1 year | 1 year<br>2 year |
| Non-derivative financial liabilities                          |                    |                           |                  |                  |
| Interest-bearing debt   |                    |                           |                  |                  |
| Short-term borrowings . . . . .                               | ¥ 458,313          | ¥ 466,576                 | ¥ 466,576        | ¥                |
| Long-term borrowings<br>(including current portion) . . . . . | 1,142,088          | 1,151,621                 | 634,005          | 382,7            |
| Corporate bonds<br>(including current portion) . . . . .      | 996,756            | 1,003,509                 | 205,000          | 74,9             |
| Lease obligations . . . . .                                   | 756,735            | 756,735                   | 192,658          | 170,7            |
| Preferred securities . . . . .                                | 197,468            | 200,000                   | —                |                  |
| Installment payables . . . . .                                | 156,493            | 157,031                   | 47,342           | 36,4             |
| Trade and other payables . . . . .                            | 972,669            | 972,669                   | 957,578          | 13,9             |
| Other financial liabilities . . . . .                         | 38,654             | 38,654                    | —                | 17,2             |
| Total . . . . .   | <u>4,719,176</u>   | <u>4,746,795</u>          | <u>2,503,159</u> | <u>696,</u>      |
| Derivative financial liabilities                              |                    |                           |                  |                  |
| Other financial liabilities                                   |                    |                           |                  |                  |
| Foreign exchange contracts . . . . .                          | 4,318              | 4,318                     | 4,318            |                  |
| Interest rate swaps contracts . . . . .                       | 515                | 515                       | 515              |                  |
| Total . . . . .   | <u>¥ 4,833</u>     | <u>¥ 4,833</u>            | <u>¥ 4,833</u>   | <u>¥</u>         |

As of March 31, 2014

|                                      |                    |                           |                  |                      | (Millions of ¥) |  |
|--------------------------------------|--------------------|---------------------------|------------------|----------------------|-----------------|--|
|                                      | Carrying<br>amount | Contractual<br>cash flows | Within<br>1 year | 1 year to<br>2 years |                 |  |
| Non-derivative financial liabilities |                    |                           |                  |                      |                 |  |
| Interest-bearing debt                |                    |                           |                  |                      |                 |  |
| Short-term borrowings                | ¥ 270,529          | ¥ 270,633                 | ¥ 270,633        | ¥ —                  | ¥               |  |
| Commercial paper                     | 32,000             | 32,000                    | 32,000           | —                    |                 |  |
| Long-term borrowings                 |                    |                           |                  |                      |                 |  |
| (including current portion)          | 2,637,421          | 2,671,481                 | 394,645          | 286,319              |                 |  |
| Corporate bonds                      |                    |                           |                  |                      |                 |  |
| (including current portion)          | 4,882,373          | 4,740,165                 | 139,333          | 121,564              |                 |  |
| Lease obligations                    | 995,210            | 995,210                   | 264,295          | 304,726              |                 |  |
| Preferred securities                 | 199,156            | 200,000                   | —                | 200,000              |                 |  |
| Installment payables                 | 153,364            | 153,647                   | 48,360           | 41,115               |                 |  |
| Trade and other payables             | 1,705,956          | 1,705,956                 | 1,701,034        | 2,235                |                 |  |
| Other financial liabilities          | 38,258             | 38,258                    | —                | 17,401               |                 |  |
| Total                                | <u>10,914,267</u>  | <u>10,807,350</u>         | <u>2,850,300</u> | <u>973,360</u>       |                 |  |
| Derivative financial liabilities     |                    |                           |                  |                      |                 |  |
| Other financial liabilities          |                    |                           |                  |                      |                 |  |
| Foreign exchange contracts*          | 8,716              | 8,716                     | 2,347            | (3,416)              |                 |  |
| Interest rate swaps contracts        | 24                 | 24                        | 24               | —                    |                 |  |
| Total                                | <u>¥ 8,740</u>     | <u>8,740</u>              | <u>¥ 2,371</u>   | <u>¥ (3,416)</u>     | ¥               |  |

Note:

\* Contractual cash flow and breakdown by maturities are presented in discounted cash flow basis for currency swap contracts included in the foreign exchange contracts.

In addition to the amount presented above, the Company has lending commitments, which are detailed in “Note 42. Continuing commitments” and “Note 43. Contingent liabilities and commitments.”  
 bearing debts are described in “(1) Components of interest-bearing debt” in “Note 19. Interest-bearing debt.”

(3) Categories of financial instruments

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

As of April 1, 2012

| (Millions of yen)                     |                                |                                     |   |                       |                   |
|---------------------------------------|--------------------------------|-------------------------------------|---|-----------------------|-------------------|
|                                       | Financial assets at FVTPL      | Available-for-sale financial assets | Held-to-maturity investments            | Loans and receivables | Total             |
| Financial assets                      |                                |                                     |   |                       |                   |
| Current assets                        |                                |                                     |   |                       |                   |
| Trade and other receivables . . . . . | ¥ —                            | ¥ —                                 | ¥ —                                     | ¥ 786,902             | ¥ 786,902         |
| Other financial assets . . . . .      | 1,896                          | 3,595                               | 200                                     | 4,708                 | 10,399            |
| Non-current assets                    |                                |                                     |   |                       |                   |
| Other financial assets . . . . .      | 126                            | 158,652                             | 492                                     | 159,329               | 318,599           |
| Total . . . . .                       | <u>¥2,022</u>                  | <u>¥162,247</u>                     | <u>¥ 692</u>                            | <u>¥ 950,939</u>      | <u>¥1,115,900</u> |
|                                       | Financial liabilities at FVTPL | Derivatives designated as hedges    | Financial liabilities at amortized cost | Total                 |                   |
| Financial liabilities                 |                                |                                     |   |                       |                   |
| Current liabilities                   |                                |                                     |   |                       |                   |
| Interest-bearing debt . . . . .       | ¥ —                            | ¥ —                                 | ¥ 926,671                               | ¥ 926,671             |                   |
| Trade and other payables . . . . .    | —                              | —                                   | 975,832                                 | 975,832               |                   |
| Other financial liabilities . . . . . | 213                            | 993                                 | —                                       | 1,206                 |                   |
| Non-current liabilities               |                                |                                     |   |                       |                   |
| Interest-bearing debt . . . . .       | —                              | —                                   | 1,763,273                               | 1,763,273             |                   |
| Other financial liabilities . . . . . | —                              | —                                   | 37,170                                  | 37,170                |                   |
| Total . . . . .                       | <u>¥ 213</u>                   | <u>¥ 993</u>                        | <u>¥3,702,946</u>                       | <u>¥3,704,152</u>     |                   |

As of March 31, 2013

| (Millions of yen)                        |                                      |  |   |                                     |                          |            |
|--|--------------------------------------|--|---|-------------------------------------|--------------------------|------------|
|  | Financial<br>assets at<br>FVTPL      | Derivatives<br>designated as<br>hedges | Available-for-sale<br>financial<br>assets     | Held-to-<br>maturity<br>investments | Loans and<br>receivables | Total      |
| Financial assets                         |                                      |  |   |                                     |                          |            |
| Current assets                           |                                      |  |   |                                     |                          |            |
| Trade and other<br>receivables . . . . . | ¥ —                                  | ¥ —                                    | ¥ —   | ¥ —                                 | ¥ 936,307                | ¥ 936,307  |
| Other financial assets . . . . .         | 14,249                               | 189,580                                | 3,973   | 400                                 | 21,037                   | 229,239    |
| Non-current assets                       |                                      |  |   |                                     |                          |            |
| Other financial assets . . . . .         | 27,978                               | —                                      | 438,298                                       | —                                   | 168,371                  | 634,647    |
| Total . . . . .                          | ¥42,227                              | ¥189,580                               | ¥ 442,271                                     | ¥ 400                               | ¥1,125,715               | ¥1,800,193 |
|  | Financial<br>liabilities at<br>FVTPL | Derivatives<br>designated as<br>hedges | Financial<br>liabilities at<br>amortized cost | Total                               |                          |            |
| Financial liabilities                    |                                      |  |   |                                     |                          |            |
| Current liabilities                      |                                      |  |   |                                     |                          |            |
| Interest-bearing debt . . . . .          | ¥ —                                  | ¥ —                                    | ¥1,534,128                                    | ¥1,534,128                          |                          |            |
| Trade and other payables . . . . .       | —                                    | —                                      | 972,669                                       | 972,669                             |                          |            |
| Other financial liabilities . . . . .    | 4,315                                | 518                                    | —   | 4,833                               |                          |            |
| Non-current liabilities                  |                                      |  |   |                                     |                          |            |
| Interest-bearing debt . . . . .          | —                                    | —                                      | 2,173,725                                     | 2,173,725                           |                          |            |
| Other financial liabilities . . . . .    | —                                    | —                                      | 38,654  | 38,654                              |                          |            |
| Total . . . . .                          | ¥ 4,315                              | ¥ 518                                  | ¥4,719,176                                    | ¥4,724,009                          |                          |            |

As of March 31, 2014

| (Millions of yen)                        |                                      |  |   |                                     |                          |                   |
|--|--------------------------------------|--|---|-------------------------------------|--------------------------|-------------------|
|  | Financial<br>assets at<br>FVTPL      | Derivatives<br>designated<br>as hedges | Available-for-<br>sale financial<br>assets    | Held-to-<br>maturity<br>investments | Loans and<br>receivables | Total             |
| Financial assets                         |                                      |  |   |                                     |                          |                   |
| Current assets                           |                                      |  |   |                                     |                          |                   |
| Trade and other<br>receivables . . . . . | ¥ —                                  | ¥ —                                    | ¥ —   | ¥ —                                 | ¥1,669,545               | ¥1,669,545        |
| Other financial assets . . . .           | 13,890                               | 85                                     | 5,109   | 104,827                             | 40,816                   | 164,727           |
| Non-current assets                       |                                      |  |   |                                     |                          |                   |
| Other financial assets . . . .           | 21,560                               | 7,459                                  | 109,210                                       | —                                   | 263,464                  | 401,693           |
| Total . . . . .                          | <u>¥35,450</u>                       | <u>¥7,544</u>                          | <u>¥ 114,319</u>                              | <u>¥ 104,827</u>                    | <u>¥1,973,825</u>        | <u>¥2,235,965</u> |
|  | Financial<br>liabilities at<br>FVTPL | Derivatives<br>designated<br>as hedges | Financial<br>liabilities at<br>amortized cost | Total                               |                          |                   |
| Financial liabilities                    |                                      |  |   |                                     |                          |                   |
| Current liabilities                      |                                      |  |   |                                     |                          |                   |
| Interest-bearing debt . . . .            | ¥ —                                  | ¥ —                                    | ¥ 1,147,899                                   | ¥ 1,147,899                         |                          |                   |
| Trade and other<br>payables . . . . .    | —                                    | —                                      | 1,705,956                                     | 1,705,956                           |                          |                   |
| Other financial<br>liabilities . . . . . | 5,823                                | 24                                     | —   | 5,847                               |                          |                   |
| Non-current liabilities                  |                                      |  |   |                                     |                          |                   |
| Interest-bearing debt . . . .            | —                                    | —                                      | 8,022,154                                     | 8,022,154                           |                          |                   |
| Other financial<br>liabilities . . . . . | —                                    | 2,893                                  | 38,258  | 41,151                              |                          |                   |
| Total . . . . .                          | <u>¥ 5,823</u>                       | <u>¥2,917</u>                          | <u>¥10,914,267</u>                            | <u>¥10,923,007</u>                  |                          |                   |

## 26 Fair value of financial instruments

### (1) Categorization by level within the fair value hierarchy

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

The levels 1 to 3 of the fair value hierarchy are 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 2 during the fiscal years ended March 31, 2013 and 2014.

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

As of April 1, 2012

|                                  | (Millions of yen) |               |                |                |
|----------------------------------|-------------------|---------------|----------------|----------------|
|                                  | Level 1           | Level 2       | Level 3        | Total          |
| Financial assets                 |                   |               |                |                |
| Equity securities                | ¥54,706           | ¥ —           | ¥ 96,805       | ¥151,511       |
| Bonds                            | —                 | 1,233         | —              | 1,233          |
| Derivative financial assets      |                   |               |                |                |
| Foreign exchange contracts       | —                 | 1,896         | —              | 1,896          |
| Other                            | —                 | 2,802         | 6,827          | 9,629          |
| Total                            | <u>54,706</u>     | <u>5,931</u>  | <u>103,632</u> | <u>164,269</u> |
| Financial liabilities            |                   |               |                |                |
| Derivative financial liabilities |                   |               |                |                |
| Foreign exchange contracts       | —                 | 213           | —              | 213            |
| Interest rate swap contracts     | —                 | 993           | —              | 993            |
| Total                            | <u>¥ —</u>        | <u>¥1,206</u> | <u>¥ —</u>     | <u>¥ 1,206</u> |

As of March 31, 2013

|                                  | (Millions of yen) |                |                |                |
|----------------------------------|-------------------|----------------|----------------|----------------|
|                                  | Level 1           | Level 2        | Level 3        | Total          |
| Financial assets                 |                   |                |                |                |
| Equity securities                | ¥35,114           | ¥ —            | ¥112,966       | ¥148,080       |
| Bonds*                           | —                 | 6,261          | 276,131        | 282,392        |
| Derivative financial assets      |                   |                |                |                |
| Foreign exchange contracts       | —                 | 203,829        | —              | 203,829        |
| Currency swap contracts          | —                 | 12,141         | —              | 12,141         |
| Stock acquisition rights*        | —                 | —              | 15,706         | 15,706         |
| Other                            | —                 | 3,756          | 8,174          | 11,930         |
| Total                            | <u>35,114</u>     | <u>225,987</u> | <u>412,977</u> | <u>674,078</u> |
| Financial liabilities            |                   |                |                |                |
| Derivative financial liabilities |                   |                |                |                |
| Foreign exchange contracts       | —                 | 4,318          | —              | 4,318          |
| Interest rate swap contracts     | —                 | 515            | —              | 515            |
| Total                            | <u>¥ —</u>        | <u>¥ 4,833</u> | <u>¥ —</u>     | <u>¥ 4,833</u> |

Note:

\* Stock acquisition rights are the embedded derivatives in the bonds with stock acquisition rights issued by Sprint Nextel Corporation. The host contract (the bonds) is included in “Bonds” in level 3.

As of March 31, 2014

|                                  | (Millions of yen) |                |               |                |
|----------------------------------|-------------------|----------------|---------------|----------------|
|                                  | Level 1           | Level 2        | Level 3       | Total          |
| Financial assets                 |                   |                |               |                |
| Equity securities                | ¥27,530           | ¥ —            | ¥62,572       | ¥ 90,102       |
| Bonds                            | —                 | 6,769          | 1,476         | 8,245          |
| Derivative financial assets      |                   |                |               |                |
| Foreign exchange contracts       | —                 | 42,131         | —             | 42,131         |
| Stock acquisition rights         | —                 | —              | 719           | 719            |
| Other                            | —                 | 5,038          | 11,078        | 16,116         |
| Total                            | <u>27,530</u>     | <u>53,938</u>  | <u>75,845</u> | <u>157,313</u> |
| Financial liabilities            |                   |                |               |                |
| Derivative financial liabilities |                   |                |               |                |
| Foreign exchange contracts       | —                 | 8,716          | —             | 8,716          |
| Interest rate swap contracts     | —                 | 24             | —             | 24             |
| Total                            | <u>¥ —</u>        | <u>¥ 8,740</u> | <u>¥ —</u>    | <u>¥ 8,740</u> |

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

a. Equity securities and bonds

Equity securities and bonds are measured using quoted prices in active markets for identical assets or liabilities if such prices are available, and are classified as level 1. Where such quoted prices in active markets for identical assets or liabilities are not available, they are measured using quoted prices for identical assets or liabilities in markets that are not active, quoted prices of comparable companies and valuation techniques such as discounted cash flow model. They are classified as level 2 if all significant inputs such as quoted prices and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as level 3.

b. Derivative financial assets and derivative financial liabilities

The fair value of derivative financial instruments is measured using valuation techniques such as discounted cash flow models. Derivative financial instruments are classified as level 2 if all significant inputs such as foreign exchange rates and discount rates that are used for the measurement are observable, whereas if inputs include significant unobservable inputs, they are classified as level 3.

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

a. Valuation techniques and inputs

The following table shows information about valuation techniques and significant unobservable inputs used in the level 3 fair value measurements where unobservable inputs are used.

Equity securities

| Valuation techniques                  | Unobservable inputs   | Ranges of unobservable inputs |                      |                      |
|---------------------------------------|-----------------------|-------------------------------|----------------------|----------------------|
|                                       |                       | As of April 1, 2012           | As of March 31, 2013 | As of March 31, 2014 |
| Discounted cash flow                  | Capital cost          | 9.5 – 9.9%                    | 8.8 – 9.4%           | 7.9%                 |
|                                       | Perpetual growth rate | 0.0 – 1.2%                    | 0.0 – 1.2%           | 1.2%                 |
| Quoted prices of comparable companies | EBITDA multiple       | 5.3 – 5.8                     | 5.2 – 6.1            | 6.4 – 7.2            |
|                                       | EBIT multiple         | 6.4 – 8.8                     | 7.0 – 8.6            | 5.3 – 5.9            |
|                                       | PER multiple          | 13.7 – 14.4                   | 14.3 – 18.3          | 19.9 – 21.0          |
|                                       |                       |                               |                      |                      |

Of the above unobservable inputs, EBITDA multiple, EBIT multiple, PER multiple and perpetual growth rate has a positive correlation with the fair value of equity securities, whereas capital cost has a negative correlation with the fair value of equity securities.

Bonds and stock acquisition rights

At March 31, 2013, bonds with stock acquisition rights which were issued by Sprint Nextel Corporation and held by Starburst II, Inc. were classified as level 3. The estimated fair values of the host contract (the bonds) and embedded derivative are calculated by third-party valuation experts using valuation techniques, including discounted cash flow and binomial lattice models. This approach requires the use of significant inputs from observable market data as well as unobservable inputs. The significant observable and unobservable inputs used to value the bonds and the embedded derivative include Sprint Nextel Corporation's stock price, volatility, credit spread and certain other assumptions specifically related to the acquisition of Sprint as a subsidiary. The bonds with stock acquisition rights were converted to Sprint shares in July 2013.

b. Sensitivity Analysis

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

c. Valuation processes

Fair value is measured by our personnel in treasury and accounting departments based on the internal regulations, using the most appropriate valuation techniques and inputs that reflect the nature, characteristics, and risks of the financial instruments subject to fair valuation. Fair value of financial instruments that require a high level of knowledge and experience for the valuation is measured by external specialist 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, is reported to the Company's board of directors after the analysis of fair value changes and other contents are reviewed and approved by the head of the department.

d. Reconciliation of financial instruments categorized as level 3

Reconciliation of financial instruments categorized as level 3 is as follows:

For the fiscal year ended March 31, 2013

|  | (Millions of yen) |                 |                             |                |
|--|-------------------|-----------------|-----------------------------|----------------|
|  | Equity securities | Bonds           | Derivative financial assets | Other          |
| As of April 1, 2012 .....  | ¥ 96,805          | ¥ —             | ¥ —                         | ¥ 6,827        |
| Gains or losses  |                   |                 |                             |                |
| Net income .....   | (1,933)           | 866             | (749)                       | —              |
| Other comprehensive income .....   | 16,179            | 40,088          | 2,300                       | 2,941          |
| Purchases .....  | 7,084             | 235,177         | 14,155                      | 862            |
| Sales .....  | (7,324)           | —               | —                           | (966)          |
| Other .....  | 2,155             | —               | —                           | (1,490)        |
| As of March 31, 2013 .....   | <u>¥112,966</u>   | <u>¥276,131</u> | <u>¥15,706</u>              | <u>¥ 8,174</u> |
| Gains or losses recognized in net income on financial instruments held at March 31, 2013 ..... | <u>¥ (2,559)</u>  | <u>¥ —</u>      | <u>¥ (749)</u>              | <u>¥ —</u>     |

For the fiscal year ended March 31, 2014

|  | (Millions of yen) |                     |                             |                |
|--|-------------------|---------------------|-----------------------------|----------------|
|  | Equity securities | Bonds               | Derivative financial assets | Other          |
| As of April 1, 2013 .....  | ¥ 112,966         | ¥ 276,131           | ¥ 15,706                    | ¥ 8,174        |
| Gains or losses  |                   |                     |                             |                |
| Net income .....   | 96,800            | 16,243 <sup>1</sup> | (16,338) <sup>1</sup>       | (140)          |
| Other comprehensive income .....   | (63,542)          | 21,221              | 650                         | 2,879          |
| Transfers due to acquisition of control <sup>2</sup> .....                                     | (104,070)         | —                   | —                           | —              |
| Exercise of stock acquisition rights <sup>3</sup> .....  | —                 | (313,534)           | —                           | —              |
| Purchases .....  | 23,849            | 1,415               | 701                         | 585            |
| Sales .....  | (3,529)           | —                   | —                           | (956)          |
| Transfers from level 3 <sup>4</sup> .....  | (1,599)           | —                   | —                           | —              |
| Other .....  | 1,697             | —                   | —                           | 536            |
| As of March 31, 2014 .....   | <u>¥ 62,572</u>   | <u>¥ 1,476</u>      | <u>¥ 719</u>                | <u>¥11,078</u> |
| Gains or losses recognized in net income on financial instruments held at March 31, 2014 ..... | <u>¥ (7,144)</u>  | <u>¥ —</u>          | <u>¥ —</u>                  | <u>¥ (91)</u>  |

Notes:

1. Represents the amount from the bonds with stock acquisition rights issued by Sprint Nextel Corporation and held by Starburst II, Inc. The details are described in "Note 37. Non-operating income and loss."
2. The reduction resulted from the consolidation of WILLCOM, Inc. as a subsidiary in July 2013. The details of the business combination are described in "(4) WILLCOM, Inc." in "Note 5. Business combinations."
3. The reduction resulted from converting the bonds with stock acquisition rights issued by Sprint Nextel Corporation into shares in July 2013. The details of the business combination are described in "(3) Sprint" in "Note 5. Business combinations."
4. Transfer from level 3 to level 1 by the listing of financial instruments held by the Company.

Gains or losses recognized in net income on equity securities include gain of ¥103,766 million recognized as a result of remeasuring the Company's existing equity interest at fair value when the Company acquired control of and consolidated WILLCOM, Inc. as its subsidiary. The gains recognized from the remeasurement is included in "Gain from remeasurement relating to business combinations" in the consolidated statement of income, and other gains or losses are included in "Non-operating income (loss)" in the consolidated statement of income. Gains or losses recognized in other comprehensive income are included in "Available-for-sale financial assets" and "Exchange differences on translating foreign operations" in the statement of comprehensive income.

(3) Carrying amounts and fair values of financial instruments

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

|                                |   | (Millions of yen)   |            |                      |            |                      |            |
|--------------------------------|---|---------------------|------------|----------------------|------------|----------------------|------------|
|                                |   | As of April 1, 2012 |            | As of March 31, 2013 |            | As of March 31, 2014 |            |
|                                |   | Carrying amount     | Fair value | Carrying amount      | Fair value | Carrying amount      | Fair value |
| Non-current                    |   |                     |            |                      |            |                      |            |
| Interest-bearing debt          |   |                     |            |                      |            |                      |            |
| Long-term borrowings . . .     | ¥ | 619,517             | ¥ 631,545  | ¥ 510,856            | ¥ 515,814  | ¥2,243,855           | ¥2,286,161 |
| Corporate bonds . . . . .      |   | 458,520             | 466,837    | 791,919              | 804,451    | 4,743,073            | 4,960,113  |
| Lease obligations . . . . .    |   | 431,722             | 435,876    | 564,077              | 566,965    | 730,915              | 736,836    |
| Preferred securities . . . . . |   | 195,920             | 202,342    | 197,468              | 194,185    | 199,156              | 199,444    |
| Installment payables . . . .   |   | 57,594              | 59,983     | 109,405              | 110,302    | 105,155              | 105,528    |
| Total . . . . .                |   | ¥1,763,273          | ¥1,796,583 | ¥2,173,725           | ¥2,191,717 | ¥8,022,154           | ¥8,288,082 |

Financial instruments whose carrying amounts are reasonably similar to fair values are not included in the table above. Financial instruments that are measured at fair value on a recurring basis are also excluded because their fair values are the same as the carrying amounts.

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

a. Long-term borrowings

Fair values of non-current portion of long-term borrowings with variable rate are measured based on the discounted cash flow model using observable input such as market interests, and the measurement is categorized as level 2. Fair values of non-current portion of long-term borrowings with fixed rate are measured based on discounted cash flow using an interest rate including the credit spread that would be used for a borrowing with the same terms and maturities. Those borrowings are categorized as level 3.

b. Corporate bonds

Fair values of non-current portion of corporate bonds are mainly categorized as level 1 or level 2. When fair value is measured using quoted prices in active markets for identical bonds, it is categorized as level 1. When fair value is measured using quoted prices that are observable in markets that are not active for identical bonds, it is categorized as level 2. The fair value categorized as level 3 is immaterial.

c. Lease obligations

Fair values of non-current portion of lease obligations are measured based on discounted cash flow model using an interest rate considering the period until payment and credit risk, and categorized as level 2.

d. Preferred securities

Fair values of preferred securities are measured based on discounted cash flow model using the interest rate that would be used for preferred securities issued with the same terms and maturities, including the credit spread. The measurement is categorized as level 2.

e. Installment payables

Fair values of non-current portion of installment payables are measured based on discounted cash flow model using an interest rate adjusted for the remaining repayment period and credit risks, and the measurement is categorized as level 2.

## 27. Transfers of financial assets

The Company enters into securitization transactions of trade and installment receivables. The major securitization transaction is of installment receivables of SoftBank Mobile Corp. recognized in its mobile handsets sales business. For financing purposes, the installment receivables have been transferred to a trust which in turn raises funds through asset backed loan and other instruments backed by such installment receivables. Receivables used in the securitization transaction are not derecognized because SoftBank Mobile Corp. substantially retains all risks and economic benefits of ownership of the transferred assets, as a result of credit enhancement provided in the form of retained subordinated interest.

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

|  | (Millions of yen)      |                         |                         |
|--|------------------------|-------------------------|-------------------------|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Carrying amount of transferred assets .....  | ¥ 329,575              | ¥ 399,140               | ¥ 428,828               |
| Carrying amount of related liabilities ..... | (271,652)              | (322,733)               | (354,622)               |

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

|   | (Millions of yen)      |                         |                         |
|---|------------------------|-------------------------|-------------------------|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| Fair value of transferred assets .....  | ¥ 325,107              | ¥ 399,140               | ¥ 428,828               |
| Fair value of related liabilities ..... | (266,745)              | (322,272)               | (354,112)               |
| Net position .....                      | <u>¥ 58,362</u>        | <u>¥ 76,868</u>         | <u>¥ 74,716</u>         |

## 28. Offsetting financial assets and liabilities

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

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

As of April 1, 2012

|                                   | (Millions of yen)                        |   |  |  |                |
|-----------------------------------|--|---|--|--|----------------|
|                                   | Gross amount of<br>financial assets      | Gross amount of<br>financial liabilities offset<br>against financial<br>assets    | Net amount of<br>financial assets<br>presented in the<br>statement of<br>financial<br>position         | Amount not<br>offset in the<br>statement of<br>financial<br>position | Net amount     |
| <b>Financial assets</b>           |  |   |  |  |                |
| Trade and other receivables ..... | ¥ 98,452                                 | ¥(67,102)   | ¥31,350  | ¥(21,418)  | ¥ 9,932        |
| Other financial assets .....      | 1,931                                    | —   | 1,931  | (246)  | 1,685          |
| Total .....                       | <u>¥100,383</u>                          | <u>¥(67,102)</u>  | <u>¥33,281</u>   | <u>¥(21,664)</u>   | <u>¥11,617</u> |
|                                   | (Millions of yen)                        |   |  |  |                |
|                                   | Gross amount of<br>financial liabilities | Gross amount of<br>financial assets<br>offset against<br>financial<br>liabilities | Net amount of<br>financial<br>liabilities<br>presented in the<br>statement of<br>financial<br>position | Amount not<br>offset in the<br>statement of<br>financial<br>position | Net amount     |
| <b>Financial liabilities</b>      |  |   |  |  |                |
| Trade and other payables .....    | ¥145,382                                 | ¥(67,102)   | ¥78,280  | ¥(21,351)  | ¥56,929        |
| Other financial liabilities ..... | 508                                      | —   | 508  | (313)  | 195            |
| Total .....                       | <u>¥145,890</u>                          | <u>¥(67,102)</u>  | <u>¥78,788</u>   | <u>¥(21,664)</u>   | <u>¥57,124</u> |

As of March 31, 2013

|                                   | (Millions of yen)                   |  |  |  |                 |
|-----------------------------------|-------------------------------------|--|--|--|-----------------|
|                                   | Gross amount of<br>financial assets | Gross amount of<br>financial liabilities offset<br>against financial<br>assets | Net amount of<br>financial assets<br>presented in the<br>statement of<br>financial<br>position | Amount not<br>offset in the<br>statement of<br>financial<br>position | Net amount      |
| <b>Financial assets</b>           |                                     |  |  |  |                 |
| Trade and other receivables ..... | ¥117,474                            | ¥(83,451)  | ¥ 34,023   | ¥(8,928)   | ¥ 25,095        |
| Other financial assets .....      | 188,811                             | —  | 188,811  | (559)  | 188,252         |
| Total .....                       | <u>¥306,285</u>                     | <u>¥(83,451)</u>   | <u>¥222,834</u>  | <u>¥(9,487)</u>  | <u>¥213,347</u> |

|                                   | (Millions of yen)                        |   |  |  |                 |
|-----------------------------------|--|---|--|--|-----------------|
|                                   | Gross amount of<br>financial liabilities | Gross amount of<br>financial assets<br>offset against<br>financial<br>liabilities | Net amount of<br>financial<br>liabilities<br>presented in the<br>statement of<br>financial<br>position | Amount not<br>offset in the<br>statement of<br>financial<br>position | Net amount      |
| <b>Financial liabilities</b>      |  |   |  |  |                 |
| Trade and other payables .....    | ¥157,755                                 | ¥(83,451)   | ¥ 74,304   | ¥(8,847)   | ¥ 65,457        |
| Other financial liabilities ..... | 1,034                                    | —   | 1,034  | (640)  | 394             |
| Total .....                       | <u>¥158,789</u>                          | <u>¥(83,451)</u>  | <u>¥ 75,338</u>  | <u>¥(9,487)</u>  | <u>¥ 65,851</u> |

As of March 31, 2014

|                                   | (Millions of yen)                   |  |  |  |                |
|-----------------------------------|-------------------------------------|--|--|--|----------------|
|                                   | Gross amount of<br>financial assets | Gross amount of<br>financial liabilities offset<br>against financial<br>assets | Net amount of<br>financial assets<br>presented in the<br>statement of<br>financial<br>position | Amount not<br>offset in the<br>statement of<br>financial<br>position | Net amount     |
| <b>Financial assets</b>           |                                     |  |  |  |                |
| Trade and other receivables ..... | ¥122,040                            | ¥(82,356)  | ¥39,684  | ¥(4,273)   | ¥35,411        |
| Other financial assets .....      | 6,833                               | —  | 6,833  | (2,804)  | 4,029          |
| Total .....                       | <u>¥128,873</u>                     | <u>¥(82,356)</u>   | <u>¥46,517</u>   | <u>¥(7,077)</u>  | <u>¥39,440</u> |

|                                   | (Millions of yen)                        |   |  |  |                |
|-----------------------------------|--|---|--|--|----------------|
|                                   | Gross amount of<br>financial liabilities | Gross amount of<br>financial assets<br>offset against<br>financial<br>liabilities | Net amount of<br>financial<br>liabilities<br>presented in the<br>statement of<br>financial<br>position | Amount not<br>offset in the<br>statement of<br>financial<br>position | Net amount     |
| <b>Financial liabilities</b>      |  |   |  |  |                |
| Trade and other payables .....    | ¥152,758                                 | ¥(82,356)   | ¥70,402  | ¥(4,166)   | ¥66,236        |
| Other financial liabilities ..... | 3,606                                    | —   | 3,606  | (2,911)  | 695            |
| Total .....                       | <u>¥156,364</u>                          | <u>¥(82,356)</u>  | <u>¥74,008</u>   | <u>¥(7,077)</u>  | <u>¥66,931</u> |

## 29. Foreign exchange rate

Exchange rates of the major currencies used for translating financial statements of foreign operations are as follows:

### (1) Rate at the end of the period

|                    | (Yen)                  |                         |                         |
|--------------------|------------------------|-------------------------|-------------------------|
|                    | As of<br>April 1, 2012 | As of<br>March 31, 2013 | As of<br>March 31, 2014 |
| U.S. dollars ..... | ¥82.19                 | ¥94.05                  | ¥102.92                 |

(2) Average rate for the quarter

For the fiscal year ended March 31, 2013

|                    | (Yen)                               |  |   |                                      |
|--------------------|-------------------------------------|--|---|--------------------------------------|
|                    | Three months ended<br>June 30, 2012 | Three months ended<br>September 30, 2012 | Three months ended<br>December 31, 2012 | Three months ended<br>March 31, 2013 |
| U.S. dollars ..... | ¥80.40                              | ¥78.42                                   | ¥81.49                                  | ¥91.07                               |

For the fiscal year ended March 31, 2014

|                    | (Yen)                               |  |   |                                      |
|--------------------|-------------------------------------|--|---|--------------------------------------|
|                    | Three months ended<br>June 30, 2013 | Three months ended<br>September 30, 2013 | Three months ended<br>December 31, 2013 | Three months ended<br>March 31, 2014 |
| U.S. dollars ..... | ¥97.94                              | ¥98.20                                   | ¥101.02                                 | ¥103.28                              |

(3) Foreign exchange sensitivity analysis for exchange differences on translating foreign operations

The table below presents the effect of 1% appreciation of Japanese yen against the U.S. dollar, which is the main foreign currency of the Company, assuming that all other factors are constant.

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Impact to exchange differences on translating foreign operations<br>(decrease in equity) ..... | ¥(4,346)                            | ¥(24,999)                           |

### 30. Equity

(1) Common stock

a. Shares authorized

The number of shares authorized to issue are as follows:

|                       | (Thousands of shares) |                |                |
|-----------------------|-----------------------|----------------|----------------|
|                       | April 1, 2012         | March 31, 2013 | March 31, 2014 |
| Ordinary shares ..... | 3,600,000             | 3,600,000      | 3,600,000      |

b. Shares issued

Changes in the number of shares issued are as follows:

|  | (Thousands of shares)               |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Balance at the beginning of the year ..... | 1,107,729                           | 1,200,660                           |
| Increase during the year .....             | 92,931 <sup>3</sup>                 | —                                   |
| Balance at the end of the year .....       | <u>1,200,660</u>                    | <u>1,200,660</u>                    |

Notes:

1. Shares issued by the Company are common stocks with no par value.
2. Shares issued have been fully paid.
3. It represents 69,871 thousand shares newly issued as a result of share exchange with eAccess Ltd. on January 1, 2013, and 23,060 thousand shares newly issued as a result of exercise of stock acquisition rights.

(2) Capital surplus

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

For the fiscal year ended March 31, 2013

Alibaba Group Holding Limited, an associate accounted for using the equity method, acquired the shares of Alibaba.com Limited, a subsidiary of Alibaba Group Holding Limited, through its takeover bid in June 2012 and conducted the privatization of Alibaba.com Limited. The Company's capital surplus decreased by ¥51,208 million as Alibaba Group Holding Limited treated this as a change in the interests in a subsidiary, decreasing its capital surplus.

For the fiscal year ended March 31, 2014

The Company acquired preferred stocks and options of Supercell, which can convert the preferred stocks to common stocks ("conversion option"). The fair value of ¥10,323 million for the preferred stocks and the conversion options is deducted from capital surplus as "Acquisition of options to convert to subsidiaries' common stocks." The details are described in "(5) Supercell Oy" in "Note 5. Business combinations."

### (3) Retained earnings

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

### (4) Treasury stock

The Companies Act provides for companies to purchase treasury stock and dispose such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Changes in treasury stock are as follows:

|                                       | (Thousands of shares)               |                                     |
|---------------------------------------|-------------------------------------|-------------------------------------|
|                                       | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Balance at the beginning of the year  | 9,214                               | 9,160                               |
| Increase during the year              | 26 <sup>1</sup>                     | 4,287 <sup>2</sup>                  |
| Decrease during the year <sup>3</sup> | (80)                                | (1,242)                             |
| Balance at the end of the year        | <u>9,160</u>                        | <u>12,205</u>                       |

Notes:

1. Purchase of odd-lot shares
2. Purchase of 4,272 thousand shares according to Article 156 based on Article 165-3 of the Companies Act and purchase of odd-lot shares.
3. Decrease represents allotment of treasury stocks for the exercise of stock options.

### (5) Accumulated other comprehensive income

The changes in the accumulated other comprehensive income are as follows:

|  | (Millions of yen)                            |  |                     |  |                  |
|--|--|--|---------------------|--|------------------|
|  | Remeasurements<br>of defined benefit<br>plan | Available-for-<br>sale financial<br>assets | Cash flow<br>hedges | Exchange<br>differences on<br>translating<br>foreign<br>operations | Total            |
| As of April 1, 2012  | ¥ —  | ¥ 46,427                                   | ¥ (994)             | ¥ —  | ¥ 45,433         |
| Other comprehensive income (Attributable to<br>owners of the parent) | 68   | 4,273                                      | 115,152             | 83,168   | 202,661          |
| Transfer to retained earnings  | (68)   | —  | —                   | —  | (68)             |
| As of March 31, 2013   | <u>—</u>                                     | <u>50,700</u>                              | <u>114,158</u>      | <u>83,168</u>  | <u>248,026</u>   |
| Other comprehensive income (Attributable to<br>owners of the parent) | 2,541  | (36,578)                                   | (134,100)           | 92,269   | (75,868)         |
| Transfer to retained earnings  | (2,541)                                      | —  | —                   | —  | (2,541)          |
| As of March 31, 2014   | <u>¥ —</u>                                   | <u>¥ 14,122</u>                            | <u>¥ (19,942)</u>   | <u>¥ 175,437</u>   | <u>¥ 169,617</u> |

Note:

The above amount is presented net of tax effect. The amount of income taxes on each item in other comprehensive income is described in "Note 38. Other comprehensive income (loss)."



### 31. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

Dividends paid are as follows:

For the fiscal year ended March 31, 2013

| Resolution   | Class of shares | Dividends per share<br>(Yen) | Total dividends<br>(Millions of yen) | Record date        | Effective date    |
|--|-----------------|------------------------------|--------------------------------------|--------------------|-------------------|
| Shareholders' meeting held<br>on June 22, 2012 . . . . . | Common Stock    | ¥40                          | ¥43,941                              | March 31, 2012     | June 25, 2012     |
| Board of directors held on<br>November 15, 2012 . . . .  | Common Stock    | 20                           | 22,104                               | September 30, 2012 | December 14, 2012 |

Dividends were paid only at year end for the fiscal year ended March 31, 2012.

For the fiscal year ended March 31, 2014

| Resolution   | Class of shares | Dividends per share<br>(Yen) | Total dividends<br>(Millions of yen) | Record date        | Effective date    |
|--|-----------------|------------------------------|--------------------------------------|--------------------|-------------------|
| Shareholders' meeting held<br>on June 21, 2013 . . . . . | Common Stock    | ¥20                          | ¥23,830                              | March 31, 2013     | June 24, 2013     |
| Board of directors held on<br>November 15, 2013 . . . .  | Common Stock    | 20                           | 23,839                               | September 30, 2013 | December 16, 2013 |

Dividends which will become effective during the fiscal year ending March 31, 2015 are as follows:

| Resolution   | Class of shares | Dividends per share<br>(Yen) | Total dividends<br>(Millions of yen) | Record date    | Effective date |
|--|-----------------|------------------------------|--------------------------------------|----------------|----------------|
| Shareholders' meeting held on<br>June 20, 2014 . . . . . | Common Stock    | ¥20                          | ¥23,769                              | March 31, 2014 | June 23, 2014  |

### 32. Share-based payment

The Company sponsors incentive plans authorizing the grant of stock-options and restricted stock units, as share based payment awards. Share-based payment is granted to the Company's directors, employees and other service providers based on the terms approved by the Company's shareholders' meeting and board of directors' meeting.

Share based payments is accounted for as equity-settled share based payments. For the year ended March 31, 2014, expenses related to equity-settled share based payment of ¥11,193 million (for the year ended March 2013: ¥74 million) were recognized.

#### (1) Stock option plan

##### a. Details of stock option plan

The details of the Company stock option plan for the year ended March 31, 2013 and 2014 are as follows:

##### (a) SoftBank Corp.

SoftBank Corp. grants stock option to its directors and employees.

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

| Year issued / Name                                 | The number of shares granted | Grant date      | Due date for exercise | Exercise price |
|--|------------------------------|-----------------|-----------------------|----------------|
|  |                              |                 |                       | (Yen)          |
| 2010—6th Acquisition rights <sup>1</sup> . . . . . | 3,449,500                    | August 27, 2010 | June 30, 2017         | ¥2,625         |
| 2013—7th Acquisition rights <sup>2</sup> . . . . . | 10,375,800                   | July 31, 2013   | June 30, 2021         | 4,750          |

Notes:

1. Vesting conditions

A person entitled for the vested stock acquisition right (“entitled person”) is able to exercise these rights only when:

- total free cash flows in the consolidated statement of cash flows for the years ended March 2010, 2011 and 2012 in the Annual Securities Report filed by SoftBank Corp. based on Financial Instruments and Exchange Act exceed 1 trillion Yen;
- net interest-bearing debt in the consolidated balance sheet for the year ended March 2012 in the Annual Securities Report filed by SoftBank Corp. based on Financial Instruments and Exchange is less than 0.97 trillion Yen; and,
- total operating income in the consolidated statement of income for the years ended March 2011 and 2012 in the Annual Securities Report filed by SoftBank Corp. based on Financial Instruments and Exchange exceed 1.1 trillion Yen.

The amount of the stock acquisition rights exercisable by an entitled person is limited as prescribed in “a” to “d” below. Fractional point, if any, of the exercisable stock acquisition rights are rounded down.

- from July 1, 2012 to June 30, 2013: 25% of the allocated amount of stock acquisition rights
- from July 1, 2013 to June 30, 2014: 50% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” above
- from July 1, 2014 to June 30, 2015: 75% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” and “b” above
- from July 1, 2015 to June 30, 2017: 100% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” through “c” above

Vesting requires continuous services from the grant date to the vesting date. When an eligible person retires, vested acquisition rights forfeit.

2. Vesting condition

A person entitled to the vested stock acquisition rights (“entitled person”) is able to exercise these rights only when operating income in the consolidated statement of income for the year ending March 2016 in the Annual Securities Report to be filed by SoftBank Corp. based on Financial Instruments and Exchange Act in June 2016 (“target index”) exceeds 1.2 trillion Yen (“target amount”).

The Company may change the target index or target amount within a reasonable range, if necessary.

The amount of the stock acquisition rights exercisable in the period “a” through “c” below by an entitled person who was granted and allocated stock acquisition rights of 10,000 or more in total, is limited as below. Fractional points, if any, of the exercisable stock acquisition rights are rounded down.

- from July 1, 2016 to June 30, 2017: 25% of the allocated amount of stock acquisition rights
- from July 1, 2017 to June 30, 2018: 50% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” above
- from July 1, 2018 to June 30, 2021: 100% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” and “b” above

Vesting requires continuous services from the grant date to the vesting date. When an eligible person retires, vested acquisition rights forfeit.

(b) Sprint

Sprint Corporation grants stock option to its directors, employees and other service providers. Shares granted by the exercise of stock options are those issued by Sprint Corporation.

| Year issued / Name                     | The number of shares granted | Grant date                                  | Due date for exercise                       | Weighted average exercise price (USD) |
|--|------------------------------|---|---|---------------------------------------|
|  |                              |   |   |                                       |
| Nextel Incentive Equity Plan . . . . . | 1,392,335                    | From August 29, 2003 to May 26, 2005        | From August 29, 2013 to May 26, 2015        | \$16.73                               |
| 1997 Long-Term Incentive Program . . . | 6,543,822                    | From February 10, 2004 to February 27, 2007 | From February 10, 2014 to February 27, 2017 | 17.95                                 |
| 2007 Omnibus Incentive Plan . . . . .  | 46,895,739                   | From July 9, 2007 to August 1, 2013         | From July 9, 2017 to August 1, 2023         | 4.61                                  |

Note:

Vesting condition

Generally, stock options vest when the conditions of period of service are met. The vesting period is generally 3 or 4 years and vests equally each period.

(c) Supercell

Supercell grants stock option to its employees. Shares granted by the exercise of stock options are those issued by Supercell Oy.

| Year issued / Name                          | The number of shares granted | Grant date                               | Due date for exercise | Weighted average exercise price (EUR) |
|---|------------------------------|--|-----------------------|---------------------------------------|
| Supercell Oy share option program . . . . . | 2,415,729                    | From March 31, 2011 to February 27, 2014 | March 31, 2021        | €2.09                                 |

Note:

Vesting condition

Stock options vest when services period requirements are met. Vesting period is within 4 years. 25% of options become exercisable after 1 year from the conclusion of the share payment contract or the beginning of service. The residual option becomes exercisable each month equally over the next 3 years.

(d) Brightstar Corp.

Brightstar Corp. grants stock option to its directors, employees and other service providers. Shares granted by the exercise of stock options are those issued by Brightstar Global Group Inc.

| Year issued/Name   | The number of shares granted | Grant date                             | Due date for exercise                  | Weighted average exercise price (USD) |
|--|------------------------------|--|--|---------------------------------------|
| Brightstar Global Group Inc. 2006 Stock Incentive Plan . . . . . | 1,338,701                    | From July 12, 2006 to January 21, 2014 | From July 12, 2016 to January 21, 2024 | \$39.88                               |

Notes:

1. Vesting condition  
Generally, options vest when services period requirements are met. Rights usually vest in stages during 4 years equally over this period.
2. Brightstar Corp. has the option to either settle in Brightstar Global Group Inc. shares or in cash when options are exercised. Stock option above is booked as equity-settled share based payment.

(e) Yahoo Japan Corporation

Yahoo Japan Corporation grants stock option to its directors and employees. Shares granted by the exercise of stock options are those issued by Yahoo Japan Corporation.

Yahoo Japan Corporation split shares of their stocks by the ratio of 100 for 1, with the basis date of September 30, 2013 and the effective date of October 1, 2013. For stock options granted before the share split, the effect of the share split is adjusted.

| Year issued/Name            | No. of shares granted | Grant date                                 | Due date for exercise                    | Weighted average exercise price Yen |
|-----------------------------|-----------------------|--|--|-------------------------------------|
| 2005 <sup>1</sup> . . . . . | 11,200                | May 2, 2006                                | June 17, 2015                            | ¥680                                |
| 2006 <sup>1</sup> . . . . . | 924,200               | From September 6, 2006 to February 7, 2007 | From August 23, 2016 to January 24, 2017 | 471                                 |
| 2007 <sup>1</sup> . . . . . | 1,223,400             | From May 8, 2007 to February 13, 2008      | From April 24, 2017 to January 30, 2018  | 418                                 |
| 2008 <sup>1</sup> . . . . . | 1,456,600             | From May 9, 2008 to February 10 2009       | From April 25, 2018 to January 27, 2019  | 418                                 |
| 2009 <sup>1</sup> . . . . . | 1,458,600             | From May 12, 2009 to February 10, 2010     | From April 28, 2019 to January 27, 2020  | 305                                 |
| 2010 <sup>1</sup> . . . . . | 1,349,300             | From May 11, 2010 to February 8, 2011      | From April 27, 2020 to January 25, 2021  | 345                                 |
| 2011 <sup>1</sup> . . . . . | 1,447,000             | From June 3, 2011 to February 17, 2012     | From May 20, 2021 to February 3, 2022    | 274                                 |
| 2012                        |                       |  |  |                                     |
| 1st <sup>1</sup> . . . . .  | 182,200               |  |  | 254                                 |
| 2nd <sup>2</sup> . . . . .  | 25,910,000            | From May 16, 2012 to March 1, 2013         | From May 2, 2022 to February 28, 2023    | 324                                 |
| 2013                        |                       |  |  |                                     |
| 1st <sup>3</sup> . . . . .  | 10,046,000            |  |  | 493                                 |
| 2nd <sup>4</sup> . . . . .  | 25,630,000            | From May 17, 2013 to November 19, 2013     | From May 16, 2023 to November 18, 2023   | 514                                 |

Notes:

1. Vesting condition  
Rights mainly vest in stages after 2 years from the grant date. One half of the total granted vests after 2 years from the grant date, and one fourth vests per year in subsequent 2 years. Vesting requires continuous services from the grant date to the vesting date. When an eligible person retires, vested acquisition rights forfeit.
2. Vesting condition  
Rights vest according to the amount of operating income achieved as specified below (i) or (ii) in either of the period from fiscal year ended March 2014 to fiscal year ending March 2019.
  - (i) If the operating income exceeds ¥250 billion
 

|  |                        |
|--|------------------------|
| Period of achievement: By fiscal year March 2016 | Exercisable ratio: 20% |
| Period of achievement: By fiscal year March 2017 | Exercisable ratio: 14% |
| Period of achievement: By fiscal year March 2018 | Exercisable ratio: 8%  |
| Period of achievement: By fiscal year March 2019 | Exercisable ratio: 2%  |
  - (ii) If the operating income exceeds ¥330 billion
 

|  |                        |
|--|------------------------|
| Period of achievement: By fiscal year March 2016 | Exercisable ratio: 80% |
| Period of achievement: By fiscal year March 2017 | Exercisable ratio: 56% |
| Period of achievement: By fiscal year March 2018 | Exercisable ratio: 32% |
| Period of achievement: By fiscal year March 2019 | Exercisable ratio: 8%  |

Vesting requires continuous services from the grant date to the vesting date. When an eligible person retires, vested acquisition rights forfeit.

3. Vesting condition  
Rights vest according to the amount of operating income achieved as specified below (i) or (ii) in either of the period from fiscal year ended March 2014 to fiscal year ending March 2019.
  - (i) If the operating income exceeds ¥250 billion Exercisable ratio: 20%
  - (ii) If the operating income exceeds ¥330 billion Exercisable ratio: 80%

Vesting requires continuous services from the grant date to the vesting date. When an eligible person retires, vested acquisition rights forfeit.

4. Vesting condition  
Rights vest once the operating income for the fiscal year exceeds ¥330 billion in either of the period from fiscal year ending March 2015 to fiscal year ending March 2019. Vesting requires continuous services from the grant date to the vesting date. When an eligible person retires, vested acquisition rights forfeit.

#### b. Fair value of stock options granted during the period

Weighted average fair value and how fair value is measured, at the measurement date of the stock options granted during the period are as below:

##### (a) SoftBank Corp.

Fair value at the measurement date of the stock options granted during the period is 32 Yen (0.31 USD).

Fair value is measured as below:

|                                      | <u>For the year ended March 31, 2014</u> |
|--------------------------------------|--|
| Year issued / Name . . . . .         | 2013 – 7th Stock acquisition rights      |
| Valuation method used . . . . .      | Monte Carlo simulation                   |
| Key inputs and assumptions           |  |
| Stock price—Yen . . . . .            | ¥4,750                                   |
| Exercise price—Yen . . . . .         | ¥4,750                                   |
| Volatility of stock price* . . . . . | 42.76%                                   |
| Period until maturity . . . . .      | 7.9 years                                |
| Estimated dividend—Yen . . . . .     | ¥40/stock                                |
| Risk-free interest rate . . . . .    | 0.45%                                    |

Note:

\* Calculated based on the actual stock price for the retrospective period that corresponds with the period until maturity.

##### (b) Sprint

Weighted average fair value at the measurement date of the stock options granted during the period is \$3.63.

Fair value is measured as below:

|  | For the year ended March 31, 2014 |
|--|-----------------------------------|
| Year issued / Name                     | 2007 Omnibus Incentive Plan       |
| Valuation method used                  | Black-Scholes model               |
| Key inputs and assumptions:            |                                   |
| Weighted average stock price           | \$7.11                            |
| Weighted average exercise price        | \$6.38                            |
| Volatility of stock price <sup>1</sup> | 42.34%                            |
| Estimated residual period              | 7.5 years                         |
| Estimated dividend                     | —                                 |
| Risk-free interest rate                | 2.01%                             |

Notes:

1. Calculated based on implied volatility based on the stock price and option price of Sprint at the calculation date.
2. Fair value and the measurement method are for the stock options granted after business combination date.

### (c) Supercell

Weighted average fair value at the measurement date of the stock options granted during the period is EUR 43.5.

Fair value is measured as below:

|  | For the year ended March 31, 2014 |
|--|-----------------------------------|
| Year issued / Name                     | Supercell Oy Share option program |
| Valuation method used                  | Black-Scholes model               |
| Key inputs and assumptions:            |                                   |
| Weighted average stock price           | EUR 46.58                         |
| Exercise price                         | EUR 3.59                          |
| Volatility of stock price <sup>1</sup> | 48.70%                            |
| Estimated residual period              | 7.32 years                        |
| Estimated dividend                     | —                                 |
| Risk-free interest rate                | 1.62%                             |

Notes:

1. Calculation is based on the volatility of other comparative companies.
2. Fair value and the measurement method are for the stock options granted after business combination date.

### (d) Yahoo Japan Corporation

Weighted average fair value at the measurement date of the stock options granted during the period is 3 Yen (for the year ended March 31, 2013: 3 Yen).

Fair value is measured as below:

|  | For the year ended March 31, 2013 |                        |
|--|-----------------------------------|------------------------|
| Year issued/Name                       | 2012 – 1st                        | 2012 – 2nd             |
| Valuation method used                  | Black-Scholes model               | Monte Carlo simulation |
| Key inputs and assumptions:            |                                   |                        |
| Stock price—Yen                        | ¥ 233                             | ¥ 324                  |
| Exercise price—Yen                     | ¥ 254                             | ¥ 324                  |
| Volatility of stock price              | 37.8%—38.0% <sup>1</sup>          | 39.99% <sup>2</sup>    |
| Estimated residual period              | 5.97 years—6.97 years             | —                      |
| Period until maturity                  | —                                 | 10 years               |
| Estimated dividend                     | Dividend yield 1.48%              | Dividend yield 1.07%   |
| Risk-free interest rate                | 0.34%—0.47%                       | 0.725%                 |
|  | For the year ended March 31, 2014 |                        |
| Year issued/Name                       | 2013 – 1st                        | 2013 – 2nd             |
| Valuation method used                  | Monte Carlo simulation            | Monte Carlo simulation |
| Key inputs and assumptions:            |                                   |                        |
| Weighted average stock price—Yen       | ¥ 492                             | ¥ 514                  |
| Exercise price—Yen                     | ¥ 493                             | ¥ 514                  |
| Volatility of stock price <sup>2</sup> | 38.27%                            | 37.15%                 |
| Period until maturity                  | 10 years                          | 10 years               |
| Estimated dividend                     | Dividend yield 0.70%              | Dividend yield 0.78%   |
| Risk-free interest rate                | 0.585%                            | 0.605%                 |

Notes

1. Calculated based on the actual stock price for the retrospective period that corresponds with the estimated residual period.
2. Calculated based on the actual stock price for the retrospective period that corresponds with the period until maturity.

- c. Changes in stock options during the period and the condition of stock options at the period end  
Changes in stock options during the period and the condition of stock options at the period end are as below:

(a) SoftBank Corp.

|   | Number of shares | For the year ended March 31, 2013     | Number of shares | For the year ended March 31, 2014     |
|---|------------------|---------------------------------------|------------------|---------------------------------------|
|   |                  | Weighted average exercise price (Yen) |                  | Weighted average exercise price (Yen) |
| Beginning balance—Unexercised . . . . . | 3,393,500        | ¥2,625                                | 3,281,100        | ¥2,625                                |
| Granted . . . . .                       | —                | —                                     | 10,375,800       | 4,750                                 |
| Forfeited . . . . .                     | (32,300)         | 2,625                                 | (43,100)         | 4,183                                 |
| Exercised . . . . .                     | (80,100)         | 2,625                                 | (1,242,700)      | 2,625                                 |
| Ending balance—Unexercised . . . . .    | 3,281,100        | 2,625                                 | 12,371,100       | 4,402                                 |
| Ending balance—Exercisable . . . . .    | 761,000          | ¥2,625                                | 359,800          | ¥2,625                                |

The unexercised options as of March, 31, 2014, are as follows:

| Range of exercise price (Yen) | Number of shares | Weighted average exercise price (Yen) | Weighted average remaining contract period (Year) |
|-------------------------------|------------------|---------------------------------------|---|
| ¥2,625                        | 2,026,900        | ¥2,625                                | 3.3   |
| ¥4,750                        | 10,344,200       | 4,750                                 | 7.3   |
| Total . . . . .               | 12,371,100       | ¥4,402                                | 6.6   |

(b) Sprint

|   | For the year ended March 31, 2014 |                                       |
|---|-----------------------------------|---------------------------------------|
|   | Number of shares                  | Weighted average exercise price (USD) |
| Beginning balance—Unexercised . . . . . | —                                 | —                                     |
| Business combination . . . . .          | 53,098,794                        | \$ 6.51                               |
| Granted . . . . .                       | 1,733,102                         | 6.38                                  |
| Forfeited . . . . .                     | (224,914)                         | 3.01                                  |
| Exercised . . . . .                     | (9,728,414)                       | 3.65                                  |
| Matured . . . . .                       | (2,352,876)                       | 15.50                                 |
| Ending balance—Unexercised . . . . .    | 42,525,692                        | 6.68                                  |
| Ending balance—Exercisable . . . . .    | 36,691,227                        | \$ 7.21                               |

Note:

Movement of stock options after business combination date.



The unexercised options as of March, 31, 2014, are as follows:

| <u>Range of exercise price (USD)</u> | <u>Number of shares</u> | <u>Weighted average exercise price (USD)</u> | <u>Weighted average remaining contract period (Year)</u> |
|--------------------------------------|-------------------------|--|--|
| \$0.00 – 3.00 .....                  | 9,131,030               | \$ 2.00                                      | 7.90   |
| 3.01 – 4.00 .....                    | 15,002,925              | 3.34   | 5.65   |
| 4.01 – 5.00 .....                    | 4,106,104               | 4.16   | 6.29   |
| 5.01 – 6.00 .....                    | 2,104,369               | 5.84   | 3.98   |
| 6.01 – 7.00 .....                    | 1,733,102               | 6.38   | 9.34   |
| 7.01 – 10.00 .....                   | 659,176                 | 8.11   | 4.09   |
| 10.01 – 15.00 .....                  | 2,497,246               | 13.79  | 3.35   |
| 15.01 – 20.00 .....                  | 6,008,462               | 17.93  | 2.55   |
| 20.01 – 25.00 .....                  | 1,283,278               | 21.69  | 0.87   |
| Total .....                          | <u>42,525,692</u>       | <u>\$ 6.68</u>                               | <u>5.52</u>  |

(c) Supercell

|                                     | <u>For the year ended March 31, 2014</u> |  |
|-------------------------------------|--|--|
|                                     | <u>Number of shares</u>                  | <u>Weighted average exercise price (EUR)</u> |
| Beginning balance—Unexercised ..... | —  | —  |
| Business combination .....          | 1,494,719                                | €1.17  |
| Granted .....                       | 921,000                                  | 3.59   |
| Forfeited .....                     | (39,350)                                 | 0.54   |
| Exercised .....                     | <u>(47,938)</u>                          | <u>0.02</u>                                  |
| Ending balance—Unexercised .....    | 2,328,431                                | 2.16   |
| Ending balance—Exercisable .....    | <u>123,180</u>                           | <u>€0.14</u>                                 |

Note:

Movement of stock options after business combination date.

The unexercised options as of March, 31, 2014, are as follows:

| <u>Range of exercise price (EUR)</u> | <u>Number of shares</u> | <u>Weighted average exercise price (EUR)</u> | <u>Weighted average remaining contract period (Year)</u> |
|--------------------------------------|-------------------------|--|--|
| €0.02 – 1.00 .....                   | 766,646                 | €0.08  | 7.00   |
| 1.01 – 2.00 .....                    | 329,635                 | 1.64   | 7.00   |
| 3.59 .....                           | 1,232,150               | 3.59   | 7.00   |
| Total .....                          | 2,328,431               | €2.16  | 7.00   |

(d) Brightstar Corp.

|                                     | <u>For the year ended March 31, 2014</u> |  |
|-------------------------------------|--|--|
|                                     | <u>Number of shares</u>                  | <u>Weighted average exercise price</u> |
| Beginning balance—Unexercised ..... | —  | —                                      |
| Business combination .....          | 1,338,701                                | \$39.88                                |
| Ending balance—Unexercised .....    | <u>1,338,701</u>                         | <u>39.88</u>                           |
| Ending balance—Exercisable .....    | 432,180                                  | \$31.56                                |

Note:

Movement of stock options after business combination date.

The unexercised options as of March, 31, 2014, are as follows:

| Range of exercise price (USD) | Number of shares | Weighted average exercise price (USD) | Weighted average remaining contract period (Year) |
|-------------------------------|------------------|---------------------------------------|---|
| \$20.00 – 25.00 .....         | 229,793          | \$21.86                               | 4.80  |
| 25.01 – 30.00 .....           | 11,608           | 29.29                                 | 3.32  |
| 40.00 – 45.00 .....           | 892,432          | 42.64                                 | 8.78  |
| 45.01 – 50.00 .....           | 204,868          | 48.69                                 | 9.98  |
| Total .....                   | 1,338,701        | \$39.88                               | 8.23  |

(e) Yahoo Japan Corporation

|                                     | For the year ended March 31, 2013 |                                       | For the year ended March 31, 2014 |                                       |
|-------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
|                                     | Number of shares                  | Weighted average exercise price (Yen) | Number of Shares                  | Weighted average exercise price (Yen) |
| Beginning balance—Unexercised ..... | 7,016,700                         | ¥360                                  | 30,850,500                        | ¥329                                  |
| Granted .....                       | 26,092,200                        | 324                                   | 35,676,000                        | 508                                   |
| Forfeited .....                     | (2,232,500)                       | 366                                   | (1,761,300)                       | 370                                   |
| Exercised .....                     | (25,900)                          | 314                                   | (752,700)                         | 339                                   |
| Ending balance—Unexercised .....    | 30,850,500                        | 329                                   | 64,012,500                        | 427                                   |
| Ending balance—Exercisable .....    | 3,018,700                         | ¥392                                  | 3,130,100                         | ¥377                                  |

The unexercised options as of March, 31, 2014, are as follows:

| Range of exercise price (Yen) | Number of shares | Weighted average exercise price (Yen) | Weighted average remaining contract period (Year) |
|-------------------------------|------------------|---------------------------------------|---|
| ¥201 – 300 .....              | 1,103,400        | ¥271                                  | 7.4   |
| 301 – 400 .....               | 26,064,200       | 324                                   | 8.8   |
| 401 – 500 .....               | 11,156,800       | 485                                   | 8.4   |
| 501 – 600 .....               | 25,682,000       | 514                                   | 9.6   |
| 601 – 700 .....               | 6,100            | 680                                   | 1.2   |
| Total .....                   | 64,012,500       | ¥427                                  | 9.0   |

d. Stock options exercised during the period

Weighted average stock price at exercise for stock options exercised during the period are as follows:

(a) SoftBank Corp.

| For the year ended March 31, 2013 |                                |  | For the year ended March 31, 2014 |                                |  |
|-----------------------------------|--------------------------------|--|-----------------------------------|--------------------------------|--|
| Year issued/ Name                 | The number of shares exercised | Weighted average stock price at exercise (Yen) | Year issued/Name                  | The number of shares exercised | Weighted average stock price at exercise (Yen) |
| 2010 – 6 <sup>th</sup>            |                                |  | 2010 – 6 <sup>th</sup>            |                                |  |
| Acquisition rights                | 80,100                         | ¥3,185   | Acquisition rights                | 1,242,700                      | ¥7,021   |

(b) Sprint

|                                   | For the year ended March 31, 2014 |   |
|-----------------------------------|-----------------------------------|---|
| Year issued / Name                | The number of shares exercised    | Weighted average stock price at exercise(USD) |
| 2007 Omnibus Incentive Plan ..... | 9,728,414                         | \$8.04  |

Note:

Weighted average stock price of stock options exercised after business combination date.

(c) Yahoo Japan Corporation

| For the year ended March 31, 2013 |                                |  | For the year ended March 31, 2014 |                                |  |
|-----------------------------------|--------------------------------|--|-----------------------------------|--------------------------------|--|
| Year issued/ Name                 | The number of shares exercised | Weighted average stock price at exercise | Year issued / Name                | The number of shares Exercised | Weighted average stock price at exercise |
|                                   |                                | (Yen)                                    |                                   |                                | (Yen)                                    |
| 2006 .....                        | —                              | ¥ —                                      | 2006                              | 12,500                         | ¥519                                     |
| 2007 .....                        | —                              | —  | 2007                              | 100,100                        | 528                                      |
| 2008 .....                        | 200                            | 395                                      | 2008                              | 130,400                        | 516                                      |
| 2009 .....                        | 16,800                         | 396                                      | 2009                              | 283,400                        | 515                                      |
| 2010 .....                        | 8,900                          | 397                                      | 2010                              | 113,200                        | 506                                      |
| 2011 .....                        | —                              | —  | 2011                              | 113,100                        | 533                                      |

Note:

Weighted average stock price at exercise is not calculated for Supercell Oy Stock option plan since Supercell Oy shares are not publicly traded.

e. Stock options outside the scope of IFRS 2

IFRS 2 is not applied to part of stock options of Yahoo Japan Corporation, as they were granted after November 11, 2002 but vested before April 1, 2012. The detail of the stock option plan to which IFRS 2 is not applied is as follows:

Yahoo Japan Corporation split shares of their stocks by the ratio of 100 for 1, with the basis date of September 30, 2013 and the effective date of October 1, 2013. For stock options granted before the share split, the effect of the share split is adjusted.

(a) Details of stock option plans

| Year issued/Name | The number of shares granted | Grant date                             | Due date for exercise | Weighted average exercise price |
|------------------|------------------------------|--|-----------------------|---------------------------------|
|                  |                              |  |                       | (Yen)                           |
| 2003 .....       | 2,587,200                    | From July 25, 2003 to May 13, 2004     | June 20, 2013         | ¥386                            |
| 2004 .....       | 1,118,800                    | From July 29, 2004 to May 12, 2005     | June 17, 2014         | 650                             |
| 2005 .....       | 626,600                      | From July 28, 2005 to January 31, 2006 | June 17, 2015         | 597                             |

Note:

Vesting conditions

Rights mainly vest in stages after 2 years from the grant date. One half of the total granted amounts vests after 2 years from the grant date, and one fourth vests each year in the subsequent 2 years. Vesting requires continuous services from the grant date to the vesting date. When an eligible person retires, vested acquisition rights forfeit.

(b) Changes in stock options during the period and the condition of stock options at the period end

|                                  | For the year ended March 31, 2013 |                                       | For the year ended March 31, 2014 |                                       |
|----------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
|                                  | Number of shares                  | Weighted average exercise price (Yen) | Number of share                   | Weighted average exercise price (Yen) |
| Opening balance .....            | 4,379,000                         | ¥378                                  | 1,190,000                         | ¥524                                  |
| Forfeited .....                  | (1,902,600)                       | 465                                   | (24,800)                          | 618                                   |
| Exercised .....                  | (1,286,400)                       | 113                                   | (332,800)                         | 346                                   |
| Matured .....                    | —                                 | —                                     | (272,000)                         | 512                                   |
| Unexercised ending balance ..... | 1,190,000                         | 524                                   | 560,400                           | 633                                   |
| Exercised ending balance .....   | 1,190,000                         | ¥524                                  | 560,400                           | ¥633                                  |

The exercise price of unexercised stock options at March 31, 2014 is from 585 Yen to 795 Yen (March 31, 2013: from 334 Yen to 795 Yen). Weighted average residual contract year is 0.6 year (March 31, 2013: 0.9 year).

(c) Stock options exercised during the period

| For the year ended March 31, 2013 |                                |  | For the year ended March 31, 2014 |                                |  |
|-----------------------------------|--------------------------------|--|-----------------------------------|--------------------------------|--|
| Year issued/Name                  | The number of shares exercised | Weighted average stock price at exercise (Yen) | Year issued/Name                  | The number of shares exercised | Weighted average Stock price at exercise (Yen) |
| 2002 .....                        | 1,228,800                      | ¥251   | 2003                              | 332,800                        | ¥476   |
| 2003 .....                        | 57,600                         | 392  |                                   |                                |  |

(2) Restricted stock unit plan (RSU)

The details of the Company's restricted stock unit award for the years ended March 31, 2013 and 2014 are as below:

(a) Sprint

Sprint grants shares of Sprint Corporation as restricted stock units to its directors, employees and other service providers. Restricted stock units granted for the year ended March 31, 2014, after the business combination date, were 17,627,342 shares.

The fair value of the restricted stock units is measured by the stock price at the grant date and the weighted average fair value of the restricted stock units granted after the business combination date for the year ended March 31, 2014 was \$6.23.

Restricted stock units generally have performance and service period requirements or service period requirements only. The service period requirement ranges from 1 to 3 years. Employees and directors must remain employees or directors until the cancellation of the restriction, and that period is typically 3 years for employees and 1 year for directors.

(b) Galaxy Investment Holdings, Inc

Galaxy Investment Holdings, Inc. has granted Restricted Stock Units to its director, Ronald Fisher with the option to settle either by Sprint Corporation shares held by Galaxy Investment Holdings, Inc. or cash. 2,846,508 shares of RSUs have been granted during the period ending March 31, 2014.

As Galaxy Investment Holdings, Inc. has the option to settle by cash instead of Sprint Corporation shares, this RSU grant has been accounted as an equity settled share payment.

The fair value of the RSUs is measured by the stock price as of the date granted. The weighted average fair value of the restricted stock units granted for the year ended March 31, 2014 is \$8.77.

The RSUs vest 25% each at November 2015, November 2016, November 2017 and November 2018. Vesting requires continuous services from the grant date to the vesting date.

### 33. Net sales

The components of net sales are as follows:

|  | (Millions of yen)                |                                  |
|--|----------------------------------|----------------------------------|
|  | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
| Mobile Communications                      |                                  |                                  |
| Net sales from rendering of services ..... | ¥1,588,740                       | ¥2,096,259                       |
| Net sales from sale of goods .....         | 742,131                          | 1,046,404                        |
| Total .....                                | 2,330,871                        | 3,142,663                        |
| Sprint                                     |                                  |                                  |
| Net sales from rendering of services ..... | —                                | 2,317,820                        |
| Net sales from sale of goods .....         | —                                | 282,923                          |
| Total. ....                                | —                                | 2,600,743                        |
| Fixed-line Telecommunications .....        | 437,873                          | 442,152                          |
| Internet .....                             | 353,481                          | 396,554                          |
| Other .....                                | 80,311                           | 84,539                           |
| Total .....                                | ¥3,202,536                       | ¥6,666,651                       |

“Sprint” includes financial information after the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

### 34. Cost of sales and selling, general and administrative expenses

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

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Cost of goods sold .....                             | ¥ (792,943)                         | ¥(1,696,049)                        |
| Depreciation and amortization .....                  | (355,120)                           | (899,904)                           |
| Sales commissions and sales promotion expenses ..... | (394,516)                           | (897,710)                           |
| Employees and directors benefit cost .....           | (184,398)                           | (510,525)                           |
| Telecommunications equipment usage fee .....         | (150,891)                           | (438,108)                           |
| Operating lease expenses .....                       | (129,523)                           | (339,961)                           |
| Service outsourcing expenses .....                   | (135,624)                           | (237,550)                           |
| Other .....  | (261,900)                           | (759,938)                           |
| Total .....  | <u>¥(2,404,915)</u>                 | <u>¥(5,779,745)</u>                 |

The increase of cost of sales and selling, general and administrative expenses for the fiscal year ended March 31, 2014 is mainly due to the consolidation of Sprint. The details of the business combinations are described in “(3) Sprint” in “Note 5. Business combinations.”

“Depreciation and amortization” includes, disposal of “Property, plant and equipment” and “Intangible assets” as well as amortization of long-term prepaid expenses which are recorded in “Other non-current assets” in the consolidated statement of financial position.

### 35. Other operating income and loss

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

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Impairment loss  |                                     |                                     |
| Assets related to ADSL services <sup>1</sup> .....         | ¥—                                  | ¥(11,210)                           |
| Assets related to Sprint <sup>2</sup> .....                | —                                   | (7,654)                             |
| Trademarks <sup>3</sup> .....                              | —                                   | (7,404)                             |
| Goodwill .....   | —                                   | (5,822)                             |
| Severance costs associated with reduction in work force of |                                     |                                     |
| Sprint .....   | —                                   | (18,307)                            |
| Other .....  | —                                   | (5,033)                             |
| Total .....  | <u>¥—</u>                           | <u>¥(55,430)</u>                    |

Notes:

- As a result of reviewing the business plan for ADSL services at eAccess Ltd. in the Fixed-line Telecommunications segment, the recoverable amount of assets related to ADSL services became lower than their carrying amount, and therefore the carrying amounts were reduced to their value in use. Impairment loss on customer relationships was ¥8,655 million and impairment loss on telecommunications equipment and software was ¥2,555 million.  
Value in use was ¥4,410 million which was calculated by discounting management approved estimated future cashflow plan by 9.24%, weighted average capital cost before tax.
- In the Sprint segment, certain telecommunications equipment inventories which will not be used in the future, are impaired.
- eAccess Ltd. and WILLCOM, Inc. conducted an absorption type merger, with eAccess Ltd. being the surviving company and WILLCOM, Inc. being the company absorbed, effective on June 1, 2014. eAccess Ltd. will change its name to Ymobile Corporation and plans to provide services under the “Ymobile” brand.  
Since the trademarks such as “EM,” “EMOBILE,” “WILLCOM,” which eAccess Ltd. and WILLCOM, Inc. used as service names in the Mobile Communications segment, will not be used in the future, the trademarks are all impaired.

### 36. Finance cost

The components of finance cost are as follows:

|                         | (Millions of yen)                   |                                     |
|-------------------------|-------------------------------------|-------------------------------------|
|                         | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Interest expense* ..... | ¥(65,297)                           | ¥(271,478)                          |

Note:

Interest expense was mainly from financial liabilities measured at amortized cost.

### 37. Other non-operating income and loss

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

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Interest income <sup>1</sup> .....                             | ¥ 3,109                             | ¥ 21,015                            |
| Derivative gain(loss) <sup>1, 2</sup> .....                    | 11,877                              | (19,588)                            |
| Gain on sale of securities <sup>3</sup> .....                  | 2,288                               | 12,325                              |
| Impairment loss on securities <sup>3</sup> .....               | (10,541)                            | (9,168)                             |
| Gain on sale of associates .....                               | 837                                 | 33,058                              |
| Impairment loss on equity method associates <sup>4</sup> ..... | (22,474)                            | —                                   |
| Other .....  | (31)                                | 6,439                               |
| Total .....  | ¥(14,935)                           | ¥ 44,081                            |

Notes:

1. Stock acquisition rights in the convertible bonds issued by Sprint Nextel Corporation and undertaken by Starburst II on October 22, 2012, were reported at fair value as a derivative, being bifurcated from the host contracts as they are classified as embedded derivatives and were recorded in "Other financial Assets" in the consolidated statement of financial position. As the Company exercised the relevant stock acquisition rights and the Company derecognized the derivatives, a derivative loss of ¥16,356 million was recorded during the fiscal year ended March 31, 2014. With regard to the host contract (the bonds), the amount of payment less the fair value of the embedded derivative at inception of the bond was recorded in the consolidated statement of financial position at inception. This deduction amount is accreted using the effective interest method with corresponding adjustment to interest income. Initially, the expected remaining accretion period for the bond discount was seven years based on the contract term of the bond. However, based on the approval for the acquisition at the shareholders' meeting of Sprint on June 25, 2013, the Company changed the estimate of the expected remaining term to the completion of the acquisition. During the fiscal year ended March 31, 2014, the Company recognized interest income of ¥16,219 million. The increase of interest income reflecting this change in the expected remaining term of the bond was ¥15,568 million.
2. Of the foreign currency forward contract totaling \$22.0 billion which is related to the acquisition of Sprint, \$5.0 billion did not meet the criteria for hedge accounting, resulting in a derivative loss of ¥13,186 million recorded during the fiscal year ended March 31, 2014. Hedge accounting was applied to \$17.0 billion which was regarded as a cash flow hedge. Fair value of ¥311,659 million of hedge instruments at the acquisition date was deducted from the initial amount of goodwill which was recognized upon the acquisition.
3. Gain on sale of securities and impairment loss on securities were mainly from available-for-sale financial assets.
4. The Company recorded the impairment loss of ¥22,474 million during the fiscal year ended March 31, 2013 with regard to certain equity method associates, as the future cash flow previously expected from the previous business plan was no longer expected and the carrying amount was reduced to the recoverable amount.



### 38. Other comprehensive income (loss)

The table below presents the amount occurred during the year, reclassification adjustments of profit or loss and income tax income.

For the fiscal year ended March 31, 2013

|   | Amount occurred<br>during the year | Reclassification<br>adjustments |
|---|------------------------------------|---------------------------------|
| Items that will not be reclassified to profit or loss         |                                    |                                 |
| Remeasurements of defined benefit plan                        | ¥ 105                              | ¥ —                             |
| Total   | 105                                | —                               |
| Items that may be reclassified subsequently to profit or loss |                                    |                                 |
| Available-for-sale financial assets                           | 973                                | 6,164                           |
| Cash flow hedges  | 188,979                            | (3,381)                         |
| Exchange differences on translating foreign operations        | 66,095                             | (239)                           |
| Share of other comprehensive income of associates             | 21,274                             | (2,473)                         |
| Total   | 277,321                            | 71                              |
| Total other comprehensive income (loss)                       | ¥277,426                           | ¥ 71                            |

For the fiscal year ended March 31, 2014

|   | Amount occurred<br>during the year | Reclassification<br>adjustments |
|---|------------------------------------|---------------------------------|
| Items that will not be reclassified to profit or loss         |                                    |                                 |
| Remeasurements of defined benefit plan                        | ¥ 3,143                            | ¥ —                             |
| Total   | 3,143                              | —                               |
| Items that may be reclassified subsequently to profit or loss |                                    |                                 |
| Available-for-sale financial assets                           | 45,904                             | (107,053)                       |
| Cash flow hedges  | 126,739                            | (332,768)                       |
| Exchange differences on translating foreign operations        | 91,847                             | (1,459)                         |
| Share of other comprehensive income of associates             | 19,076                             | (488)                           |
| Total   | 283,566                            | (441,768)                       |
| Total other comprehensive income (loss)                       | ¥286,709                           | ¥(441,768)                      |

Note:

\* In connection with the consolidation of Sprint, accumulated other comprehensive income of ¥311,659 million, generated from the hedging instrument des amount of goodwill which was recognized upon the consolidation. The details of the acquisition are described in “(3) Sprint” in “Note 5, Business combin

### 39. Earnings per share

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

#### (1) Basic earnings per share

|   | (Millions of yen)                   |                                     |
|---|-------------------------------------|-------------------------------------|
|   | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Net income attributable to owners of the parent ..... | ¥ 372,481                           | ¥ 527,035                           |
|   | (Thousands of shares)               |                                     |
| Weighted-average number of ordinary shares .....      | 1,120,201                           | 1,190,650                           |
|   | (Yen)                               |                                     |
| Basic earnings per share .....                        | ¥ 332.51                            | ¥ 442.64                            |

#### (2) Diluted earnings per share

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Net income attributable to owners of the parent .....  | ¥ 372,481                           | ¥ 527,035                           |
| Adjustments:   |                                     |                                     |
| Interest expense on bonds (net of tax) .....   | 1,339                               | —                                   |
| Effect of dilutive securities issued by subsidiaries and associates .....                              | (63)                                | (1,993)                             |
| Net income used in the calculation of diluted earnings per share .....                                 | ¥ 373,757                           | ¥ 525,042                           |
|  | (thousands of shares)               |                                     |
| Weighted-average number of ordinary shares .....   | 1,120,201                           | 1,190,650                           |
| Adjustments:   |                                     |                                     |
| Warrants and corporate bonds with stock acquisition rights .....                                       | 19,030                              | 1,622                               |
| Weighted-average number of ordinary shares used in the calculation of diluted earnings per share ..... | 1,139,231                           | 1,192,272                           |
|  | (Yen)                               |                                     |
| Diluted earnings per share .....   | ¥ 328.08                            | ¥ 440.37                            |

### 40. Supplemental information to the consolidated statement of cash flows

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

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

#### (2) Presentation of cash flow regarding finance lease

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

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

#### (3) Proceeds from settlement of foreign currency forward contract for acquisition of control over subsidiary

For the fiscal year ended March 31, 2014

The proceeds are from the settlement of a foreign currency forward contract of \$18.5 billion with regard to acquisition of Sprint.

(4) Payments for preferred stocks, stock acquisition rights and long-term debt of subsidiary

For the fiscal year ended March 31, 2013

In April 2006, BB Mobile Corp. issued Class 1 preferred stock-series 1 and stock acquisition rights to Vodafone International Holdings B.V. and obtained a subordinated loan from Vodafone Overseas Finance Limited as a series of financing transactions for the Company's acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.). In November 2006, refinancing of the funds for the acquisition was conducted, and SoftBank Mobile Corp. assumed BB Mobile Corp.'s subordinated loan.

In December 2010, the Company acquired the aforementioned all Class 1 preferred stock-series 1 and stock acquisition rights issued by BB Mobile Corp. to Vodafone International Holdings B.V., and all principal and accrued interest of a long-term loan receivable from SoftBank Mobile Corp. held by Vodafone Overseas Finance Limited for a total amount of ¥412,500 million. Of the total amount, ¥212,500 million and the remaining amount of ¥200,000 million with expenses associated with the acquisition were paid in December 2010 and April 2012, respectively.

(5) Significant non-cash transactions

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

|  | (Millions of yen)                   |                                     |
|--|-------------------------------------|-------------------------------------|
|  | Fiscal year ended<br>March 31, 2013 | Fiscal year ended<br>March 31, 2014 |
| Issuance of new shares upon the share exchange <sup>1</sup> . . . . .    | ¥219,396                            | ¥ —                                 |
| Acquisition of assets from finance lease transactions . . . . .          | 124,057                             | 51,937                              |
| Acquisition of fixed assets by installments . . . . .                    | 76,869                              | 47,356                              |
| Conversion of bonds with stock acquisition rights <sup>2</sup> . . . . . | 49,583                              | —                                   |

Notes:

1. Due to the share exchange with eAccess Ltd. conducted on January 1, 2013. The details are described in "(1) eAccess, Ltd." in "Note 5. Business combinations."
2. Reclassification to common stock and capital surplus after exercise of stock acquisition rights were ¥17,220 million and ¥32,363 million accordingly.

#### 41. Related party transactions

(1) Related party transactions and balances

Related party transactions of the Company were as follows:

As of April 1, 2012

| Name of the company or individual           | Nature of relationship   | Nature of transaction   | (Millions of yen)              |
|---|--|---|--------------------------------|
|   |  |   | Balance as of<br>April 1, 2012 |
| Masayoshi Son<br>(Son Asset Management LLC) | Chairman & CEO of<br>SoftBank Corp.<br>holding over half of the<br>voting rights | Advance payment for temporary<br>expense . . . . .<br>Equipment usage fee <sup>1</sup><br><u>Guarantee deposit received . . . .</u> | ¥ 22<br><br>178                |

For the fiscal year ended March 31, 2013

|   |   |   |                       | (Millions of yen)     |
|---|---|---|-----------------------|-----------------------|
| Name of the company or individual                                   | Nature of relationship  | Nature of transaction                                     | Amount of transaction | Balance at period-end |
| Masayoshi Son<br>(Son Asset Management LLC and 2 other companies)   | Chairman & CEO of SoftBank Corp. holding over half of the voting rights | Dividend paid from SoftBank Corp. ....                    | ¥14,821               | ¥ —                   |
|   |   | Transfer of property, plant and equipment <sup>3</sup> .. | 3,825                 | —                     |
|   |   | Advance payment for temporary expense ...                 | 221                   | 22                    |
|   |   | Payment of equipment usage <sup>1</sup> .....             | 45                    | —                     |
|   |   | Guarantee deposit received <sup>1</sup> .....             | —                     | 178                   |
| Taizo Son<br>(Fractal Media KK and 3 other companies <sup>2</sup> ) | Relative of Chairman & CEO holding over half of the voting rights       | Dividend paid from SoftBank Corp. ....                    | 548                   | —                     |

For the fiscal year ended March 31, 2014

|  |   |  |                       | (Millions of yen)     |
|--|---|--|-----------------------|-----------------------|
| Name of the company or individual                              | Nature of relationship  | Nature of transaction                            | Amount of transaction | Balance at period-end |
| Masayoshi Son (Son Asset Management LLC and 2 other companies) | Chairman & CEO of SoftBank Corp. holding over half of the voting rights | Dividend paid from SoftBank Corp. ....           | ¥10,021               | ¥ —                   |
|  |   | Advance payment for temporary expense ....       | 266                   | 38                    |
|  |   | Payment of equipment usage <sup>1</sup> .....    | 45                    | —                     |
|  |   | Guarantee deposit received <sup>1</sup> .....    | 1                     | 178                   |
|  |   |  |                       |                       |
| Taizo Son<br>(Heartis GK and 9 other companies) <sup>2</sup>   | Relative of Chairman & CEO holding over half of the voting rights       | Dividend paid from SoftBank Corp. ....           | 204                   | —                     |
|  |   | Dividend paid from subsidiary <sup>4</sup> ..... | 751                   | —                     |
|  |   | Payment of outsourcing fee <sup>5</sup> .....    | 80                    | 9                     |

Notes:

- Equipment usage fee and guarantee deposit received are determined based on the ratio of usage.
- Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights.
- Transfer of property, plant and equipment occurred immediately after the purchase of asset so the transfer is recorded based on book value.
- Dividends are paid from our listed subsidiary, GungHo.
- The terms and condition of transaction are negotiated and determined, considering the market price and the contents of the transaction.

## (2) Remuneration for major executives

Remuneration for major executives are as follows:

|                            |                                  |                                  | (Millions of yen) |
|----------------------------|----------------------------------|----------------------------------|-------------------|
|                            | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |                   |
| Short-term benefits .....  | ¥602                             | ¥724                             |                   |
| Share-based payments ..... | 2                                | 77 <sup>2</sup>                  |                   |
| Total .....                | ¥604                             | ¥801                             |                   |

Notes:

- Remuneration for major executives represents remuneration for the Company's directors including external directors.

2. Galaxy Investment Holdings, Inc., a subsidiary, granted Sprint Corporation shares (2,846,508 shares) that it owned as Restricted Stock Units to Ronald Fisher, a board member of SoftBank Corp. The share based compensation expense of ¥35 million from this transaction is included. Also, Sprint granted Sprint Corporation shares (71,736 shares) as Restricted Stock Units to Ronald Fisher. The share-based compensation expense of ¥40 million from this transaction is included. The details are described in “Note 32 Share-based payment (2) Restricted stock unit plan.”

## 42. Contingencies

### Lending commitments

The details of lending commitments are as follows:

|                           | (Millions of yen)       |                         |
|---------------------------|-------------------------|-------------------------|
|                           | As of March 31,<br>2013 | As of March 31,<br>2014 |
| Lending commitments ..... | ¥43,388                 | ¥8,867                  |
| Funded .....              | 11,098                  | 1,325                   |
| Unfunded .....            | ¥32,290                 | ¥7,542                  |

## 43. Purchase commitments

The Company had commitments to purchase services and goods of ¥2,796,962 million as of March 31, 2014 (March 31, 2013: ¥627,870 million).

Purchase commitments are mainly related to purchase of telecommunications equipment, mobile handsets and outstanding connection contracts entered into with other telecommunications operators.

## 44. Subsequent events

There have been no subsequent events to date.

## 45. First-time adoption of IFRSs

### (1) Transition of IFRSs financial reporting

The Company prepared the first consolidated financial statements in accordance with IFRSs from the fiscal year ended March 31, 2014.

The latest consolidated financial statements prepared in accordance with JGAAP are for the year ended March 31, 2013. The date of transition of IFRSs is April 1, 2012.

IFRS 1, in principle, requires first-time adopters to apply IFRSs retrospectively. However, as exceptions, the retrospective application of some aspects of IFRSs is prohibited, and they shall be applied prospectively from the date of transition to IFRSs. The following exceptions are applied to the Company:

#### a. Accounting estimates

With regard to accounting estimates used for consolidated financial statements in accordance with IFRSs, new information received afterward is not reflected, for the estimates used under IFRSs to be consistent with estimates used when the financial statements under JGAAP were prepared.

#### b. Non-controlling interests

The Company applies the following requirements of IFRS 10 “Consolidated Financial Statements” prospectively from the date of transition to IFRSs:

- the requirement that total comprehensive income attributable to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance; and
- the requirements for accounting for changes in a subsidiary that do not result in a loss of control.

IFRSs also grant first-time adopters to voluntarily elect to use exemptions from some requirements of IFRSs. The Company applied the following exemptions:

#### a. Business combinations

The Company has elected not to apply IFRS 3 “Business Combinations,” retrospectively to business combinations that occurred before the date of transition to IFRSs.

b. Exchange differences on translating foreign operations

The Company has transferred all cumulative translation differences from other comprehensive income to retained earnings on the date of transition to IFRSs.

c. Share-based payments

The Company does not apply IFRS 2 “Share-based Payment” to a portion of stock options that were vested before the date of transition to IFRSs.

d. Compound instruments

The Company does not apply IAS 32 “Financial Instruments: Presentation” to the compound instruments with no outstanding liability balance at the date of transition to IFRSs.

The Company has made necessary adjustments to the consolidated financial statements prepared in accordance with JGAAP that had already been disclosed, in the course of the preparation of the consolidated financial statements in accordance with IFRSs.

The table below presents reconciliations required to be disclosed under the first-time adoption of IFRSs.

Items that do not affect retained earnings and comprehensive income are included in “Reclassification” of the reconciliation. Differences in the scope of consolidation under IFRSs from JGAAP are included in “Differences in the scope of consolidation.” Items that affect retained earnings or comprehensive income are included in “Differences in recognition and measurement.”

The amounts presented in the consolidated financial statements prepared in accordance with JGAAP for the years ended on or before March 31, 2013, were rounded down to the nearest million yen. As the amounts presented in the consolidated financial statements prepared in accordance with IFRSs from the fiscal year ended March 31, 2014, are rounded off to the nearest million yen, the amounts under JGAAP presented in the reconciliations are also rounded off to the nearest million yen.

(2) Reconciliation of equity as of April 1, 2012

(Items related to consolidated statement of financial position)

| (Millions of yen)                               |                   |                   |   |  |        |                 |
|---|-------------------|-------------------|---|--|--------|-----------------|
| Presentation under JGAAP                        | JGAAP             | Reclassification  | Differences in the scope of consolidation | Differences in recognition and measurement | Notes* | IFRSs           |
| <b>Assets</b>                                   |                   |                   |   |  |        |                 |
| <b>Current assets</b>                           |                   |                   |   |  |        |                 |
| Cash and deposits . . . . .                     | ¥1,016,252        | ¥ (1,693)         | ¥ 6,554                                   | ¥ —  |        | ¥1,021,1        |
| Notes and accounts receivable—trade . . . . .   | 661,288           | (35,571)          | (2,560)                                   | 163,745                                    | E      | 786,9           |
| Marketable securities . . . . .                 | 4,575             | (4,575)           | —   | —  |        | —               |
|   |                   | 10,399            | —   | —  |        | 10,3            |
| Merchandise and finished products . . . . .     | 42,618            | 13,065            | —   | —  |        | 55,6            |
| Deferred tax assets . . . . .                   | 56,469            | (56,469)          | —   | —  |        | —               |
| Other current assets . . . . .                  | 168,265           | (93,391)          | 2,690                                     | 7,450                                      | D      | 85,0            |
| Less: Allowance for doubtful accounts . . . . . | (39,015)          | 39,015            | —   | —  |        | —               |
| Total current assets . . . . .                  | <u>1,910,452</u>  | <u>(129,220)</u>  | <u>6,684</u>                              | <u>171,195</u>                             |        | <u>1,959,1</u>  |
| <b>Fixed assets</b>                             |                   |                   |   |  |        |                 |
| Property and equipment, net . . . . .           | 1,296,393         | —                 | 22,076                                    | 58,716                                     | B, I   | 1,377,1         |
| Intangible assets, net:                         |                   |                   |   |  |        |                 |
| Goodwill . . . . .                              | 780,243           | —                 | 1,211                                     | (3,543)                                    | A      | 777,9           |
| Software . . . . .                              | 310,151           | (310,151)         | —   | —  |        | —               |
| Other intangibles . . . . .                     | 36,121            | 310,151           | 641                                       | (6,590)                                    |        | 340,3           |
| Investments and other assets                    |                   |                   |   |  |        |                 |
| Investment securities . . . . .                 | 338,198           | (338,198)         | —   | —  |        | —               |
|   |                   | 201,465           | 7,292                                     | (231)                                      | G      | 208,5           |
|   |                   | 185,040           | (22,081)                                  | 155,640                                    | E      | 318,5           |
| Deferred tax assets . . . . .                   | 104,327           | 56,469            | —   | 22,613                                     |        | 183,4           |
| Other assets . . . . .                          | 134,077           | (64,264)          | 77  | 15,600                                     | D, I   | 85,4            |
| Less: Allowance for doubtful accounts . . . . . | (15,957)          | 15,957            | —   | —  |        | —               |
| Total fixed assets . . . . .                    | <u>2,983,553</u>  | <u>56,469</u>     | <u>9,216</u>                              | <u>242,205</u>                             |        | <u>3,291,4</u>  |
| Deferred charges . . . . .                      | <u>5,700</u>      | <u>—</u>          | <u>21</u>                                 | <u>(5,721)</u>                             |        | <u>—</u>        |
| <b>Total assets</b> . . . . .                   | <u>¥4,899,705</u> | <u>¥ (72,751)</u> | <u>¥ 15,921</u>                           | <u>¥407,679</u>                            |        | <u>¥5,250,5</u> |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”



| (Millions of yen)                                     |                   |                   |   |  |          |                 |
|---|-------------------|-------------------|---|--|----------|-----------------|
| Presentation under JGAAP                              | JGAAP             | Reclassification  | Differences in the scope of consolidation | Differences in recognition and measurement | Notes*   | IFRSs           |
| <b>Liabilities</b>                                    |                   |                   |   |  |          |                 |
| <b>Current liabilities</b>                            |                   |                   |   |  |          |                 |
| Accounts payable—trade . . . . .                      | ¥ —               | ¥ 716,824         | ¥ —                                       | ¥209,847                                   | E, I     | ¥ 926,6         |
| Short-term borrowings . . . . .                       | 190,533           | 747,461           | 22,650                                    | 15,188                                     | D        | 975,8           |
| Current portion of corporate bonds . . . . .          | 403,168           | (403,168)         | —   | —  |          |                 |
| Accounts payable—other and accrued expenses . . . . . | 144,988           | (144,988)         | —   | —  |          |                 |
| Income taxes payables . . . . .                       | 835,053           | (835,053)         | —   | —  |          |                 |
| Current portion of lease obligations . . . . .        |                   | 1,206             | —   | —  |          | 1,2             |
| Other current liabilities . . . . .                   | 125,116           | (2,614)           | 5   | 706  |          | 123,2           |
| Total current liabilities . . . . .                   | 152,683           | (152,683)         | —   | —  |          |                 |
| Long-term liabilities . . . . .                       |                   | 1,456             | —   | —  |          | 1,4             |
| Total long-term liabilities . . . . .                 | 72,184            | (1,191)           | 174                                       | 22,988                                     | D, F     | 94,1            |
| <b>Total current liabilities</b> . . . . .            | <u>1,923,725</u>  | <u>(72,750)</u>   | <u>22,829</u>                             | <u>248,729</u>                             | <u>—</u> | <u>2,122,5</u>  |
| <b>Long-term liabilities</b>                          |                   |                   |   |  |          |                 |
| Corporate bonds . . . . .                             |                   | 1,425,264         | —   | 338,009                                    | E, I     | 1,763,2         |
| Long-term debt . . . . .                              | 459,900           | (459,900)         | —   | —  |          |                 |
| Liability for retirement benefits . . . . .           | 560,070           | (560,070)         | —   | —  |          |                 |
| Deferred tax liabilities . . . . .                    |                   | 9,711             | 26,069                                    | 1,390                                      |          | 37,1            |
| Allowance for point mileage . . . . .                 | 14,953            | —                 | —   | —  |          | 14,9            |
| Lease obligations . . . . .                           |                   | 20,603            | 40  | —  |          | 20,6            |
| Other liabilities . . . . .                           | 20,370            | —                 | (313)                                     | 25,294                                     |          | 45,3            |
| Total long-term liabilities . . . . .                 | 32,074            | (32,074)          | —   | —  |          |                 |
| Total long-term liabilities . . . . .                 | 347,700           | (347,700)         | —   | —  |          |                 |
| Total long-term liabilities . . . . .                 | 105,273           | (55,835)          | (9,999)                                   | 40,146                                     | D, F     | 79,5            |
| <b>Total long-term liabilities</b> . . . . .          | <u>1,540,340</u>  | <u>(1)</u>        | <u>15,797</u>                             | <u>404,839</u>                             | <u>—</u> | <u>1,960,9</u>  |
| <b>Total liabilities</b> . . . . .                    | <u>¥3,464,065</u> | <u>¥ (72,751)</u> | <u>¥38,626</u>                            | <u>¥653,568</u>                            | <u>—</u> | <u>¥4,083,5</u> |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”

| (Millions of yen)   |                   |                  |   |  |            |                   |
|---|-------------------|------------------|---|--|------------|-------------------|
| Presentation under JGAAP                                      | JGAAP             | Reclassification | Differences in the scope of consolidation | Differences in recognition and measurement | Notes*     | IFRSs             |
| <b>Equity</b>   |                   |                  |   |  |            |                   |
| Shareholders' equity  |                   |                  |   |  |            |                   |
| Common stock . . . . .  | ¥ 213,798         | ¥ —              | ¥ —                                       | ¥ —  |            | ¥ 213,798         |
| Capital surplus . . . . .                                     | 236,563           | 898              | —   | 13,306                                     | E          | 250,767           |
| Retained earnings . . . . .                                   | 530,534           | —                | (3,335)                                   | (121,615)                                  | (7)        | 405,594           |
| Less: Treasury stock . . . . .                                | (22,947)          | —                | —   | —  |            | (22,947)          |
|   |                   | (21,253)         | —   | 66,686                                     | C, E       | 45,433            |
| Accumulated other comprehensive loss                          |                   |                  |   |  |            |                   |
| Unrealized gain on available-for-sale securities . . . . .    | 10,567            | (10,567)         | —   | —  |            |                   |
| Deferred loss on derivatives under hedge accounting . . . . . | (993)             | 993              | —   | —  |            |                   |
| Foreign currency translation adjustments . . . . .            | (30,827)          | 30,827           | —   | —  |            |                   |
|   |                   |                  |   |  |            | 892,600           |
| Stock acquisition rights . . . . .                            | 898               | (898)            | —   | —  |            |                   |
| Minority interests . . . . .                                  | 498,047           | —                | (19,370)                                  | (204,266)                                  | A, B, E, F | 274,411           |
| <b>Total equity</b> . . . . .                                 | <u>1,435,640</u>  | <u>—</u>         | <u>(22,705)</u>                           | <u>(245,889)</u>                           |            | <u>1,167,046</u>  |
| <b>Total liabilities and equity</b> . . . . .                 | <u>¥4,899,705</u> | <u>¥(72,751)</u> | <u>¥ 15,921</u>                           | <u>¥ 407,679</u>                           |            | <u>¥5,250,554</u> |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”

(3) Reconciliation of equity as of March 31, 2013  
(Items related to consolidated statement of financial position)

| (Millions of yen)                               |                   |                   |   |  |         |                   |
|---|-------------------|-------------------|---|--|---------|-------------------|
| Presentation under JGAAP                        | JGAAP             | Reclassification  | Differences in the scope of consolidation | Differences in recognition and measurement | Notes*  | IFRSs             |
| <b>Assets</b>                                   |                   |                   |   |  |         |                   |
| Current assets                                  |                   |                   |   |  |         |                   |
| Cash and deposits . . . . .                     | ¥1,369,135        | ¥ (4,505)         | ¥ 74,427                                  | ¥ —  |         | ¥1,439,050        |
| Notes and accounts receivable – trade . . . . . | 662,187           | 26,174            | 26,516                                    | 221,430                                    | D, E    | 936,307           |
| Marketable securities . . . . .                 | 4,704             | (4,704)           | —   | —  |         | —                 |
|   |                   | 227,235           | 2,004                                     | —  |         | 229,239           |
| Merchandise and finished products . . . . .     | 43,846            | 8,021             | 2,401                                     | —  |         | 54,267            |
| Deferred tax assets . . . . .                   | 50,580            | (50,580)          | —   | —  |         | —                 |
| Other current assets . . . . .                  | 490,964           | (370,795)         | 747                                       | 6,232                                      | D       | 127,146           |
| Less: Allowance for doubtful accounts . . . . . | (30,219)          | 30,219            | —   | —  |         | —                 |
| Total current assets . . . . .                  | <u>2,591,197</u>  | <u>(138,935)</u>  | <u>106,095</u>                            | <u>227,662</u>                             |         | <u>2,786,019</u>  |
| <b>Fixed assets</b>                             |                   |                   |   |  |         |                   |
| Property and equipment, net . . . . .           | 1,657,640         | —                 | 208,596                                   | (35,621)                                   | B, I    | 1,830,615         |
| Intangible assets, net:                         |                   |                   |   |  |         |                   |
| Goodwill . . . . .                              | 734,407           | —                 | 136,551                                   | 54,014                                     | A       | 924,972           |
| Software . . . . .                              | 383,733           | (383,733)         | —   | —  |         | —                 |
| Other intangibles . . . . .                     | 36,805            | 383,733           | 113,634                                   | (5,489)                                    |         | 528,683           |
| Investments and other assets                    |                   |                   |   |  |         |                   |
| Investment securities . . . . .                 | 870,608           | (870,608)         | —   | —  |         | —                 |
|   |                   | 458,823           | (259,022)                                 | 8,863                                      | G       | 208,604           |
|   |                   | 464,151           | (2,197)                                   | 172,693                                    | E       | 634,604           |
| Deferred tax assets . . . . .                   | 99,967            | 50,580            | (21)                                      | 24,864                                     |         | 175,390           |
| Other assets . . . . .                          | 158,558           | (69,274)          | 13,902                                    | 25,996                                     | D, H, I | 129,182           |
| Less: Allowance for doubtful accounts . . . . . | (16,909)          | 16,909            | —   | —  |         | —                 |
| Total fixed assets . . . . .                    | <u>3,924,809</u>  | <u>50,581</u>     | <u>211,443</u>                            | <u>245,320</u>                             |         | <u>4,432,153</u>  |
| Deferred charges . . . . .                      | 8,880             | —                 | 9   | (8,889)                                    |         | —                 |
| <b>Total assets</b> . . . . .                   | <u>¥6,524,886</u> | <u>¥ (88,354)</u> | <u>¥ 317,547</u>                          | <u>¥464,093</u>                            |         | <u>¥7,218,179</u> |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”

| (Millions of yen)                                 |            |                  |   |  |        |          |
|---|------------|------------------|---|--|--------|----------|
| Presentation under JGAAP                          | JGAAP      | Reclassification | Differences in the scope of consolidation | Differences in recognition and measurement | Notes* | IFRSs    |
| <b>Liabilities</b>                                |            |                  |   |  |        |          |
| <b>Current liabilities</b> . . . . .              | ¥ —        | ¥1,243,412       | ¥ 52,424                                  | ¥238,292                                   | E, I   | ¥1,534,1 |
| Accounts payable—trade . . . . .                  | 194,654    | 696,218          | 63,705                                    | 18,092                                     | D      | 972,6    |
| Short-term borrowings . . . . .                   | 813,491    | (813,491)        | —   | —  |        |          |
| Current portion of corporate bonds . . . . .      | 205,000    | (205,000)        | —   | —  |        |          |
| Accounts payable—other accrued expenses . . . . . | 751,690    | (751,690)        | —   | —  |        |          |
| Income taxes payables . . . . .                   | 179,559    | (3,096)          | 4,653                                     | 934  |        | 4,8      |
| Deferred tax liabilities . . . . .                | 71,975     | (71,975)         | —   | —  |        | 182,0    |
| Current portion of lease obligations . . . . .    | 192,603    | (192,603)        | —   | —  |        |          |
| Other current liabilities . . . . .               | 181,212    | (68,189)         | 4,299                                     | 25,312                                     | D, F   | 1,6      |
| <b>Total current liabilities</b> . . . . .        | 2,590,184  | (160,329)        | 125,431                                   | 282,630                                    |        | 142,6    |
| <b>Long-term liabilities</b>                      |            |                  |   |  |        |          |
| Corporate bonds . . . . .                         | 734,900    | (734,900)        | —   | —  | E, I   | 2,173,7  |
| Long-term debt . . . . .                          | 354,291    | (354,291)        | —   | —  |        |          |
| Liability for retirement benefits . . . . .       | 14,506     | —                | 25,673                                    | —  |        | 38,6     |
| Deferred tax liabilities . . . . .                | 17,940     | 71,975           | 7,230                                     | 23,834                                     |        | 14,5     |
| Allowance for point mileage . . . . .             | 22,548     | (22,548)         | —   | —  |        | 21,7     |
| Lease obligations . . . . .                       | 526,739    | (526,739)        | —   | —  |        | 120,9    |
| Other liabilities . . . . .                       | 157,319    | (116,716)        | (8,552)                                   | 48,136                                     | D, F   | 80,1     |
| <b>Total long-term liabilities</b> . . . . .      | 1,828,243  | 71,975           | 213,500                                   | 336,098                                    |        | 2,449,8  |
| <b>Total liabilities</b> . . . . .                | ¥4,418,427 | ¥ (88,354)       | ¥338,931                                  | ¥618,728                                   |        | ¥5,287,7 |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”

| (Millions of yen)   |                          |                          |   |  |            |                          |
|---|--------------------------|--------------------------|---|--|------------|--------------------------|
| Presentation under JGAAP                                      | JGAAP                    | Reclassification         | Differences in the scope of consolidation | Differences in recognition and measurement | Notes*     | IFRSs                    |
| <b>Equity</b>   |                          |                          |   |  |            |                          |
| Shareholders' equity  |                          |                          |   |  |            |                          |
| Common stock . . . . .  | ¥ 238,772                | ¥ —                      | ¥ —                                       | ¥ —  |            | ¥ 238,772                |
| Capital surplus . . . . .                                     | 429,689                  | 736                      | (125)                                     | 6,404                                      | E          | 436,700                  |
| Retained earnings . . . . .                                   | 753,616                  | —                        | (6,037)                                   | (35,491)                                   | (7)        | 712,088                  |
| Less: Treasury stock . . . . .                                | (22,834)                 | —                        | —   | —  |            | (22,834)                 |
|   |                          | 169,842                  | (1)                                       | 78,185                                     | C, E, G    | 248,017                  |
| Accumulated other comprehensive loss                          |                          |                          |   |  |            |                          |
| Unrealized gain on available-for-sale securities . . . . .    | 4,164                    | (4,164)                  | —   | —  |            |                          |
| Deferred loss on derivatives under hedge accounting . . . . . | 114,158                  | (114,158)                | —   | —  |            |                          |
| Foreign currency translation adjustments . . . . .            | 51,520                   | (51,520)                 | —   | —  |            | 1,612,700                |
| Stock acquisition rights . . . . .                            | 736                      | (736)                    | —   | —  |            |                          |
| Minority interests . . . . .                                  | 536,638                  | —                        | (15,221)                                  | (203,733)                                  | A, B, E, F | 317,684                  |
| Total equity . . . . .  | <u>2,106,459</u>         | <u>—</u>                 | <u>(21,384)</u>                           | <u>(154,635)</u>                           |            | <u>1,930,440</u>         |
| <b>Total liabilities and equity . . . . .</b>                 | <b><u>¥6,524,886</u></b> | <b><u>¥ (88,354)</u></b> | <b><u>¥317,547</u></b>                    | <b><u>¥ 464,093</u></b>                    |            | <b><u>¥7,218,183</u></b> |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”

#### (4) Adjustment to comprehensive income for the fiscal year ended March 31, 2013

(Items related to consolidated statement of income)

| (Millions of yen)  |             |                  |   |  |                     |           |
|--|-------------|------------------|---|--|---------------------|-----------|
| Presentation under JGAAP                                 | JGAAP       | Reclassification | Differences in the scope of consolidation | Differences in recognition and measurement | Notes*              | IFRSs     |
| Net sales  | ¥ 3,378,365 | ¥ 10,191         | ¥ 38,823                                  | ¥(224,843)                                 | D                   | ¥ 3,202,5 |
| Cost of sales  | (1,590,740) | (9,522)          | (22,918)                                  | 12,338                                     | B, D, F, I          | (1,610,8  |
| <b>Gross profit</b>                                      | 1,787,625   | 669              | 15,905                                    | (212,505)                                  |                     | 1,591,6   |
| Selling, general and administrative expenses             | (1,042,625) | 2,574            | (24,757)                                  | 270,735                                    | A, B, D, E, F, H, I | (794,0    |
| <b>Operating income</b>                                  | 745,000     |                  |   |  |                     |           |
|  |             | 1,778            | —   | —  |                     | 1,7       |
|  |             | —                | —   | —  |                     |           |
|  |             | (70,298)         | (3,731)                                   | 8,732                                      | E, I                | 799,3     |
|  |             | (11,050)         | (908)                                     | 8,295                                      | G                   | (65,2     |
|  |             | (18,179)         | 5,117                                     | (1,873)                                    | E, G                | (3,6      |
| Non-operating income                                     | 19,779      | (19,779)         | —   | —  |                     | (14,9     |
| Non-operating expenses                                   | (111,565)   | 111,565          | —   | —  |                     |           |
| <b>Ordinary income</b>                                   | 653,214     |                  |   |  |                     |           |
| Special income   | 11,383      | (11,383)         | —   | —  |                     |           |
| Special loss   | (14,103)    | 14,103           | —   | —  |                     |           |
| <b>Income before income taxes and minority interests</b> | 650,494     | —                | (8,374)                                   | 73,384                                     | (7)                 | 715,5     |
| Income taxes   | (287,174)   | —                | 1,543                                     | 7,964                                      |                     | (277,6    |
| <b>Income before minority interests</b>                  | ¥ 363,320   | ¥ —              | ¥ (6,831)                                 | ¥ 81,348                                   |                     | ¥ 437,8   |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”

(Items related to consolidated statement of comprehensive income)

|   |                 | (Millions of yen) |   |  |        |                |
|---|-----------------|-------------------|---|--|--------|----------------|
| Presentation under JGAAP  | JGAAP           | Reclassification  | Differences in the scope of consolidation | Differences in recognition and measurement | Notes* | IFRSs          |
| Income before minority interests . . . . .  | ¥363,320        | ¥—                | ¥(6,831)                                  | ¥81,348                                    |        | ¥437,83        |
| Other comprehensive income  |                 |                   |   |  |        |                |
|   |                 | —                 | —   | 68   |        | 6              |
|   |                 |                   |   |  |        | 6              |
| Unrealized loss on available-for-sale securities . . . . .  | (8,121)         | —                 | 1   | 12,609                                     | E      | 4,48           |
| Deferred gain on derivatives under hedge accounting . . . . .   | 117,859         | —                 | (2,723)                                   | —  |        | 115,13         |
| Foreign currency translation adjustment . . .   | 65,906          | —                 | —   | (50)                                       |        | 65,85          |
| Share of other comprehensive income of affiliated companies accounted for using equity method . . . . . | 15,270          | —                 | 2,710                                     | 821  |        | 18,80          |
|   |                 |                   |   |  |        | 204,28         |
| <b>Total other comprehensive income . . . . .</b>   | <u>190,914</u>  | <u>—</u>          | <u>(12)</u>                               | <u>13,448</u>                              |        | <u>204,35</u>  |
| <b>Comprehensive income . . . . .</b>   | <u>¥554,234</u> | <u>¥—</u>         | <u>¥(6,843)</u>                           | <u>¥94,796</u>                             |        | <u>¥642,18</u> |

Note:

\* Described in “(7) Notes to the differences in recognition and measurement.”



(5) Notes to the reclassification

The following reclassifications are made for the transition to IFRSs and do not affect retained earnings and comprehensive income.

- a. Under JGAAP, investments in associates were included in investment securities. Under IFRSs, they are separately presented as investments accounted for using the equity method.
- b. Under JGAAP, short-term borrowings, current portion of corporate bonds and current portion of lease obligations are presented as separate components and installment payables were included in accounts payable—other and accrued expenses. Under IFRSs, they are all included in interest-bearing debt (current). In addition, under JGAAP, corporate bonds, long-term debt and lease obligations (non-current) are presented as separate components and long-term installment payables were included in other liabilities (long term). Under IFRSs, they are all included in interest-bearing debt (non-current).
- c. Under JGAAP, accounts payable—trade was presented separately. Accounts payable—other (except for installment payables) was included in accounts payable—other and accrued expenses. Deposits and other payables were included in other current liabilities. Under IFRSs, they are all included in trade and other payables.
- d. All deferred tax assets and liabilities that were classified as current items under JGAAP are classified as non-current items under IFRSs.
- e. Upon transition to IFRSs, sales and cost of sales arising from transactions where the Company is acting as a principal are presented on a gross basis. Sales and cost of sales arising from transactions where the Company is acting as an agent are presented on a net basis.
- f. Finance cost, such as interest expense that were presented as non-operating income, non-operating expenses, special income and special loss under JGAAP are presented under finance cost, net under IFRSs.
- g. Other reclassifications have been made by aggregating or separating presentation under JGAAP to be consistent with the presentation under IFRSs.

(6) Notes to the differences in the scope of consolidation

The effect of change in the scope of consolidation under IFRSs from JGAAP is separately presented in these reconciliations.

Under JGAAP, WCP, which operates a wireless communications network using AXGP technology, was accounted for using the equity method, as the Company owns 33.3% of its voting rights. Upon transition to IFRSs, the Company determined that it has control over WCP and included it into the scope of consolidation considering the fact that the Company constitutes the majority of members of WCP's board of directors and that WCP's business activities significantly depend on the Company.

eAccess Ltd. became SoftBank Corp.'s wholly owned subsidiary effective on January 1, 2013. On January 17, 2013, SoftBank Corp. transferred certain shares of eAccess Ltd. to 11 third party companies.

Under JGAAP, SoftBank Corp.'s voting rights in eAccess Ltd. decreased to 33.3% after the transfer of shares and eAccess Ltd. was accounted for using the equity method.

However, SoftBank Corp.'s economic ownership ratio is 99.5%, which is significantly higher than the percentage of voting rights (33.3%). Also, considering the fact that the proportion of voting rights is relatively large compared to other holders of voting rights due to the dispersion of voting rights, and considering the fact that SoftBank Corp. can practically appoint and dismiss directors of eAccess Ltd. pursuant to the stock transfer agreement executed between SoftBank Corp. and 11 third-party companies, Under IFRS, SoftBank Corp. determined that it has control over eAccess Ltd. and included it into the scope of consolidation as a subsidiary.

(7) Notes to the differences in recognition and measurement

Major adjustments to the retained earnings are as follows:

|   | (Millions of yen)      |                         |
|---|------------------------|-------------------------|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013 |
| Retained earnings under JGAAP   | ¥ 530,534              | ¥753,616                |
| Differences in the scope of consolidation   | (3,335)                | (6,037)                 |
| Differences in recognition and measurement  |                        |                         |
| A. Goodwill   | (2,750)                | 60,798                  |
| B. Property, plant and equipment  | (49,256)               | (50,914)                |
| C. Cumulative exchange differences on translating foreign operations at the date of transition to IFRSs | (30,827)               | (30,827)                |
| D. Revenue recognition  | (19,919)               | (17,048)                |
| E. Financial instruments  | (20,370)               | (14,517)                |
| F. Employee benefits  | (14,404)               | (14,338)                |
| G. Investments in associates  | (231)                  | 8,042                   |
| H. Acquisition-related costs arising from business combinations   | —                      | (3,801)                 |
| I. Leases   | (4,203)                | (2,850)                 |
| Other   | (6,590)                | (5,094)                 |
| Tax effect on adjustment above and other tax effects  | 26,935                 | 35,058                  |
| Total differences   | (121,615)              | (35,491)                |
| Retained earnings under IFRSs   | ¥ 405,584              | ¥712,088                |

Note:

A to I and “Other” in the table above are presented before net of tax effects.

Major adjustments to income before income tax are as follows:

|   | (Millions of yen)                   |  |
|---|-------------------------------------|--|
|   | Fiscal year ended<br>March 31, 2013 |  |
| Income before income taxes and minority interest under JGAAP  | ¥650,494                            |  |
| Differences in the scope of consolidation   | (8,374)                             |  |
| Differences in recognition and measurement  |                                     |  |
| A. Goodwill   | 64,022                              |  |
| B. Property, plant and equipment  | (1,307)                             |  |
| C. Cumulative exchange differences on translating foreign operations at the date of transition to IFRSs | —                                   |  |
| D. Revenue recognition  | 2,871                               |  |
| E. Financial instruments  | 1,093                               |  |
| F. Employee benefits  | (90)                                |  |
| G. Investments in associates  | 8,273                               |  |
| H. Acquisition-related costs arising from business combinations   | (3,801)                             |  |
| I. Leases   | 1,353                               |  |
| Other   | 970                                 |  |
| Total differences   | 73,384                              |  |
| Income before income tax under IFRSs  | ¥715,504                            |  |

Details of major differences are as follows:

A. Goodwill

Under JGAAP, goodwill was amortized regularly over the periods in which economic benefits were reasonably expected to be realized. Under IFRSs, it is not amortized regularly and this results in an increase of the remaining amount of goodwill and a decrease of selling, general and administrative expenses for the year ended March 31, 2013.

An impairment test on goodwill was performed at April 1, 2012 and an impairment loss of ¥3,543 million on goodwill was recognized at April 1, 2012. The amount of the impairment loss on goodwill attributable to owners of the parent was deducted from retained earnings. The impaired goodwill is mainly related to the Fixed-line Telecommunications segment and Internet segment.

The effect arising from the differences is summarized as follows:

|  | (Millions of yen)      |   |
|--|------------------------|---|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>              |                        |   |
| Increase (decrease) in goodwill . . . . .                          | ¥(3,543)               | ¥60,751                                     |
| Decrease in non-controlling interests . . . . .                    | 793                    | 47  |
| Increase (decrease) in retained earnings . . . . .                 | ¥(2,750)               | ¥60,798                                     |
| <b>(Consolidated statement of income)</b>                          |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Decrease in selling, general and administrative expenses . . . . . |                        | ¥64,022                                     |
| Increase in income before income tax . . . . .                     |                        | ¥64,022                                     |

#### B. Property, plant and equipment

Upon transition to IFRSs, residual values and depreciation method of property, plant and equipment have been reviewed.

The effect arising from the differences is summarized as follows:

|  | (Millions of yen)      |   |
|--|------------------------|---|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>              |                        |   |
| Decrease in property, plant and equipment . . . . .                | ¥(46,257)              | ¥(47,564)                                   |
| Decrease in non-controlling interests . . . . .                    | (2,999)                | (3,350)                                     |
| Increase (decrease) in retained earnings . . . . .                 | ¥(49,256)              | ¥(50,914)                                   |
| <b>(Consolidated statement of income)</b>                          |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Increase in cost of sales . . . . .                                |                        | ¥(1,917)                                    |
| Decrease in selling, general and administrative expenses . . . . . |                        | 610   |
| Decrease in income before income tax . . . . .                     |                        | ¥(1,307)                                    |

#### C. Cumulative exchange differences on translating foreign operations at the date of transition to IFRSs

By applying the exemption as an IFRSs first-time adopter as described above, the Company has transferred all cumulative exchange differences on translating foreign operations to retained earnings on the date of transition to IFRSs (April 1, 2012), which has resulted in a decrease in retained earnings by ¥30,827 million.

#### D. Revenue recognition

- Under JGAAP, commission fees related to sales of mobile handsets that the Company pays to dealers of mobile handsets were expensed as incurred. Under IFRSs, the amount of commission fees expected to occur in the future is deducted from the related revenues.
- Under JGAAP, activation fees and upgrade fees were recognized as revenues upon receipt. Under IFRSs, they are deferred upon entering into the contract and recognized as revenues over the estimated average contract period and estimated average usage period of handsets. Direct costs related to activation are deferred to the extent of the activation fees and upgrade fees are amortized over the same periods.
- Under JGAAP, an allowance for point mileage was accrued based on the estimated future obligation arising from point service to customers and provisions for the allowance were expensed as selling, general and administrative expenses. Under IFRSs, point services are recognized individually as goods to be transferred or service to be provided in the future. The fair value of benefits exchanged with points is deducted from revenues and revenues are recognized when customers use those points.

The effect arising from the difference is summarised as follows:

|  | (Millions of yen)      |   |
|--|------------------------|---|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>    |                        |   |
| Increase in trade and other receivables                  | ¥ —                    | ¥ 1,226                                     |
| Increase in other current assets                         | 10,009                 | 14,462                                      |
| Increase in other non-current assets                     | 38,942                 | 45,990                                      |
| Increase in trade and other payables                     | (19,919)               | (18,274)                                    |
| Increase in other current liabilities                    | (10,009)               | (14,462)                                    |
| Increase in other non-current liabilities                | (38,942)               | (45,990)                                    |
| Decrease in retaining earnings                           | ¥(19,919)              | ¥(17,048)                                   |
| <b>(Consolidated statement of income)</b>                |                        |   |
|  |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Decrease in sales  |                        | ¥(224,843)                                  |
| Decrease in cost of sale                                 |                        | 11,501                                      |
| Decrease in selling, general and administrative expenses |                        | 216,213                                     |
| Increase in income before income tax                     |                        | ¥ 2,871                                     |

#### E. Financial instruments

- a. Under JGAAP, corporate bonds with stock acquisition rights were recognized as a whole and presented as a liability. Under IFRSs, stock acquisition rights embedded in such bonds are recognized separately and presented as capital surplus. Stock acquisition rights are measured as the difference between the entire fair value of the bonds with stock acquisition rights and the fair value of similar bonds with no stock acquisition rights. Also, under JGAAP, transaction costs related to the issuance of bonds are recognized as an asset and amortized over the redemption period. Under IFRSs, transaction costs are allocated to liability and equity components in proportion to their carrying amounts. The cost related to liability is reflected in the measurement of amortized cost of the bond and recognized as expenses over the redemption period. The cost related to stock acquisition rights is deducted from capital surplus.
- b. Under JGAAP, commission fees related to borrowing were expensed as incurred. Under IFRSs, they are included in the measurement of amortized cost of the liability and recognized as an expense over the redemption period.
- c. Under JGAAP, financial assets related to securitization transactions were derecognized when control over financial components of the financial assets is transferred to a third party. Under IFRSs, financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards of ownership of the financial asset are transferred. Therefore, certain securitization transactions that previously qualified for extinguishment of financial assets under JGAAP, are recognized retrospectively and accompanying liabilities are recognized as borrowings under IFRSs since they are not qualified for derecognition of financial assets under IFRSs.
- d. Under JGAAP, unlisted shares were measured based on their historical costs and impaired as necessary. Under IFRSs, they are classified as available-for-sale financial assets and measured at their fair values.
- e. Under JGAAP, advances to dealers for installment sales receivables of mobile handsets were recognized as account receivable-trade by the amount under the installment contract, less allowance for doubtful accounts. Under IFRSs, the receivables arising from advances to dealers are recognized as trade and other receivables or other financial assets (non-current), while commission is expensed. Commission consists of credit risk, collecting costs and interest due to the passage of time.
- f. Under JGAAP, preferred securities issued by a subsidiary were accounted for as equity transactions. Under IFRSs, they are accounted for as interest-bearing debt and measured at amortized cost using the effective interest method as it is necessary to deliver cash to owners of preferred securities in the future.

The effect arising from the differences is summarized as follows:

|   | (Millions of yen)      |   |
|---|------------------------|---|
|   | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>           |                        |   |
| Increase in trade and other receivables                         | ¥ 163,745              | ¥ 220,204                                   |
| Increase in other financial assets (non-current)                | 155,640                | 172,693                                     |
| Increase in interest-bearing debt (current)                     | (205,229)              | (238,245)                                   |
| Increase in interest-bearing debt (non-current)                 | (253,987)              | (264,087)                                   |
| Increase in capital surplus (before tax)                        | (22,366)               | (22,035)                                    |
| Increase in accumulated other comprehensive income (before tax) | (56,170)               | (71,529)                                    |
| Decrease in non-controlling interests                           | 204,413                | 204,135                                     |
| Other   | (6,416)                | (15,653)                                    |
| Decrease in retained earnings                                   | ¥ (20,370)             | ¥ (14,517)                                  |
| <b>(Consolidated statement of income)</b>                       |                        |   |
|   |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Increase in selling, general and administrative expenses        |                        | ¥(5,463)                                    |
| Decrease in finance cost  |                        | 8,457                                       |
| Increase in other non-operating income and loss, net of income  |                        | (1,901)                                     |
| Increase in income before income tax                            |                        | ¥ 1,093                                     |
| <b>(Consolidated statement of comprehensive income)</b>         |                        |   |
|   |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Increase in available-for-sale financial assets                 |                        | ¥12,609                                     |
| Increase in other comprehensive income (net of tax)             |                        | ¥12,609                                     |

#### F. Employee benefits

- Upon transition to IFRSs, unused paid absences and long-term employee benefits are recognized as liabilities.
- Under JGAAP, unrecognized actuarial gains and losses of retirement benefit obligations in the defined benefit plans were expensed as incurred in principle. Under IFRSs, they are recognized as other comprehensive income and transferred to retained earnings as incurred.

The effect arising from the differences is summarized as follows:

|  | (Millions of yen)      |   |
|--|------------------------|---|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>    |                        |   |
| Increase in other liabilities                            | ¥(12,002)              | ¥(11,187)                                   |
| Increase in other non-current liabilities                | (3,783)                | (3,952)                                     |
| Decrease in non-controlling interests                    | 1,381                  | 1,431                                       |
| Decrease in retaining earnings                           | ¥(14,404)              | ¥(14,338)                                   |
| <b>(Consolidated statement of income)</b>                |                        |   |
|  |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Increase in cost of sales                                |                        | ¥ (9)                                       |
| Increase in selling, general and administrative expenses |                        | (81)  |
| Decrease in income before income tax                     |                        | ¥(90)                                       |

#### G. Investments in associates

Under JGAAP, goodwill related to investments accounted for using the equity method was amortized equally over the periods in which economic benefits were reasonably expected to be realized. Under IFRSs, it is not amortized regularly and that results in an increase of investments accounted for using the equity method for the year ended March 31, 2013. As of April 1, 2012, the entire investment over associates, including goodwill, is tested for impairment. As a result, as of April 1, 2012, the Company recognized an impairment loss of ¥231 million and deducted it from retained earnings.

The effect arising from the differences is summarized as follows:

|  | (Millions of yen)      |   |
|--|------------------------|---|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>                              |                        |   |
| Increase (decrease) in investments accounted for using the equity method . . . . . | ¥(231)                 | ¥8,863                                      |
| Increase in accumulated other comprehensive income (before tax) . . . . .          | —                      | (821)                                       |
| Increase (decrease) in retained earnings . . . . .                                 | ¥(231)                 | ¥8,042                                      |
| <b>(Consolidated statement of income)</b>  |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Increase in other non-operating loss . . . . .                                     |                        | ¥ (22)                                      |
| Increase in equity in income of associates . . . . .                               |                        | 8,295                                       |
| Increase in income before income tax . . . . .                                     |                        | ¥8,273                                      |

#### H. Acquisition-related costs arising from business combinations

Under JGAAP, acquisition-related costs arising from business combinations are recognized as an asset when they are regarded as consideration for the acquisitions. Under IFRSs, they are expensed as incurred or when services are rendered as transaction costs directly attributable to business combinations, which have resulted in a decrease in other non-current assets.

The effect arising from the differences is summarized as follows:

|  | (Millions of yen)      |   |
|--|------------------------|---|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>              |                        |   |
| Decrease in other non-current assets . . . . .                     | ¥—                     | ¥(3,801)                                    |
| Decrease in retained earnings . . . . .                            | —                      | (3,801)                                     |
| <b>(Consolidated statement of income)</b>                          |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Increase in selling, general and administrative expenses . . . . . |                        | ¥(3,801)                                    |
| Decrease in income before income tax . . . . .                     |                        | (3,801)                                     |

#### I. Leases

Under JGAAP, finance lease transactions in which the ownership of leased assets was not transferred to lessees and that are contracted before April 1, 2008, are accounted for as operating lease transactions as permitted exceptionally. Under IFRSs, leased assets and lease obligations are recognized.

Accordingly, provisions for impairment of leased assets which were previously included in other liabilities (non-current) under JGAAP are offset by property, plant and equipment. Long-term prepaid lease expenses are offset by lease obligations.

The effect arising from the difference is summarized as follows:

|  | (Millions of yen)      |   |
|--|------------------------|---|
|  | As of<br>April 1, 2012 | As of<br>March 31, 2013                     |
| <b>(Consolidated statement of financial position)</b>              |                        |   |
| Increase in property, plant and equipment . . . . .                | ¥104,973               | ¥ 11,943                                    |
| Decrease in other non-current assets . . . . .                     | (22,676)               | (16,059)                                    |
| Increase in interest-bearing debt (current) . . . . .              | (4,619)                | (47)  |
| Increase in interest-bearing debt (non-current) . . . . .          | (84,023)               | (41)  |
| Other . . . . .  | 2,142                  | 1,354                                       |
| Decrease in retained earnings . . . . .                            | ¥ (4,203)              | ¥ (2,850)                                   |
| <b>(Consolidated statement of income)</b>                          |                        | <b>Fiscal year ended<br/>March 31, 2013</b> |
| Decrease in cost of sales . . . . .                                |                        | ¥1,066                                      |
| Decrease in selling, general and administrative expenses . . . . . |                        | 12  |
| Decrease in finance cost . . . . .                                 |                        | 275   |
| Increase in income before income tax . . . . .                     |                        | ¥1,353                                      |

(8) Notes to reconciliation of cash flows

The adjustment of cash flows for the fiscal year ended March 31, 2013

| (Consolidated statement of cash flow)                     | (Millions of yen)                    |                                      |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
|   | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities |
| JGAAP .....   | ¥894,460                             | ¥(919,770)                           | ¥365,494                             |
| Differences in the scope of consolidation .....           | 5,687                                | 41,725                               | 20,667                               |
| Differences in recognition and measurement                |                                      |                                      |                                      |
| a. Securitization transactions .....                      | (51,081)                             | —                                    | 51,081                               |
| b. Measuring financial liabilities at amortized costs ... | (23,571)                             | —                                    | 23,571                               |
| Other .....   | (12,470)                             | 3,901                                | 10,664                               |
| Total differences in recognition and measurement .....    | (87,122)                             | 3,901                                | 85,316                               |
| IFRSs .....   | <u>¥813,025</u>                      | <u>¥(874,144)</u>                    | <u>¥471,477</u>                      |

Major differences in recognition and measurement are as follows:

a. Securitization transactions

Under JGAAP, securitization transactions qualifying for extinguishment of financial assets were included in cash flows from operating activities. Under IFRSs, certain securitized receivables are recognized for securitization transactions that are not qualified for derecognition of financial assets and accompanying liabilities are accounted for as borrowings. Accordingly, an increase or a decrease in borrowings is included in cash flows from financing activities. As a result, cash flows from operating activities decreased with a corresponding increase in cash flows from financing activities.

b. Measuring financial liabilities by amortized costs

Under JGAAP, commission fees related to borrowings and corporate bonds were included in cash flows from financing activities. Under IFRSs, due to measuring borrowings and corporate bonds at amortized costs, commission fees are included in cash flows from operating activities. As a result, cash flows from operating activities decreased with a corresponding increase in cash flows from financial activities.

#### 46. Approval of Consolidated Financial Statements

The consolidated financial statements have been approved by Chairman & CEO Masayoshi Son as of June 20, 2014.



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### **Registered Office of the Company**

SoftBank Group Corp.  
9-1, Higashi-Shimbashi 1-chome,  
Minato-ku, Tokyo 105-7303  
Japan

### **Legal Advisors to the Company**

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### **Legal Advisors to the Initial Purchasers**

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### **Trustee**

Deutsche Trustee Company Limited  
Winchester House  
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London EC2N 2DB  
United Kingdom

### **Principal Paying Agent**

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1 Great Winchester Street  
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United Kingdom

### **Independent Auditors**

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Shinagawa Intercity  
15-3, Konan 2-chome  
Minato-ku, Tokyo 108-6221  
Japan

### **Transfer Agent and Registrar**

Deutsche Bank Luxembourg S.A.  
2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Luxembourg

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this offering memorandum. You must not rely on unauthorized information or representations.

This offering memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Notes.

The information in this offering memorandum is current only as of the date on its cover page, and may change after that date. For any time after the cover date of this offering memorandum, we do not represent that our affairs are the same as described or that the information in this offering memorandum is correct—nor do we imply those things by delivering this offering memorandum or selling Notes to you.

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## OFFERING MEMORANDUM



### SoftBank Group Corp.

**\$1,000,000,000**

**6% Senior Notes due 2025**

**\$1,000,000,000**

**5¾% Senior Notes due 2022**

**€500,000,000**

**5¼% Senior Notes due 2027**

**€1,250,000,000**

**4¾% Senior Notes due 2025**

**€500,000,000**

**4% Senior Notes due 2022**

**Guaranteed by  
SoftBank Corp.**

*Joint Global Coordinators*

**Deutsche Bank Goldman Sachs International**  
(Sole Physical Bookrunner)

*Joint Bookrunners*

**Mizuho Securities Morgan Stanley**

**BofA Crédit  
Merrill Lynch Agricole CIB NOMURA**

*Co-Managers for the Dollar Notes*

**SMBC Nikko UBS Investment Bank**

**Barclays Daiwa Capital  
Markets Citigroup**

*Co-Managers for the Euro Notes*

**SMBC Nikko UBS Investment Bank**

**Barclays Daiwa Capital  
Markets BNP PARIBAS**

**July 22, 2015**